

TOWN OF HINESBURG, VERMONT
AUDIT REPORT AND FINANCIAL STATEMENTS
JUNE 30, 2015

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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, 2015, 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 *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 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, 2015, and the respective changes in financial position, and, where applicable, cash flows, 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, and the pension related schedules on Schedule 3 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 basic 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 basic financial statements or to the basic 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 February 24, 2016 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 SEGALE & VALLEY, CPAs

Montpelier, Vermont

Vermont Public Accountancy License #110

February 24, 2016

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

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, 2015. 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 \$402,557, or approximately 13.5 percent and net position of our governmental activities increased by \$315,989, or nearly 2.9 percent.
- In the Town's business-type activities, revenue increased to \$1,095,902 (or 38.4%) while expenses increased to \$693,345 (or approximately 21%). The increase in revenue was due to a legal settlement. Ending net position for the business-type activities was \$3,380,266, up from a restated net position of \$2,977,709, an increase of \$402,557.
- The cost of all of the Town's programs was \$4,143,631 this year, compared to \$3,965,395 in the prior year, with no new programs added.
- The General Fund reported a decrease in fund balance this year of \$92,135 which was \$50,365 better than the budgeted use of \$142,500 of fund balance.
- The unassigned fund balance for the General Fund was \$207,424 as of June 30, 2015. This amount represents the amount of resources available for future budgets. Assigned fund balances of the General Fund total \$408,770 as of June 30, 2015. These amounts are set aside for expenditures in subsequent years. Nonspendable fund balances total \$81,465. This amount represents prepaid expenses for the subsequent year. Restricted fund balances are \$246,817. 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, 2015
(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, 2015
(Continued)

The Town as a Whole

The June 30, 2014 balances are restated to account for the implementation of GASB 68, which is a new accounting pronouncement related to accounting for pensions. The net effect of the restatement is a reduction of governmental activities net position of \$64,413, and a reduction of business-type activities net position of \$9,954 as of June 30, 2014.

The Town's combined net position increased by \$718,546 from a year ago – increasing from a restated balance of \$13,807,387 to \$14,525,933. 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 2014.

Table 1
Net Position

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|----------------------------|----------------------|-----------------------------|--------------------|-----------------------------|---------------------|
| | 2015 | 2014 (restated) | 2015 | 2014 (restated) | 2015 | 2014 (restated) |
| Current and other assets | \$ 2,673,309 | \$ 2,575,374 | \$ 1,023,372 | \$ 731,938 | \$ 3,696,681 | \$ 3,307,312 |
| Capital assets | 11,465,095 | 11,261,062 | 4,110,051 | 3,969,549 | 15,575,146 | 15,230,611 |
| Total assets | 14,138,404 | 13,836,436 | 5,133,423 | 4,701,487 | 19,271,827 | 18,537,923 |
| Deferred outflows | 52,282 | 38,054 | 8,079 | 5,883 | 60,361 | 43,937 |
| Long term liabilities | 2,494,035 | 2,571,513 | 1,709,610 | 1,663,086 | 4,203,645 | 4,234,599 |
| Other liabilities | 467,956 | 473,299 | 38,795 | 66,575 | 506,751 | 539,874 |
| Total liabilities | 2,961,991 | 3,044,812 | 1,748,405 | 1,729,661 | 4,710,396 | 4,774,473 |
| Deferred inflows | 83,028 | 0 | 12,831 | 0 | 95,859 | 0 |
| Net position: | | | | | | |
| Invested in capital assets, net of debt | 9,968,271 | 9,490,574 | 2,405,834 | 2,311,856 | 12,374,105 | 11,802,430 |
| Restricted | 632,343 | 571,430 | 0 | 0 | 632,343 | 571,430 |
| Unrestricted | 545,053 | 767,674 | 974,432 | 665,853 | 1,519,485 | 1,433,527 |
| Total net position | <u>\$11,145,667</u> | <u>\$ 10,829,678</u> | <u>\$ 3,380,266</u> | <u>\$2,977,709</u> | <u>\$ 14,525,933</u> | <u>\$13,807,387</u> |

Net position of the Town's governmental activities increased by approximately 2.9% (\$11,145,667 compared to \$10,829,678).

The net position of our business-type activities increased by approximately 13.5% (\$3,380,266 compared to \$2,977,709). Most of this increase is due to a legal settlement.

