

TOWN OF HINESBURG, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2013

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 Position	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 Position	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 Position – Proprietary Fund	Exhibit H 18
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	Exhibit I 19

TOWN OF HINESBURG, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2013

TABLE OF CONTENTS
(Continued)

		<u>Page #</u>
Statement of Cash Flows – Proprietary Fund	Exhibit J	20
Statement of Fiduciary Net Position – Fiduciary Funds	Exhibit K	21
Statement of Changes in Fiduciary Net Position – 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 Balances – All non major funds	Schedule 2	39

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



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

INDEPENDENT AUDITOR'S REPORT

To the Selectboard
Town of Hinesburg, Vermont

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Governmental 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for

the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-10 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014 on our consideration of the Town's internal control over financial reporting and 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 of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

FOTHERGILL SEGAL & VALLEY, CPAs

Montpelier, Vermont

Vermont Public Accountancy License #110

January 31, 2014

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013

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, 2013. Please read it in conjunction with the Town's financial statements which begin with Exhibit A.

Financial Highlights

- The Town's net position increased as a result of this year's operations. Net position of our business-type activities increased by \$106,137, or approximately 4 percent and net position of our governmental activities increased by \$1,799,611, or nearly 22.4 percent.
- In the Town's business-type activities, revenue decreased to \$727,789 (or 6.25%) while expenses increased to \$621,652 (or 0.8%). The decrease in revenue was mostly due to the prior year donation of capital assets. Ending net position for this fund was \$2,768,035, up from \$2,661,898, an increase of \$106,137.
- The cost of all of the Town's programs was \$3,857,363 this year, compared to \$3,393,152 in the prior year, with no new programs added.
- The General Fund reported an increase in fund balance this year of \$98,381 which was \$206,381 better than budget.
- The unassigned fund balance for the General Fund was \$243,708 as of June 30, 2013. This amount represents the amount of resources available for future budgets. Assigned fund balances of the General Fund total \$568,793 as of June 30, 2013. These amounts are set aside for expenditures in subsequent years. Nonspendable fund balances total \$66,999. This amount represents prepaid expenses for the subsequent year. Restricted fund balances are \$164,833. 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 Position 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 Position 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 position and changes in them. You can think of the Town's net position – 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 position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however,

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position 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 Position 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 Position 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 Position on Exhibit K and a Statement of Changes in Fiduciary Net Position 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, 2013
(Continued)

The Town as a Whole

The Town's combined net position increased by \$1,905,748 from a year ago – increasing from \$10,705,350 to \$12,611,098. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities compared to fiscal year 2012.

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 2,518,028	\$ 2,347,706	\$ 626,850	\$ 550,042	\$ 3,144,878	\$ 2,897,748
Capital assets	9,067,716	7,165,019	3,914,025	3,989,205	12,981,741	11,154,224
Total assets	11,585,744	9,512,725	4,540,875	4,539,247	16,126,619	14,051,972
Long term liabilities	1,457,833	1,048,104	1,758,781	1,861,978	3,216,614	2,910,082
Other liabilities	284,848	421,169	14,059	15,371	298,907	436,540
Total liabilities	1,742,681	1,469,273	1,772,840	1,877,349	3,515,521	3,346,622
Net position:						
Invested in capital assets, net of debt	8,401,411	6,653,678	2,160,637	2,132,620	10,562,048	8,786,298
Restricted	527,726	524,992	0	0	527,726	524,992
Unrestricted	913,926	864,782	607,398	529,278	1,521,324	1,394,060
Total net position	<u>\$ 9,843,063</u>	<u>\$ 8,043,452</u>	<u>\$2,768,035</u>	<u>\$2,661,898</u>	<u>\$12,611,098</u>	<u>\$10,705,350</u>

Net position of the Town's governmental activities increased by approximately 22.4% (\$9,843,063 compared to \$8,043,452). Most of this increase was due to the construction of the new bike path, funded primarily through grants.

The net position of our business-type activities increased by approximately 4% (\$2,768,035 compared to \$2,661,898).

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

Table 2
Change in Net Position

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

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program revenues:						
Charges for services	\$ 218,549	\$ 231,922	\$ 659,152	\$ 604,551	\$ 877,701	\$ 836,473
Operating grants and contributions	829,050	362,758	0	0	829,050	362,758
Capital grants and contributions	1,500,213	1,686,971	0	118,997	1,500,213	1,805,968
General revenues:						
Property taxes, penalties and interest	2,426,378	2,403,339	0	0	2,426,378	2,403,339
Investment income	10,253	7,578	10,179	5,790	20,432	13,368
Gain(loss) on disposal of assets	42,454	(48,605)	0	0	42,454	(48,605)
Donations	0	500	0	0	0	500
Other general revenues	8,425	20,143	58,458	46,991	66,883	67,134
Total revenues	<u>5,035,322</u>	<u>4,664,606</u>	<u>727,789</u>	<u>776,329</u>	<u>5,763,111</u>	<u>5,440,935</u>
PROGRAM EXPENSES						
General government	998,110	961,096	0	0	998,110	961,096
Public safety	711,930	719,417	0	0	711,930	719,417
Highways and streets	784,714	700,059	0	0	784,714	700,059
Agency requests	257,916	223,170	0	0	257,916	223,170
Culture and recreation	168,072	99,556	0	0	168,072	99,556
Debt service	21,741	19,253	0	0	21,741	19,253
Health and cemetery	34,474	33,557	0	0	34,474	33,557
Community development	235,966	0	0	0	235,966	0
County tax	22,788	20,206	0	0	22,788	20,206
Water	0	0	173,784	151,776	173,784	151,776
Wastewater	0	0	109,285	60,008	109,285	60,008
Shared expenses	0	0	338,583	405,054	338,583	405,054
Total program expenses	<u>3,235,711</u>	<u>2,776,314</u>	<u>621,652</u>	<u>616,838</u>	<u>3,857,363</u>	<u>3,393,152</u>
SPECIAL ITEM						
Loan forgiveness - ANR	<u>0</u>	<u>0</u>	<u>0</u>	<u>776,608</u>	<u>0</u>	<u>776,608</u>
Increase in net position	<u>\$ 1,799,611</u>	<u>\$1,888,292</u>	<u>\$ 106,137</u>	<u>\$ 936,099</u>	<u>\$ 1,905,748</u>	<u>\$ 2,824,391</u>

The biggest changes from year to year primarily relate to various projects from different funding sources.