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(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 | |
|--|----------------------------|--------------------|-----------------------------|-------------------|---------------------|--------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| REVENUES | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 257,758 | \$ 244,610 | \$ 682,564 | \$ 687,423 | \$ 940,322 | \$ 932,033 |
| Operating grants and contributions | 513,806 | 509,998 | 0 | 0 | 513,806 | 509,998 |
| Capital grants and contributions | 418,576 | 1,183,740 | 0 | 80,490 | 418,576 | 1,264,230 |
| General revenues: | | | | | | |
| Property taxes, penalties and interest | 2,547,659 | 2,471,494 | 0 | 0 | 2,547,659 | 2,471,494 |
| Investment income | 6,657 | 14,230 | 8,040 | 11,220 | 14,697 | 25,450 |
| Gain(loss) on disposal of assets | 7,542 | 15,102 | 0 | 0 | 7,542 | 15,102 |
| Other general revenues | 14,277 | 5,086 | 1,691 | 12,658 | 15,968 | 17,744 |
| Total revenues | <u>3,766,275</u> | <u>4,444,260</u> | <u>692,295</u> | <u>791,791</u> | <u>4,458,570</u> | <u>5,236,051</u> |
| PROGRAM EXPENSES | | | | | | |
| General government | 1,196,945 | 1,167,921 | 0 | 0 | 1,196,945 | 1,167,921 |
| Public safety | 746,432 | 740,360 | 0 | 0 | 746,432 | 740,360 |
| Highways and streets | 947,976 | 959,540 | 0 | 0 | 947,976 | 959,540 |
| Agency requests | 268,561 | 259,227 | 0 | 0 | 268,561 | 259,227 |
| Culture and recreation | 135,411 | 137,039 | 0 | 0 | 135,411 | 137,039 |
| Interest on long-term debt | 89,856 | 67,332 | 0 | 0 | 89,856 | 67,332 |
| Health and cemetery | 40,421 | 36,211 | 0 | 0 | 40,421 | 36,211 |
| Community development | 0 | 2,242 | 0 | 0 | 0 | 2,242 |
| County tax | 24,684 | 23,360 | 0 | 0 | 24,684 | 23,360 |
| Water | 0 | 0 | 186,370 | 178,060 | 186,370 | 178,060 |
| Wastewater | 0 | 0 | 186,109 | 87,748 | 186,109 | 87,748 |
| Shared expenses | 0 | 0 | 320,866 | 306,355 | 320,866 | 306,355 |
| Total program expenses | <u>3,450,286</u> | <u>3,393,232</u> | <u>693,345</u> | <u>572,163</u> | <u>4,143,631</u> | <u>3,965,395</u> |
| SPECIAL ITEM | | | | | | |
| Legal settlement | 0 | 0 | 403,607 | 0 | 403,607 | 0 |
| Increase in net position | <u>\$ 315,989</u> | <u>\$1,051,028</u> | <u>\$ 402,557</u> | <u>\$ 219,628</u> | <u>\$ 718,546</u> | <u>\$1,270,656</u> |

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

In the Business-type Activities, the increase in revenue has to do with a legal settlement resulting from a class action lawsuit which the Town was party to. This is presented net of legal fees and expenses. The increase in the Wastewater expenses is due to the planned sludge removal that is done every few years.

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(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 |
|----------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | 2015 | 2015 | 2014 | 2014 |
| General government | \$ 1,196,945 | \$ 829,585 | \$ 1,167,921 | \$ 958,326 |
| Public safety | 746,432 | 654,041 | 740,360 | 546,732 |
| Highways and streets | 947,976 | 408,369 | 959,540 | (279,411) |
| Agency requests | 268,561 | 268,561 | 259,227 | 259,227 |
| Culture and recreation | 135,411 | (55,371) | 137,039 | (158,825) |
| Interest on long-term debt | 89,856 | 89,856 | 67,332 | 67,332 |
| All others | 65,105 | 65,105 | 61,813 | 61,503 |
| Totals | <u>\$ 3,450,286</u> | <u>\$ 2,260,146</u> | <u>\$ 3,393,232</u> | <u>\$ 1,454,884</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 \$1,090,618.

General Fund Budgetary Highlights

Exhibit G compares actual results for fiscal year 2015 to the approved budget for the General Fund. Expenditures were greater than revenues by \$92,135, which was better than the budgeted use of fund balance by \$50,365.

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)

The most significant variances were as follows:

| | Variance <u>Favorable (Unfavorable)</u> |
|--|--|
| REVENUES: | |
| Intergovernmental | \$ 487,625 |
| Charge for services | 36,911 |
| Donations | 54,224 |
| Miscellaneous | 37,419 |
| EXPENDITURES: | |
| General government | (35,226) |
| Public safety | 47,416 |
| Highways and streets | (30,931) |
| Culture and recreation | (36,563) |
| Capital outlays - general government | (331,112) |
| Capital outlays - public safety | (80,778) |
| Capital outlays - highways and streets | (77,141) |
| Debt service - principal | (132,794) |
| OTHER | |
| Debt proceeds - lease proceeds | 69,561 |

Significant budget variances are explained below:

Revenue –

Intergovernmental revenues were greater than budgeted due to the receipt of a number of state grants. Those grants include a Village Visualization project managed by the Village Steering Committee, a \$235,000 pass-through clean water revolving loan funded project to Mountain View Mobile Home Park, and a sidewalk project along Route 116 in the Village.

Charges for services were greater than what was budgeted due to an increase in anticipated revenue generated by adult and youth recreation activities. The increased revenue is offset by increased recreation expenditures.

Donations were greater than what was budgeted, primarily due to the fundraising efforts related to construction of the Bissonette Family Fields (recreation fields). Capital assets, such as vehicles, were sold after replacement, with proceeds applied towards new equipment costs or returned to the general fund.

Miscellaneous revenues were greater than budgeted due to various small amounts being received during the year.

Expenditures –

Expenditures were less than budgeted. Turnover in various departments, such as Police, generated vacancy savings on wages and benefits. Highway Department expenditures ended the year greater than what had been budgeted due to emergency response and repairs and a snowy winter increasing costs for overtime pay and materials.

Capital outlays finished greater than what was budgeted because of grant-funded projects, increased spending on paving, and capital equipment purchases made via lease financing (to own).

TOWN OF HINESBURG, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015
(Continued)

Water and Wastewater Highlights

Exhibit I shows actual results for the Water and Wastewater Fund for fiscal year 2015. Revenues were greater than expenses by \$402,557. Included in the expenses for the year is depreciation expense of \$140,673, and the receipt of a legal settlement of \$403,607. The cash in the Water and Wastewater Fund increased by \$152,468 as reflected on Exhibit J of the financial statements.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2015, the Town had \$15,575,146 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 \$344,535 compared to June 30, 2014.

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

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 2,357,957 | \$ 2,207,957 | \$ 341,619 | \$ 341,619 | \$ 2,699,576 | \$ 2,549,576 |
| Construction in progress | 202,483 | 175,750 | 313,986 | 91,967 | 516,469 | 267,717 |
| Land improvements | 285,638 | 307,930 | 0 | 0 | 285,638 | 307,930 |
| Buildings | 1,464,650 | 1,489,703 | 398,075 | 411,824 | 1,862,725 | 1,901,527 |
| Equipment and vehicles | 891,195 | 1,037,500 | 246,213 | 225,555 | 1,137,408 | 1,263,055 |
| Improvements | 0 | 0 | 2,810,158 | 2,898,584 | 2,810,158 | 2,898,584 |
| Infrastructure | 6,263,172 | 6,042,222 | 0 | 0 | 6,263,172 | 6,042,222 |
| Totals | <u>\$ 11,465,095</u> | <u>\$ 11,261,062</u> | <u>\$ 4,110,051</u> | <u>\$ 3,969,549</u> | <u>\$ 15,575,146</u> | <u>\$ 15,230,611</u> |

This year's additions included:

| | Governmental Activities | Business-type Activities | Totals |
|-----------------------------|----------------------------|-----------------------------|---------------------|
| Paving Richmond Road | \$ 134,439 | \$ 0 | \$ 134,439 |
| Paving Charlotte Road | 122,096 | 0 | 122,096 |
| Bike path | 58,108 | 0 | 58,108 |
| Sidewalks | 273,004 | 0 | 273,004 |
| Bissonette fields | 167,795 | 0 | 167,795 |
| Police station | 12,000 | 0 | 12,000 |
| Police cruisers | 68,779 | 0 | 68,779 |
| New well construction | 0 | 222,019 | 222,019 |
| Ford F150 pickup truck | 0 | 36,585 | 36,585 |
| Various pump improvements | 0 | 18,283 | 18,283 |
| Water line, Ballard Corners | 0 | 6,500 | 6,500 |
| | <u>\$ 836,221</u> | <u>\$ 283,387</u> | <u>\$ 1,119,608</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, 2015
(Continued)

Debt Administration

At June 30, 2015, the Town had \$3,633,993 in bonds, notes, and leases outstanding versus \$3,834,198 on June 30, 2014 – a decrease of \$200,205– as shown in Table 5.