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

Governmental Activities

Table 3 presents the cost of each of the Town's six largest programs – general government, public safety, highways and streets, agency requests, community development, 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
	2013	2013	2012	2012
General government	\$ 998,110	\$ 772,038	\$ 961,096	\$ 388,949
Public safety	711,930	530,969	719,417	(641,901)
Highways and streets	784,714	391,638	700,059	515,019
Agency requests	257,916	257,916	223,170	223,170
Culture and recreation	168,072	(1,343,665)	99,556	(63,590)
Community development	235,966	0	0	0
All others	79,003	79,003	73,016	73,016
Totals	<u>\$ 3,235,711</u>	<u>\$ 687,899</u>	<u>\$ 2,776,314</u>	<u>\$ 494,663</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 \$1,142,226.

General Fund Budgetary Highlights

Exhibit G compares actual results for fiscal year 2013 to the approved budget for the General Fund. Revenues were greater than expenditures by \$98,381, which was better than the budgeted use of fund balance by \$206,831.

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

The most significant variances were as follows:

	Variance <u>Favorable (Unfavorable)</u>
REVENUES:	
Property taxes	\$ 30,560
Intergovernmental	1,978,137
Charge for services	28,575
Donations	30,374
EXPENDITURES:	
General government	\$ 111,754
Highway and streets	44,244
Community development	(235,966)
Capital outlays - public safety	(36,758)
Capital outlays - highways and streets	(444,598)
Capital outlays - culture and recreation	(1,574,445)
OTHER	
Debt proceeds - capital lease	279,155

Significant budget variances are explained below:

Revenue –

The collection of property tax revenue was 1.5% greater than budgeted. Most of this was due to more than budgeted delinquent tax payments and interest.

Intergovernmental revenues were greater than budgeted due to the receipt of a number of state grants. Those grants include funding for a large box culvert under Shelburne Falls Road, a grant funded Village Visualization project managed by the Village Steering Committee, a \$235,000 pass-through clean water revolving loan funded project to Mountain View Mobile Homepark, and the construction of the Recreation Path Project.

Charges for services were over budget due to greater than anticipated revenue generated from planning and zoning fees, higher than anticipated revenues from the current use payment, and higher than budgeted recording fees captured by the Town Clerk's office.

Donations were over budget because the decision was made to have all the donations for the Fourth of July celebration and because of fundraising efforts for donations for Bissonnette Family Recreational Field Project.

Expenditures –

Expenditures were less than budgeted mainly due to turnover in staff in the Highway Department and the Police Department. Because positions were unfilled for much of the year, the Town saved on wage and benefits.

Capital outlays were over budget because of the purchases of a pick-up truck for the buildings and facilities department and the purchases of a dump/plow truck and an excavator in the highway department. These three (3) pieces of equipment were purchased utilizing lease-purchasing financing. The \$1.5 mil overrun in capital outlays for culture and recreation is due to the Recreation Path Project.

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2013
(Continued)

Water and Wastewater Highlights

Exhibit I shows actual results for the Water and Wastewater Fund for fiscal year 2013. Revenues were greater than expenses by \$106,137. Included in the expenses for the year is depreciation expense of \$133,686. The cash in the Water and Wastewater Fund increased by \$6,100 as reflected on Exhibit J of the financial statements.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2013, the Town had \$12,981,741 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and wastewater line net of accumulated depreciation. (See Table 4 below) This amount represents a net increase (including additions less depreciation) of \$1,827,517 compared to June 30, 2012.

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

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 2,227,957	\$ 2,227,957	\$ 341,619	\$ 341,619	\$ 2,569,576	\$ 2,569,576
Construction in progress	146,491	572,658	0	0	146,491	572,658
Land improvements	330,222	352,514	0	0	330,222	352,514
Buildings	454,624	475,250	425,573	439,322	880,197	914,572
Equipment and vehicles	989,486	874,657	227,651	248,057	1,217,137	1,122,714
Improvements	0	0	2,919,182	2,960,207	2,919,182	2,960,207
Infrastructure	4,918,936	2,661,983	0	0	4,918,936	2,661,983
Totals	<u>\$ 9,067,716</u>	<u>\$ 7,165,019</u>	<u>\$ 3,914,025</u>	<u>\$ 3,989,205</u>	<u>\$ 12,981,741</u>	<u>\$ 11,154,224</u>

This year's additions included:

	Governmental Activities	Business-type Activities	Totals
Shelburne Falls Rd. box culvert	\$ 73,804	\$ 0	\$ 73,804
North Road	269,319	0	269,319
Bike path	1,576,244	0	1,576,244
Fire department radios	12,742	0	12,742
Bissonnette recreation fields	11,237	0	11,237
Police station	63,885	0	63,885
Fire station	57,640	0	57,640
Plowing blades for truck	5,964	0	5,964
Ford F250	25,250	0	25,250
Highway excavator	104,800	0	104,800
Highway international truck	191,814	0	191,814
Town well #3	0	47,906	47,906
Manholes	0	5,600	5,600
Containment sump	0	5,000	5,000
	<u>\$ 2,392,699</u>	<u>\$ 58,506</u>	<u>\$ 2,451,205</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, 2013
(Continued)

Debt

At June 30, 2013, the Town had \$2,826,741 in bonds and notes outstanding versus \$2,540,689 on June 30, 2012 – an increase of \$286,052 – as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	Business-type Activities	Totals
Balances - July 1, 2012	\$ 684,104	\$ 1,856,585	\$ 2,540,689
New loans and leases	515,121	0	515,121
Repayments	(125,872)	(103,197)	(229,069)
Balances - June 30, 2013	<u>\$ 1,073,353</u>	<u>\$ 1,753,388</u>	<u>\$ 2,826,741</u>