Table 5
Outstanding Debt at Year-End

| | Governmental Activities | Business-type Activities | Totals |
|--------------------------|----------------------------|-----------------------------|---------------------|
| Balances - July 1, 2014 | \$ 2,176,505 | \$ 1,657,693 | \$ 3,834,198 |
| New loans and leases | 69,561 | 166,075 | 235,636 |
| Debt forgiveness | (59,430) | 0 | (59,430) |
| Repayments | (256,860) | (119,551) | (376,411) |
| Balances - June 30, 2015 | <u>\$ 1,929,776</u> | <u>\$ 1,704,217</u> | <u>\$ 3,633,993</u> |

Economic Factors and Next Year's Budgets and Rates

The fiscal year 2016 expenditure budget approved by voters at Town Meeting on March 2nd, 2015 is \$3,216,088. The approved budget represents a \$144,028 increase from the approved fiscal year 2015 budget. The approved fiscal year 2016 tax rate represented an increase of \$0.0299 cents from the approved rate for fiscal year 2015. The increase in the tax rate was due, in part, to a decision to apply \$142,500 in unassigned fund balance to lower the prior year's tax rate. Grand list growth for fiscal year 2016 is an anemic 0.89%, missing the projected seven fiscal year annual average (1.08%) used as a target during budgeting. As has long been the case in a post-Act 60/Act 68 world, increasing education tax rates – generally more than 75% of the overall residential property tax bill, place pressure on the availability of resources for crucial municipal functions and infrastructure projects. Hinesburg continues to experience development opportunities and challenges within the Village zoning districts. The potential for development is restricted by the availability – or general lack thereof – of water and wastewater infrastructure capable of supporting a full build-out scenario. Construction of a water supply and treatment facility on Shelburne Falls Road is underway; the water pulled from two new wells is replacement capacity however and not additional capacity. Moratoriums on new connections to the water and wastewater systems remain in place. A water connection moratorium, placed upon the Town by the State of Vermont, should be lifted once new wells are connected to the water system. The local ban on wastewater connections expires in June 2016.

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, 2015

EXHIBIT A

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|---------------|
| ASSETS | | | |
| Cash and cash equivalents, unrestricted | \$ 734,804 | \$ 607,880 | \$ 1,342,684 |
| Cash, restricted | 128,924 | 0 | 128,924 |
| Investments, restricted | 49,357 | 0 | 49,357 |
| Receivables: | | | |
| Delinquent taxes | 89,526 | 0 | 89,526 |
| Delinquent tax interest | 10,565 | 0 | 10,565 |
| Sewer and water charges | 0 | 234,376 | 234,376 |
| State of Vermont | 203,601 | 0 | 203,601 |
| Other | 214,059 | 172,739 | 386,798 |
| Prepaid expenses | 81,465 | 56,316 | 137,781 |
| Note receivable | 1,113,069 | 0 | 1,113,069 |
| Internal balances | 47,939 | (47,939) | 0 |
| Capital assets: | | | |
| Non-depreciable: | | | |
| Land | 2,357,957 | 341,619 | 2,699,576 |
| Construction in progress | 202,483 | 313,986 | 516,469 |
| Depreciable: | | | |
| Land improvements | 433,107 | 0 | 433,107 |
| Buildings | 1,887,795 | 687,443 | 2,575,238 |
| Improvements | 0 | 4,010,101 | 4,010,101 |
| Infrastructure | 7,581,456 | 0 | 7,581,456 |
| Equipment and vehicles | 2,850,278 | 891,700 | 3,741,978 |
| Accumulated depreciation | (3,847,981) | (2,134,798) | (5,982,779) |
| Total assets | 14,138,404 | 5,133,423 | 19,271,827 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related | 52,282 | 8,079 | 60,361 |
| Total assets plus deferred outflows of resources | 14,190,686 | 5,141,502 | 19,332,188 |
| LIABILITIES | | | |
| Accounts payable | 325,341 | 30,312 | 355,653 |
| Accrued and withheld payroll deductions | 22,583 | 0 | 22,583 |
| Taxes collected in advance | 23,930 | 0 | 23,930 |
| Unearned grant revenue - town forest | 2,524 | 0 | 2,524 |
| Unearned grant revenue - police | 1,560 | 0 | 1,560 |
| Unearned grant revenue - other | 24,684 | 0 | 24,684 |
| Accrued interest | 40,408 | 4,322 | 44,730 |
| Net pension liability | 26,926 | 4,161 | 31,087 |
| Bonds, notes, and leases payable due within one year | 156,650 | 116,900 | 273,550 |
| Due to State after one year | 440,732 | 0 | 440,732 |
| Accrued compensated absences due after one year | 123,527 | 5,393 | 128,920 |
| Bonds, notes, and leases payable due after one year | 1,773,126 | 1,587,317 | 3,360,443 |
| Total liabilities | 2,961,991 | 1,748,405 | 4,710,396 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension related | 83,028 | 12,831 | 95,859 |
| Total liabilities and deferred inflows of resources | 3,045,019 | 1,761,236 | 4,806,255 |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | 9,968,271 | 2,405,834 | 12,374,105 |
| Restricted: | | | |
| Cemetery | 50,682 | 0 | 50,682 |
| Impact fees | 54,640 | 0 | 54,640 |
| Other purposes | 527,021 | 0 | 527,021 |
| Unrestricted | 545,053 | 974,432 | 1,519,485 |
| Total net position | \$ 11,145,667 | \$ 3,380,266 | \$ 14,525,933 |