Economic Factors and Next Year's Budgets and Rates

The proposed FY2015 budget for voter approval at Town Meeting night on March 3, 2014 shows a total general fund expenditure budget of \$3,072,060, a \$42,200 increase over the approved FY2014 budget. An estimated 0.85¢ property tax increase will be needed to support the proposed budget. Grand list growth for FY2015 is expected to be double that of the increase between FY2013 – FY2014; however, the increase is still relatively low compared to the past decade. At Town meeting last year (2013) voters approved a \$1,055,200 bond to construct a new police station in Hinesburg Village. The Selectboard decided to use a 30-year note to pay-back the loan with the first principle and interest payment starting in FY2015. Construction of the new police station is nearly completed now and the police department will start operating out of the new building by February 1, 2014. While the projected municipal tax-rate increase is expected to be relatively low, the overall property tax burden on the Hinesburg property tax payer may increase substantially in FY2015 due to substantial increases expected in the state-wide education tax rate. Just prior to the end of calendar year 2013, two (2) large residential/mixed-use development proposal applications were submitted to the Planning & Zoning Department. One was Phase-2 of Hinesburg Center which includes a proposal for 21-units of affordable housing plus 17 single family home lots plus other mixed-use buildings. The other was the Haystack Crossing proposal at the corner of Shelburne Falls Road and Route 116 located in the Village Northwest and Agricultural zoning districts. The subdivision sketch plan: 90+ lots, 245 dwelling units, 50,000+ square feet of commercial space, open/green space.

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 POSITION
JUNE 30, 2013

EXHIBIT A

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 995,729	\$ 341,927	\$ 1,337,656
Investments	50,371	0	50,371
Receivables:			
Delinquent taxes	65,027	0	65,027
Delinquent tax interest	8,457	0	8,457
Sewer and water charges	0	219,303	219,303
State of Vermont	253,852	0	253,852
Federal	15,568	0	15,568
Other	8,427	77,272	85,699
Prepaid expenses	66,999	0	66,999
Note receivable	1,041,946	0	1,041,946
Internal balances	11,652	(11,652)	0
Capital assets:			
Non-depreciable:			
Land	2,227,957	341,619	2,569,576
Construction in progress	146,491	0	146,491
Depreciable:			
Land improvements	433,107	0	433,107
Buildings	816,096	687,443	1,503,539
Improvements	0	3,916,300	3,916,300
Infrastructure	5,553,314	0	5,553,314
Equipment and vehicles	2,692,567	837,738	3,530,305
Accumulated depreciation	(2,801,816)	(1,869,075)	(4,670,891)
Total assets	11,585,744	4,540,875	16,126,619
LIABILITIES			
Accounts payable	98,383	9,035	107,418
Construction payable	104,898	0	104,898
Accrued and withheld payroll deductions	9,816	0	9,816
Taxes collected in advance	16,838	0	16,838
Deferred revenue - town forest	2,524	0	2,524
Deferred revenue - police grants	1,116	0	1,116
Deferred revenue - other grants	35,281	0	35,281
Accrued interest	15,992	5,024	21,016
Bonds and notes payable due within one year	215,442	103,860	319,302
Due to State after one year	265,000	0	265,000
Accrued compensated absences due after one year	119,480	5,393	124,873
Bonds and notes payable due after one year	857,911	1,649,528	2,507,439
Total liabilities	1,742,681	1,772,840	3,515,521
NET POSITION			
Unrestricted	913,926	607,398	1,521,324
Restricted:			
Cemetery	57,570	0	57,570
Impact fees	33,695	0	33,695
Other purposes	436,461	0	436,461
Invested in capital assets, net of related debt	8,401,411	2,160,637	10,562,048
Total net position	\$ 9,843,063	\$ 2,768,035	\$ 12,611,098

See Notes to Financial Statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Change in Net Position		
					Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 998,110	\$ 118,980	\$ 107,092	\$ 0	\$ (772,038)	\$ 0	\$ (772,038)
Public safety	711,930	37,769	143,192	0	(530,969)	0	(530,969)
Highways and streets	784,714	0	312,426	80,650	(391,638)	0	(391,638)
Agency requests	257,916	0	0	0	(257,916)	0	(257,916)
Culture and recreation	168,072	61,800	30,374	1,419,563	1,343,665	0	1,343,665
Community developmenet	235,966	0	235,966	0	0	0	0
Debt service	21,741	0	0	0	(21,741)	0	(21,741)
Health and cemetery	34,474	0	0	0	(34,474)	0	(34,474)
County tax	22,788	0	0	0	(22,788)	0	(22,788)
Total governmental activities	<u>3,235,711</u>	<u>218,549</u>	<u>829,050</u>	<u>1,500,213</u>	<u>(687,899)</u>	<u>0</u>	<u>(687,899)</u>
Business-type activities							
Water	173,784	345,883	0	0	0	172,099	172,099
Sewer	109,285	313,269	0	0	0	203,984	203,984
Shared expenses	338,583	0	0	0	0	(338,583)	(338,583)
Total business-type activities	<u>621,652</u>	<u>659,152</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,500</u>	<u>37,500</u>
Total government	<u>\$ 3,857,363</u>	<u>\$ 877,701</u>	<u>\$ 829,050</u>	<u>\$ 1,500,213</u>	<u>(687,899)</u>	<u>37,500</u>	<u>(650,399)</u>
General Revenues:							
Property taxes, penalties and interest					2,426,378	0	2,426,378
Earnings on investments					10,253	10,179	20,432
Gain (loss) on disposal of assets					42,454	0	42,454
Miscellaneous					8,425	58,458	66,883
Total general revenues					<u>2,487,510</u>	<u>68,637</u>	<u>2,556,147</u>
Change in net position					1,799,611	106,137	1,905,748
Net position - July 1, 2012					<u>8,043,452</u>	<u>2,661,898</u>	<u>10,705,350</u>
Net position - June 30, 2013					<u>\$ 9,843,063</u>	<u>\$ 2,768,035</u>	<u>\$ 12,611,098</u>

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	Major Funds		Non-Major Funds	
	General	VCDP	Special Revenue	
	Fund	Fund	Funds	Totals
ASSETS				
Cash and cash equivalents	\$ 908,353	\$ 6,628	\$ 80,748	\$ 995,729
Investments	0	0	50,371	50,371
Receivables:				
Delinquent taxes	65,027	0	0	65,027
Delinquent tax interest	8,457	0	0	8,457
State of Vermont	253,852	0	0	253,852
Federal	15,568	0	0	15,568
Other	8,427	0	0	8,427
Note receivable	511,946	530,000	0	1,041,946
Prepaid expenses	66,999	0	0	66,999
Due from other funds	51,506	0	0	51,506
Total assets	<u>\$ 1,890,135</u>	<u>\$ 536,628</u>	<u>\$ 131,119</u>	<u>\$ 2,557,882</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 98,383	\$ 0	\$ 0	\$ 98,383
Construction payable	104,898	0	0	104,898
Accrued and withheld payroll deductions	9,816	0	0	9,816
Taxes collected in advance	16,838	0	0	16,838
Deferred revenue - taxes	65,000	0	0	65,000
Deferred revenue - town forest	2,524	0	0	2,524
Deferred revenue - police grants	1,116	0	0	1,116
Deferred revenue - other grants	35,281	0	0	35,281
Deferred revenue - Mt. View	511,946	0	0	511,946
Deferred revenue - Vt Smoke and Cure	0	530,000	0	530,000
Due to other funds	0	0	39,854	39,854
Total liabilities	<u>845,802</u>	<u>530,000</u>	<u>39,854</u>	<u>1,415,656</u>
FUND BALANCES				
Fund balances				
Nonspendable - prepaids	66,999	0	0	66,999
Restricted	164,833	6,628	91,265	262,726
Assigned	568,793	0	0	568,793
Unassigned	243,708	0	0	243,708
Total fund balances	<u>1,044,333</u>	<u>6,628</u>	<u>91,265</u>	<u>1,142,226</u>
Total liabilities and fund balances	<u>\$ 1,890,135</u>	<u>\$ 536,628</u>	<u>\$ 131,119</u>	<u>\$ 2,557,882</u>

TOWN OF HINESBURG, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT D

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,142,226

Amounts reported for governmental activities in the
statement of net position 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
\$11,869,532 and the accumulated depreciation is \$2,801,816. 9,067,716

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

Deferred revenue - VT Smoke & Cure	530,000	
Deferred revenue - Mt. View	511,946	
Deferred tax revenue	<u>65,000</u>	1,106,946

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	1,073,353	
Due to State after one year	265,000	
Accrued interest on bonds and notes payable	15,992	
Accrued compensated absences	<u>119,480</u>	<u>(1,473,825)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 9,843,063

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

YEAR ENDED JUNE 30, 2013

	Major Funds		Non-Major Funds	
	General	VCDP	Special Revenue	
	Fund	Fund	Funds	Totals
REVENUES				
Property taxes	\$ 2,404,233	\$ 0	\$ 0	\$ 2,404,233
Penalties and interest	22,145	0	0	22,145
Licenses and permits	46,490	0	0	46,490
Impact fees	0	0	41,952	41,952
Intergovernmental	2,256,937	0	0	2,256,937
Charges for services	158,823	0	0	158,823
Fines and forfeits	13,236	0	0	13,236
Investment income	2,192	5,472	2,589	10,253
Donations	30,374	0	0	30,374
Miscellaneous income	7,425	0	1,000	8,425
Total revenues	4,941,855	5,472	45,541	4,992,868
EXPENDITURES				
Current				
General government	938,474	169	0	938,643
Public safety	612,519	0	0	612,519
Highways and streets	499,315	0	0	499,315
Culture and recreation	101,867	0	0	101,867
Health and cemetery	34,229	0	245	34,474
Community development	235,966	0	0	235,966
County tax	22,788	0	0	22,788
Agency requests	257,916	0	0	257,916
Capital outlays				
Public safety	66,326	0	67,876	134,202
Highways and streets	622,598	0	0	622,598
Culture and recreation	1,593,445	0	0	1,593,445
Debt service				
General government - interest	16,133	0	0	16,133
Highways and streets - principal	125,872	0	0	125,872
Total expenditures	5,127,448	169	68,121	5,195,738
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(185,593)	5,303	(22,580)	(202,870)
OTHER FINANCING SOURCES (USES)				
Debt proceeds - capital lease	279,155	0	0	279,155
Operating transfers	4,819	0	(4,819)	0
Total other financing sources (uses)	283,974	0	(4,819)	279,155
NET CHANGE IN FUND BALANCE	98,381	5,303	(27,399)	76,285
FUND BALANCES - JULY 1, 2012	945,952	1,325	118,664	1,065,941
FUND BALANCES - JUNE 30, 2013	\$ 1,044,333	\$ 6,628	\$ 91,265	\$ 1,142,226

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, 2013

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	76,285
--	----	--------

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 \$2,350,245 and gain in disposal of assets of \$42,454 exceeds depreciation expense of \$490,002.		1,902,697
--	--	-----------

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 position.		125,872
--	--	---------

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 position.		(279,155)
---	--	-----------

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 \$20,480.		(20,480)
---	--	----------

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 increase in interest reported in the General Fund is because accrued interest on bonds and notes payable increased.		(5,608)
---	--	---------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,799,611</u></u>
---	----	-------------------------