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

| 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 | \$ 1,196,945 | \$ 117,218 | \$ 250,142 | \$ 0 | \$ (829,585) | \$ 0 | \$ (829,585) |
| Public safety | 746,432 | 50,291 | 42,100 | 0 | (654,041) | 0 | (654,041) |
| Highways and streets | 947,976 | 1,052 | 221,564 | 316,991 | (408,369) | 0 | (408,369) |
| Agency requests | 268,561 | 0 | 0 | 0 | (268,561) | 0 | (268,561) |
| Culture and recreation | 135,411 | 89,197 | 0 | 101,585 | 55,371 | 0 | 55,371 |
| Interest on long-term debt | 89,856 | 0 | 0 | 0 | (89,856) | 0 | (89,856) |
| Health and cemetery | 40,421 | 0 | 0 | 0 | (40,421) | 0 | (40,421) |
| County tax | 24,684 | 0 | 0 | 0 | (24,684) | 0 | (24,684) |
| Total governmental activities | <u>3,450,286</u> | <u>257,758</u> | <u>513,806</u> | <u>418,576</u> | <u>(2,260,146)</u> | <u>0</u> | <u>(2,260,146)</u> |
| Business-type activities | | | | | | | |
| Water | 186,370 | 370,139 | 0 | 0 | 0 | 183,769 | 183,769 |
| Sewer | 186,109 | 312,425 | 0 | 0 | 0 | 126,316 | 126,316 |
| Shared expenses | 320,866 | 0 | 0 | 0 | 0 | (320,866) | (320,866) |
| Total business-type activities | <u>693,345</u> | <u>682,564</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(10,781)</u> | <u>(10,781)</u> |
| Total government | <u>\$ 4,143,631</u> | <u>\$ 940,322</u> | <u>\$ 513,806</u> | <u>\$ 418,576</u> | <u>(2,260,146)</u> | <u>(10,781)</u> | <u>(2,270,927)</u> |
| General Revenues: | | | | | | | |
| Property taxes, penalties and interest | | | | | 2,547,659 | 0 | 2,547,659 |
| Earnings on investments | | | | | 6,657 | 8,040 | 14,697 |
| Gain (loss) on disposal of assets | | | | | 7,542 | 0 | 7,542 |
| Miscellaneous | | | | | 14,277 | 1,691 | 15,968 |
| Total general revenues | | | | | <u>2,576,135</u> | <u>9,731</u> | <u>2,585,866</u> |
| Special Item: | | | | | | | |
| Legal settlement | | | | | 0 | 403,607 | 403,607 |
| Change in net position | | | | | 315,989 | 402,557 | 718,546 |
| Net position - July 1, 2014 (restated) | | | | | <u>10,829,678</u> | <u>2,977,709</u> | <u>13,807,387</u> |
| Net position - June 30, 2015 | | | | | <u>\$ 11,145,667</u> | <u>\$ 3,380,266</u> | <u>\$ 14,525,933</u> |