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

YEAR ENDED JUNE 30, 2013

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 2,373,673	\$ 2,404,233	\$ 30,560
Penalties and interest	16,000	22,145	6,145
Licenses and permits	38,200	46,490	8,290
Intergovernmental	278,800	2,256,937	1,978,137
Charges for services	130,248	158,823	28,575
Fines and forfeits	20,000	13,236	(6,764)
Investment income	2,000	2,192	192
Donations	0	30,374	30,374
Miscellaneous income	0	7,425	7,425
Total revenues	<u>2,858,921</u>	<u>4,941,855</u>	<u>2,082,934</u>
EXPENDITURES			
Current			
General government	1,050,228	938,474	111,754
Public safety	614,644	612,519	2,125
Highways and streets	543,559	499,315	44,244
Culture and recreation	87,424	101,867	(14,443)
Health and cemetery	31,967	34,229	(2,262)
Community development	0	235,966	(235,966)
County tax	22,000	22,788	(788)
Agency requests	243,879	257,916	(14,037)
Capital outlays			
Public safety	29,568	66,326	(36,758)
Highways and streets	178,000	622,598	(444,598)
Culture and recreation	19,000	1,593,445	(1,574,445)
Debt service			
Interest	17,556	16,133	1,423
Principal	130,096	125,872	4,224
Total expenditures	<u>2,967,921</u>	<u>5,127,448</u>	<u>(2,159,527)</u>
EXCESS (DEFICIENCY) OF			
REVENUES OVER EXPENDITURES	<u>(109,000)</u>	<u>(185,593)</u>	<u>(76,593)</u>
OTHER FINANCING SOURCES			
Debt proceeds - capital lease	0	279,155	279,155
Operating transfers	1,000	4,819	3,819
Total other financing sources	<u>1,000</u>	<u>283,974</u>	<u>282,974</u>
NET CHANGE IN FUND BALANCE	<u>\$ (108,000)</u>	<u>98,381</u>	<u>\$ 206,381</u>
FUND BALANCE - JULY 1, 2012		<u>945,952</u>	
FUND BALANCE - JUNE 30, 2013		<u>\$ 1,044,333</u>	

TOWN OF HINESBURG, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013

EXHIBIT H

	<u>Water and Sewer</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 341,927
Accounts receivable:	
Water/sewer and other fees	219,303
Other	<u>77,272</u>
Total current assets	<u>638,502</u>
Noncurrent assets:	
Capital assets	
Land	341,619
Buildings	687,443
Equipment and vehicles	837,738
Improvements	3,916,300
Accumulated depreciation	<u>(1,869,075)</u>
Total noncurrent assets	<u>3,914,025</u>
 Total assets	 <u>4,552,527</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	9,035
Accrued interest	5,024
Due to other funds	11,652
Accrued compensated absences	5,393
Bonds and notes payable due within one year	<u>103,860</u>
Total current liabilities	<u>134,964</u>
Noncurrent liabilities:	
Bonds and notes payable due after one year	<u>1,649,528</u>
 Total liabilities	 <u>1,784,492</u>
 NET POSITION	
Unrestricted	607,398
Invested in capital assets, net of related debt	<u>2,160,637</u>
 Total net position	 <u><u>\$ 2,768,035</u></u>

TOWN OF HINESBURG, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

EXHIBIT I

	<u>Water and Sewer</u>
OPERATING REVENUES:	
Charges for services:	
Water	\$ 345,883
Sewer	308,574
Fees and charges	4,695
Miscellaneous income	58,458
Total operating revenues	<u>717,610</u>
OPERATING EXPENSES:	
Water Department	95,626
Sewer Department	109,285
Shared expenses	338,583
Total operating expenses	<u>543,494</u>
INCOME FROM OPERATIONS	<u>174,116</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and late charges	10,179
Interest expense	(78,158)
Total nonoperating revenues (expenses)	<u>(67,979)</u>
CHANGE IN NET POSITION	106,137
NET POSITION - JULY 1, 2012	<u>2,661,898</u>
NET POSITION - JUNE 30, 2013	<u><u>\$ 2,768,035</u></u>

TOWN OF HINESBURG, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2013

EXHIBIT J

	Water and Sewer
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 687,831
Cash received net of lease expense - Solar Trackers	4,695
Cash payments to employees and related benefits	(177,706)
Cash payments to suppliers for goods and services	(310,339)
Net cash from operating activities	<u>204,481</u>
 CASH FLOWS TO NONCAPITAL FINANCING ACTIVITIES	
Interfund advances	<u>31,648</u>
 CASH FLOWS TO CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(58,506)
Interest paid on bonds	(78,505)
Retirement of bonds & loans	(103,197)
Net cash to capital and related financing activities	<u>(240,208)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash and investments	<u>10,179</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	6,100
 CASH AND CASH EQUIVALENTS - JULY 1, 2012	<u>335,827</u>
 CASH AND CASH EQUIVALENTS - JUNE 30, 2013	<u><u>\$ 341,927</u></u>
 RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES	
Income from operations	\$ 174,116
Adjustments to reconcile income from operations to net cash flow from operating activities:	
Depreciation	133,686
Change in assets and liabilities:	
Increase in accounts receivable	(102,356)
Increase in accounts payable	(965)
Net cash from operating activities	<u><u>\$ 204,481</u></u>

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

EXHIBIT K

JUNE 30, 2013

	<u>Private Purpose Trusts</u>		<u>Total</u>
	<u>Peck Estate</u>	<u>Eddy Family Recreation</u>	<u>Trust Funds</u>
ASSETS			
Cash	\$ 8,625	\$ 92,650	\$ 101,275
Investments	<u>846,012</u>	<u>0</u>	<u>846,012</u>
Total assets	<u>854,637</u>	<u>92,650</u>	<u>947,287</u>
NET POSITION			
Held in trust for others	<u>\$ 854,637</u>	<u>\$ 92,650</u>	<u>\$ 947,287</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2013

	Peck Estate	Eddy Family Recreation	Total Private Purpose Trusts
ADDITIONS			
Interest and dividends	\$ 29,241	\$ 0	\$ 29,241
Unrealized investment gain	46,012	0	46,012
Total additions	75,253	0	75,253
DEDUCTIONS			
Administrative expenses	4,966	0	4,966
Payment to school	32,000	0	32,000
Total deductions	36,966	0	36,966
CHANGE IN NET POSITION	38,287	0	38,287
NET POSITION, JULY 1, 2012	816,350	92,650	909,000
NET POSITION, JUNE 30, 2013	\$ 854,637	\$ 92,650	\$ 947,287

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 Position 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 position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. 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.).