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

| | Major Funds | | Non-Major Funds | |
|--|---------------------|-------------------|-------------------|---------------------|
| | General | VCDP | Special Revenue | |
| | Fund | Fund | Funds | Totals |
| ASSETS | | | | |
| Cash and cash equivalents, unrestricted | \$ 734,804 | \$ 0 | \$ 0 | \$ 734,804 |
| Cash, restricted | 2,948 | 68,377 | 57,599 | 128,924 |
| Investments, restricted | 0 | 0 | 49,357 | 49,357 |
| Receivables: | | | | |
| Delinquent taxes | 89,526 | 0 | 0 | 89,526 |
| Delinquent tax interest | 10,565 | 0 | 0 | 10,565 |
| State of Vermont | 203,601 | 0 | 0 | 203,601 |
| Other | 12,711 | 201,348 | 0 | 214,059 |
| Note receivable | 432,952 | 680,117 | 0 | 1,113,069 |
| Prepaid expenses | 81,465 | 0 | 0 | 81,465 |
| Due from other funds | 49,132 | 0 | 5,196 | 54,328 |
| | | | | |
| Total assets | <u>\$ 1,617,704</u> | <u>\$ 949,842</u> | <u>\$ 112,152</u> | <u>\$ 2,679,698</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 95,995 | \$ 228,905 | \$ 441 | \$ 325,341 |
| Accrued and withheld payroll deductions | 22,583 | 0 | 0 | 22,583 |
| Taxes collected in advance | 23,930 | 0 | 0 | 23,930 |
| Unearned grant revenue - town forest | 2,524 | 0 | 0 | 2,524 |
| Unearned grant revenue - police | 1,560 | 0 | 0 | 1,560 |
| Unearned grant revenue - other | 24,684 | 0 | 0 | 24,684 |
| Due to other funds | 0 | 0 | 6,389 | 6,389 |
| | | | | |
| Total liabilities | <u>171,276</u> | <u>228,905</u> | <u>6,830</u> | <u>407,011</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenue - taxes | 69,000 | 0 | 0 | 69,000 |
| Unavailable revenue - community development | 432,952 | 680,117 | 0 | 1,113,069 |
| | | | | |
| Total deferred inflows of resources | <u>501,952</u> | <u>680,117</u> | <u>0</u> | <u>1,182,069</u> |
| FUND BALANCES | | | | |
| Fund balances | | | | |
| Nonspendable - prepaids | 81,465 | 0 | 0 | 81,465 |
| Restricted | 246,817 | 40,820 | 105,322 | 392,959 |
| Assigned | 408,770 | 0 | 0 | 408,770 |
| Unassigned | 207,424 | 0 | 0 | 207,424 |
| | | | | |
| Total fund balances | <u>944,476</u> | <u>40,820</u> | <u>105,322</u> | <u>1,090,618</u> |
| | | | | |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 1,617,704</u> | <u>\$ 949,842</u> | <u>\$ 112,152</u> | <u>\$ 2,679,698</u> |

TOWN OF HINESBURG, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

EXHIBIT D

| | |
|--|--------------|
| TOTAL FUND BALANCES - GOVERNMENTAL FUNDS | \$ 1,090,618 |
|--|--------------|

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 \$15,313,076 and the accumulated depreciation is \$3,847,981. | 11,465,095 |
|--|------------|

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

| | | |
|---------------------------------------|---------|-----------|
| Unavailable revenue - VT Smoke & Cure | 478,769 | |
| Unavailable revenue - Mt. View | 432,952 | |
| Unavailable revenue - Kelly Field | 201,348 | |
| Unavailable tax revenue | 69,000 | 1,182,069 |

Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds:

| | |
|-----------------------|----------|
| Net pension liability | (26,926) |
|-----------------------|----------|

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds:

| | | |
|--|----------|----------|
| Town's contributions subsequent to the measurement | 48,322 | |
| Changes in proportional share of contributions | 3,960 | |
| Difference between actual and expected investments | (83,028) | (30,746) |

Long-term liabilities, including bonds, notes, and leases 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, notes, and leases payable | 1,929,776 | |
| Due to State after one year | 440,732 | |
| Accrued interest on bonds, notes, and leases payable | 40,408 | |
| Accrued compensated absences | 123,527 | (2,534,443) |

| | |
|--|---------------|
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | \$ 11,145,667 |
|--|---------------|

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

YEAR ENDED JUNE 30, 2015

| | Major Funds | | Non-Major Funds | |
|--|--------------|-----------|-----------------|--------------|
| | General | VCDP | Special Revenue | |
| | Fund | Fund | Funds | Totals |
| REVENUES | | | | |
| Property taxes | \$ 2,510,647 | \$ 0 | \$ 0 | \$ 2,510,647 |
| Penalties and interest | 21,012 | 0 | 0 | 21,012 |
| Licenses and permits | 43,345 | 0 | 0 | 43,345 |
| Impact fees | 0 | 0 | 26,158 | 26,158 |
| Intergovernmental | 694,925 | 201,423 | 0 | 896,348 |
| Charges for services | 173,511 | 0 | 0 | 173,511 |
| Fines and forfeits | 38,475 | 0 | 0 | 38,475 |
| Investment income | 2,159 | 5,207 | (709) | 6,657 |
| Donations | 54,224 | 0 | 0 | 54,224 |
| Sale of capital assets | 17,075 | 0 | 0 | 17,075 |
| Miscellaneous income | 41,828 | 51,231 | 1,440 | 94,499 |
| Total revenues | 3,597,201 | 257,861 | 26,889 | 3,881,951 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 1,049,513 | 75 | 0 | 1,049,588 |
| Public safety | 650,694 | 0 | 0 | 650,694 |
| Highways and streets | 587,086 | 0 | 0 | 587,086 |
| Culture and recreation | 129,963 | 0 | 0 | 129,963 |
| Health and cemetery | 34,484 | 0 | 5,937 | 40,421 |
| Community development | 0 | 201,348 | 0 | 201,348 |
| County tax | 24,684 | 0 | 0 | 24,684 |
| Agency requests | 268,561 | 0 | 0 | 268,561 |
| Capital outlays | | | | |
| General government | 331,112 | 0 | 0 | 331,112 |
| Public safety | 80,778 | 0 | 0 | 80,778 |
| Highways and streets | 256,536 | 0 | 0 | 256,536 |
| Culture and recreation | 17,795 | 0 | 0 | 17,795 |
| Debt service | | | | |
| General government - interest | 77,220 | 1,941 | 0 | 79,161 |
| Highways and streets - principal | 256,860 | 25,616 | 0 | 282,476 |
| Total expenditures | 3,765,286 | 228,980 | 5,937 | 4,000,203 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | (168,085) | 28,881 | 20,952 | (118,252) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Debt proceeds | 69,561 | 0 | 0 | 69,561 |
| Operating transfers | 6,389 | 0 | (6,389) | 0 |
| Total other financing sources (uses) | 75,950 | 0 | (6,389) | 69,561 |
| NET CHANGE IN FUND BALANCE | (92,135) | 28,881 | 14,563 | (48,691) |
| FUND BALANCES - JULY 1, 2014 | 1,036,611 | 11,939 | 90,759 | 1,139,309 |
| FUND BALANCES - JUNE 30, 2015 | \$ 944,476 | \$ 40,820 | \$ 105,322 | \$ 1,090,618 |