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

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and the Vermont Community Development Project Fund are the only major governmental funds 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 funds 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.

Vermont Community Development Project Fund is a fund used to account for loans made through the VCDP.

Proprietary Funds

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, 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 position and changes in net position and are reported using accounting principles similar to proprietary funds.

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.

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, compensated absences, claims and judgments, and certain prepaids which are recognized when due/paid.

Budget Adoption

The Town approves a budget for the General Fund at an annual Town Meeting and the Selectboard determines the tax rate based on the budget and Grand List. Formal budgetary accounting is employed as a management control device during the year for the General Fund. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Net Position

In June of 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. In July of 2012, the Town adopted GASB Statement No. 63. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The Statement of Net Assets is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the Statement of Net Position. 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 and deferred inflows of resources attributable to either capital asset acquisition, construction or improvement. This amount is then increased by any deferred outflows of resources attributable to capital asset acquisition, construction, or improvement (to arrive at net investment in capital assets). Net position is reported as restricted when there are legal limitations imposed on its use by legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

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

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

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

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

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

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

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.

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.

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Interfund Activities

Interfund activities are reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund activities are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Use of Estimates

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

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2013, none of the government's bank balance was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 177,285
Uninsured - collateralized	<u>1,309,773</u>
Total bank balance	<u><u>\$ 1,487,058</u></u>

Investments

As of June 30, 2013, the Town had the following investments:

Investment type:	
Certificates of deposit (FDIC insured)	\$ 103,437
Mutual funds	94,387
Common stock	465,644
Corporate bonds	<u>232,915</u>
	<u><u>\$ 896,383</u></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, 2013
(Continued)

NOTE 3 - CAPITAL ASSETS

Governmental Activities

The summary of capital assets as of June 30, 2013 is as follows:

	July 1, 2012	Depreciation and Additions	Conversions and Deletions	June 30, 2013
Capital assets not depreciated				
Land	\$ 2,227,957	\$ 0	\$ 0	\$ 2,227,957
Construction in progress	572,658	132,761	(558,928)	146,491
Total capital assets not depreciated	<u>2,800,615</u>	<u>132,761</u>	<u>(558,928)</u>	<u>2,374,448</u>
Capital assets being depreciated				
Land improvements	433,107	0	0	433,107
Buildings	816,096	0	0	816,096
Infrastructure	3,075,018	2,478,296	0	5,553,314
Equipment and vehicles	2,394,530	340,570	(42,533)	2,692,567
Total capital assets being depreciated	<u>6,718,751</u>	<u>2,818,866</u>	<u>(42,533)</u>	<u>9,495,084</u>
Less accumulated depreciation for:				
Land improvements	80,593	22,292	0	102,885
Buildings	340,846	20,626	0	361,472
Infrastructure	413,035	221,343	0	634,378
Equipment and vehicles	1,519,873	225,741	(42,533)	1,703,081
Accumulated depreciation	<u>2,354,347</u>	<u>490,002</u>	<u>(42,533)</u>	<u>2,801,816</u>
Total capital assets, net	<u>\$ 7,165,019</u>	<u>\$ 2,461,625</u>	<u>\$ (558,928)</u>	<u>\$ 9,067,716</u>

Proprietary Fund

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

	July 1, 2012	Depreciation and Additions	Deletions	June 30, 2013
Water and Sewer Fund				
Land	\$ 341,619	\$ 0	\$ 0	\$ 341,619
Buildings	687,443	0	0	687,443
Improvements	3,857,794	58,506	0	3,916,300
Equipment and vehicles	837,738	0	0	837,738
Total capital assets	<u>5,724,594</u>	<u>58,506</u>	<u>0</u>	<u>5,783,100</u>
Less accumulated depreciation for:				
Buildings	248,121	13,749	0	261,870
Improvements	897,587	99,531	0	997,118
Equipment and vehicles	589,681	20,406	0	610,087
Accumulated depreciation	<u>1,735,389</u>	<u>133,686</u>	<u>0</u>	<u>1,869,075</u>
Total capital assets, net	<u>\$ 3,989,205</u>	<u>\$ (75,180)</u>	<u>\$ 0</u>	<u>\$ 3,914,025</u>

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 3 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 38,987
Public safety	99,411
Highway and streets	285,399
Culture and recreation	66,205
Total governmental activities depreciation expense	<u>\$ 490,002</u>
Business-type activities:	
Water and sewer - shared expenses	<u>\$ 133,686</u>

NOTE 4 - NOTES RECEIVABLE

The Town has a note receivable at June 30, 2013 with Vermont Smoke and Cure, Inc. The Town has obtained a federal grant through the Vermont Community Development Program and has loaned these funds to Vermont Smoke and Cure, Inc. for redevelopment of the old Saputo Factory property. The Town holds a \$530,000 note receivable with 1% interest, with terms of quarterly installments of interest only through July 2014, and principal and interest through January 2021. This total amount is offset by deferred revenue for fund financial statement purposes.

For the government wide statements, 50% of the principal repayments are due back to the Vermont Community Development Program as required under the initial grant terms. The amount payable as of June 30, 2013 was \$265,000.

The Town has a note receivable at June 30, 2013 with Mountain View Park for \$511,946 with 2% interest. When this note is paid, it is immediately remitted to the Vermont Revolving Loan Fund, as reflected in the information in the Notes Payable section.

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE BALANCES

The Town has combined some of the cash resources of its governmental funds for accounting and reporting purposes. That portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2013 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 51,506	\$ 0
Enterprise Funds	0	11,652
Special Revenue Fund	0	39,854
	<u>\$ 51,506</u>	<u>\$ 51,506</u>

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 6 – ACCOUNTS RECEIVABLE – GENERAL FUND

Accounts receivable – other in the General Fund consists of:

State of Vt. - STP Bike Grant	\$ 75,934	
State of Vt. - paving grant	175,000	
State of Vt. - other	<u>2,918</u>	
Total due from State of Vt.		253,852
Federal - Dept of Justice		15,568
Other grants and fees		<u>8,427</u>
Total		<u><u>\$ 277,847</u></u>

NOTE 7 - 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>
Capital Lease Payable - First Niagara Leasing, interest at 3.27%, maturing October 1, 2016, payments of \$24,169 due annually beginning October 1, 2012.	\$ 89,263	\$ 21,250
Note Payable - People's United Bank, interest at 3.0%, maturing September 3, 2013. Annual principal payments of \$27,130 beginning September 3, 2010.	27,129	27,129
Note Payable - Vermont Municipal Bond Bank, interest at 3.87% annual payments of principal and interest, maturing December 1, 2016.	40,000	10,000
Capital Lease Payable - Kansas State Bank, interest at 5.39%, maturing September 15, 2017, payments of \$22,993 due annually beginning September 15, 2009.	98,483	17,685
Capital Lease Payable - Kansas State Bank, interest at 4.6%, maturing October 16, 2013, payments of \$11,433 due annually beginning October 16, 2010.	10,879	10,879
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.	16,498	16,498
Capital Lease Payable - First Niagara Leasing, interest at 2.94%, maturing July 1, 2017, payments of \$60,870 due annually, beginning July 1, 2013.	279,155	52,571
Note Payable - Clean Water State Revolving Loan Fund, 2% interest maturing December 1, 2033, payments of \$14,633 due annually beginning November 1, 2015.	<u>511,946</u>	<u>59,430</u>
Total governmental activities bonds and notes payable	1,073,353	215,442
Accrued compensated absences	<u>119,480</u>	<u>0</u>
Total governmental activities	<u><u>\$ 1,192,833</u></u>	<u><u>\$ 215,442</u></u>

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 7 – LONG TERM LIABILITIES (Continued)

Business-type Activities	<u>Total</u>	<u>Due within one year</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.	\$ 980,000	\$ 70,000
Bond Payable - Vermont Municipal Bond Bank, \$125,111 at 0% interest, maturing July 1, 2031, annual payments of \$1,833 beginning July 1, 2012. A principal payment of \$95,134 was made in January, 2010 utilizing Federal ARRA funds.	28,743	1,258
Bond Payable - Vermont Municipal Bond Bank, \$776,608 at 0% interest with a 2% admin. fee, maturing July 1, 2031, annual payments of \$47,495 beginning July 1, 2012. This loan totalled \$1,553,216 and 50% was forgiven at the at the completion of the project through an ARRA loan subsidy.	<u>744,645</u>	<u>32,602</u>
Total business activities bonds and notes payable	1,753,388	103,860
Accrued compensated absences	<u>5,393</u>	<u>0</u>
Total business activities	<u><u>\$ 1,758,781</u></u>	<u><u>\$ 103,860</u></u>

During the fiscal year ended June 30, 2013, the following changes occurred in long-term liabilities:

	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Long-term liabilities at July 1, 2012	\$ 2,645,082	\$ 783,104	\$ 1,861,978
Increase in accr. vacation payable	20,480	20,480	0
Bond, lease and note proceeds	515,121	515,121	0
Bonds and notes retired	<u>(229,069)</u>	<u>(125,872)</u>	<u>(103,197)</u>
Long-term liabilities at June 30, 2013	2,951,614	1,192,833	1,758,781
Due within one year	319,302	215,442	103,860
Due after one year	<u><u>\$ 2,632,312</u></u>	<u><u>\$ 977,391</u></u>	<u><u>\$ 1,654,921</u></u>

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 7 – LONG TERM LIABILITIES (Continued)

As of June 30, 2013, the maturities of the notes and bonds payable are as follows:

	Governmental Funds			Water and Sewer Fund		
	Principal	Interest and admin. fee	Total	Principal	Interest and admin. fee	Total
June 30, 2014	\$ 215,442	\$ 19,800	\$ 235,242	\$ 103,860	\$ 78,500	\$ 182,360
June 30, 2015	123,400	23,400	146,800	104,500	73,700	178,200
June 30, 2016	127,100	19,300	146,400	105,250	68,800	174,050
June 30, 2017	131,000	15,000	146,000	106,000	63,800	169,800
June 30, 2018	100,700	10,800	111,500	106,600	53,900	160,500
2019-2023	105,000	33,500	138,500	544,500	193,000	737,500
2024-2028	115,800	22,600	138,400	495,000	218,500	713,500
2029-2033	127,900	10,500	138,400	187,678	90,200	277,878
2034	27,011	600	27,611	0	0	0
Total	<u>\$ 1,073,353</u>	<u>\$ 155,500</u>	<u>\$1,228,853</u>	<u>\$ 1,753,388</u>	<u>\$ 840,400</u>	<u>\$ 2,593,788</u>

NOTE 8 - ACCRUED COMPENSATED ABSENCES

The Town's policy is to permit employees to accumulate earned but unused combined time off pay benefits. The maximum that can be accumulated for combined time off is 1.5 times each employee's yearly earned amount. Fifty percent of the amount earned over the maximum can be carried over for an extended sick bank. Upon termination, employees will be paid the accumulated total of combined time off and extended sick bank. The long-term liability on June 30, 2013 was \$119,480 for governmental activities and \$5,393 for business-type activities and is reflected on the Government-wide Statement of Net Position. During fiscal year 2013, this balance increased by \$20,480 for governmental activities and was unchanged for business-type activities.