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF
ACTIVITIES
YEAR ENDED JUNE 30, 2015

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (48,691)

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 \$686,221 and donation of assets of \$150,000 exceeds depreciation expense of \$622,655 and the difference between the cash proceeds on the disposal of assets and the actual gain (\$9,533) on the disposal of assets. | 204,033 |
| Repayment of bond, notes, and leases principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 282,476 |
| 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. | (69,561) |
| Notes receivable are recognized on an accrual basis in the statement of net position, not the modified accrual basis. Miscellaneous revenue decreased \$70,795, related to these. | (70,795) |
| Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis. The unearned property taxes increased by \$16,000. | 16,000 |
| Governmental funds report pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. | 6,741 |
| 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 6,481. | 6,481 |
| 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, notes, and leases payable increased. | (10,695) |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ 315,989 |

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

YEAR ENDED JUNE 30, 2015

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------------------|-------------------|--|
| REVENUES | | | |
| Property taxes | \$ 2,495,851 | \$ 2,510,647 | \$ 14,796 |
| Penalties and interest | 16,000 | 21,012 | 5,012 |
| Licenses and permits | 46,400 | 43,345 | (3,055) |
| Intergovernmental | 207,300 | 694,925 | 487,625 |
| Charges for services | 136,600 | 173,511 | 36,911 |
| Fines and forfeits | 20,000 | 38,475 | 18,475 |
| Investment income | 2,000 | 2,159 | 159 |
| Donations | 0 | 54,224 | 54,224 |
| Sale of capital assets | 0 | 17,075 | 17,075 |
| Miscellaneous income | 4,409 | 41,828 | 37,419 |
| Total revenues | <u>2,928,560</u> | <u>3,597,201</u> | <u>668,641</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 1,014,287 | 1,049,513 | (35,226) |
| Public safety | 698,110 | 650,694 | 47,416 |
| Highways and streets | 556,155 | 587,086 | (30,931) |
| Culture and recreation | 93,400 | 129,963 | (36,563) |
| Health and cemetery | 34,247 | 34,484 | (237) |
| County tax | 24,000 | 24,684 | (684) |
| Agency requests | 268,561 | 268,561 | 0 |
| Capital outlays | | | |
| General government | 0 | 331,112 | (331,112) |
| Public safety | 0 | 80,778 | (80,778) |
| Highways and streets | 179,395 | 256,536 | (77,141) |
| Culture and recreation | 8,000 | 17,795 | (9,795) |
| Debt service | | | |
| Interest | 69,339 | 77,220 | (7,881) |
| Principal | 124,066 | 256,860 | (132,794) |
| Total expenditures | <u>3,069,560</u> | <u>3,765,286</u> | <u>(695,726)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(141,000)</u> | <u>(168,085)</u> | <u>(27,085)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Lease proceeds | 0 | 69,561 | 69,561 |
| Operating transfers in | 1,000 | 6,389 | 5,389 |
| Operating transfers out | (2,500) | 0 | 2,500 |
| Total other financing sources (uses) | <u>(1,500)</u> | <u>75,950</u> | <u>77,450</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (142,500)</u> | <u>(92,135)</u> | <u>\$ 50,365</u> |
| FUND BALANCE - JULY 1, 2014 | | <u>1,036,611</u> | |
| FUND BALANCE - JUNE 30, 2015 | | <u>\$ 944,476</u> | |