NOTE 9 - DEFERRED REVENUE

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

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 10 – RESTRICTED AND ASSIGNED FUND BALANCES AND NET POSITION

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

	Fund Balance Assigned	Fund Balance Restricted	Net Position Restricted
Reappraisal	\$ 0	\$ 130,917	\$ 130,917
Fire Department - landscaping	22,296	0	0
Land preservation	22,431	0	0
Print, bind & microfilm	8,134	0	0
Records restoration	0	33,916	33,916
Recreation - capital expense	13,013	0	0
Corridor improvement	58,320	0	0
Tree planting	5,136	0	0
Police station building	6,490	0	0
Conservation committee	6,820	0	0
Planning commission - prof. services	10,000	0	0
Highway roads and bridges	82,804	0	0
Highway gravel and culverts	28,170	0	0
Highway equipment	23,264	0	0
Buildings and grounds	24,079	0	0
Recreation	25,181	0	0
Planning and zoning	3,000	0	0
Fire department	27,170	0	0
Police department	7,000	0	0
Technology	2,985	0	0
FY14 expenditures	192,500	0	0
VDCP Fund	0	6,628	271,628
Cemetery	0	57,570	57,570
Impact fees	0	33,695	33,695
	<u>\$ 568,793</u>	<u>\$ 262,726</u>	<u>\$ 527,726</u>

Proprietary Fund

The Sewer and Water Fund has unrestricted net position of \$607,398 as of June 30, 2013, of which \$2,500 is designated for purchase of a truck, \$29,399 for capital upgrades of the water system, \$151,839 for upgrades of the sewer system, and \$71,009 for various other water and sewer projects.

NOTE 11 - PROPERTY TAXES

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

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

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 11 - PROPERTY TAXES (Continued)

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

Property taxes levied for the year ended June 30, 2013 were calculated as follows:

	<u>Grand List</u>	<u>Tax Rate</u>	<u>Total Amount</u>
Municipal	\$ 508,571,150	\$0.4713	\$ 2,396,896
Non-residential education	121,824,937	1.4452	1,760,614
Residential education	387,190,113	1.4533	<u>5,627,034</u>
Property taxes billed			9,784,544
Abatements and adjustments			(7,447)
Property taxes paid to School District			<u>(7,372,864)</u>
Property tax revenues recognized in General Fund			<u><u>\$ 2,404,233</u></u>

NOTE 12 - PENSION PLANS

All eligible employees of the Town are enrolled for coverage by the Vermont Municipal Employees' Retirement System (VMERS) immediately upon employment. VMERS has a defined benefit plan and a defined contribution plan that the Town participates in as follows:

Defined Benefit Plan

VMERS defined benefit plan is a cost sharing multiple-employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The Town and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

Of the Town's total payroll of \$1,113,367, \$780,099 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 were \$39,005 for fiscal year 2013, \$35,604 for fiscal year 2012, and \$40,267 for fiscal year 2011.

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, 2013
(Continued)

NOTE 12 - PENSION PLANS (Continued)

Defined Contribution Plan

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

Of the Town's total payroll of \$1,113,367, \$250,811 was covered under the VMERS defined contribution plan. The total contributions to this plan by the employer were \$12,854 and by the employees were \$12,540.

NOTE 13 - RISK MANAGEMENT

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

NOTE 14 - CONTINGENCY

The Town of Hinesburg participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2013 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 15 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2013, expenditures exceeded appropriations in the General Fund by \$2,159,527. The excess expenditures were funded by excess revenue and other financing sources, and were a result of timing of grant expenditures spanning multiple fiscal years.

NOTE 16 – OPERATING LEASE

The Town has entered into a lease agreement with AllEarth Services LLC for thirty-one 4800 watt AllSun Trackers. The terms of the lease call for monthly lease payments of \$3,500 to \$4,253 per month for an initial term of five years, based on the number of kilowatt-hours produced by the trackers. 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 \$47,485, while credit for energy produced were \$52,180.

Future minimum rental payments are as follows:

6/30/2014	\$	51,036
6/30/2015		51,036
6/30/2016		21,265
	\$	<u>123,337</u>

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013
(Continued)

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 31, 2014, the date which the financial statements were available for issue.

In July, 2013, the Town entered into a lease purchase agreement with First Niagara Leasing, Inc. for various equipment costing \$212,130 payable over a seven year period including interest of 3.417% per annum.

In July, 2013, the Town took out a new bond with the Vermont Municipal Bond Bank for a new Hinesburg Police Department building, for \$1,055,200, payable over a thirty year period, including interest ranging from 0.804% to 4.954% per annum.

TOWN OF HINESBURG, VERMONT
COMBINING BALANCE SHEET
ALL NON MAJOR FUNDS
JUNE 30, 2013

SCHEDULE 1

	<u>Cemetery Fund</u>	<u>Impact Fee Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 12,018	\$ 68,730	\$ 80,748
Investments	<u>50,371</u>	<u>0</u>	<u>50,371</u>
Total assets	<u><u>\$ 62,389</u></u>	<u><u>\$ 68,730</u></u>	<u><u>\$ 131,119</u></u>
LIABILITIES			
Liabilities:			
Due to General Fund	\$ 4,819	\$ 35,035	\$ 39,854
FUND BALANCES			
Restricted for specific purposes	<u>57,570</u>	<u>33,695</u>	<u>91,265</u>
Total liabilities and fund balances	<u><u>\$ 62,389</u></u>	<u><u>\$ 68,730</u></u>	<u><u>\$ 131,119</u></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, 2013

	Cemetery Fund	Impact Fee Fund	Total
REVENUES			
Impact fees	\$ 0	\$ 41,952	\$ 41,952
Investment income	2,524	65	2,589
Miscellaneous income	1,000	0	1,000
Total revenues	<u>3,524</u>	<u>42,017</u>	<u>45,541</u>
EXPENDITURES			
Current			
Cemetery expenses	245	0	245
Capital outlays			
Police	0	57,640	57,640
Fire	0	10,236	10,236
Total expenditures	<u>245</u>	<u>67,876</u>	<u>68,121</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,279	(25,859)	(22,580)
OTHER FINANCING SOURCES			
Operating transfers	<u>(4,819)</u>	<u>0</u>	<u>(4,819)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(1,540)	(25,859)	(27,399)
FUND BALANCES - JULY 1, 2012	<u>59,110</u>	<u>59,554</u>	<u>118,664</u>
FUND BALANCES - JUNE 30, 2013	<u>\$ 57,570</u>	<u>\$ 33,695</u>	<u>\$ 91,265</u>