TOWN OF HINESBURG, VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2015

EXHIBIT H

| | <u>Water and Sewer</u> |
|---|----------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 607,880 |
| Accounts receivable: | |
| Water/sewer and other fees | 234,376 |
| Other | 172,739 |
| Prepaid expenses | 56,316 |
| Total current assets | <u>1,071,311</u> |
| Noncurrent assets: | |
| Capital assets | |
| Land | 341,619 |
| Construction in progress | 313,986 |
| Buildings | 687,443 |
| Equipment and vehicles | 891,700 |
| Improvements | 4,010,101 |
| Accumulated depreciation | (2,134,798) |
| Total noncurrent assets | <u>4,110,051</u> |
| Total assets | 5,181,362 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension related | <u>8,079</u> |
| Total assets plus deferred outflows of resources | <u>5,189,441</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 30,312 |
| Accrued interest | 4,322 |
| Due to other funds | 47,939 |
| Net pension liability | 4,161 |
| Accrued compensated absences | 5,393 |
| Bonds and leases payable due within one year | 116,900 |
| Total current liabilities | <u>209,027</u> |
| Noncurrent liabilities: | |
| Bonds and leases payable due after one year | <u>1,587,317</u> |
| Total liabilities | 1,796,344 |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension related | <u>12,831</u> |
| Total liabilities and deferred inflows of resources | <u>1,809,175</u> |
| NET POSITION | |
| Invested in capital assets, net of related debt | 2,405,834 |
| Unrestricted | 974,432 |
| Total net position | <u>\$ 3,380,266</u> |

TOWN OF HINESBURG, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

EXHIBIT I

| | <u>Water and Sewer</u> |
|--|----------------------------|
| OPERATING REVENUES: | |
| Charges for services: | |
| Water | \$ 370,139 |
| Sewer | 312,425 |
| Miscellaneous income | <u>1,691</u> |
| Total operating revenues | <u>684,255</u> |
| OPERATING EXPENSES: | |
| Water Department | 139,116 |
| Sewer Department | 171,318 |
| Shared expenses | <u>319,174</u> |
| Total operating expenses | <u>629,608</u> |
| INCOME FROM OPERATIONS | <u>54,647</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest and late charges | 8,040 |
| Interest expense | <u>(63,737)</u> |
| Total nonoperating revenues (expenses) | <u>(55,697)</u> |
| INCOME BEFORE SPECIAL ITEM | (1,050) |
| Legal settlement, net | <u>403,607</u> |
| CHANGE IN NET POSITION | 402,557 |
| NET POSITION - JULY 1, 2014 (restated) | <u>2,977,709</u> |
| NET POSITION - JUNE 30, 2015 | <u><u>\$ 3,380,266</u></u> |

TOWN OF HINESBURG, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

EXHIBIT J

| | Water and Sewer |
|--|--------------------------|
| CASH FLOWS FROM (TO) OPERATING ACTIVITIES | |
| Cash received from customers | \$ 555,330 |
| Cash payments to employees and related benefits | (165,668) |
| Cash payments to suppliers for goods and services | (387,951) |
| Net cash from operating activities | <u>1,711</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Interfund advances | <u>37,963</u> |
| CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition of capital assets | (283,387) |
| Legal settlement | 403,607 |
| Interest paid on bonds and leases | (64,090) |
| Proceeds from sale of asset | 2,100 |
| Proceeds from bond and lease | 166,075 |
| Retirement of bonds and leases | (119,551) |
| Net cash from capital and related financing activities | <u>104,754</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest on cash and investments | <u>8,040</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 152,468 |
| CASH AND CASH EQUIVALENTS - JULY 1, 2014 | <u>455,412</u> |
| CASH AND CASH EQUIVALENTS - JUNE 30, 2015 | <u><u>\$ 607,880</u></u> |

| | |
|--|------------------------|
| RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES | |
| Income from operations | \$ 54,647 |
| Adjustments to reconcile income from operations to net cash flow from operating activities: | |
| Depreciation | 140,673 |
| Pension expense | (1,040) |
| Loss on sale of asset | 111 |
| Change in assets and liabilities: | |
| Increase in accounts receivable | (129,036) |
| Increase in prepaid expenses | (47,893) |
| Decrease in accounts payable | (15,751) |
| Net cash from operating activities | <u><u>\$ 1,711</u></u> |

SUPPLEMENTAL NON-CASH TRANSACTIONS

Due to the implementation of GASB 68, which changed the way pension liabilities are valued, with no affect on foreseeable funding amounts payable, the following assets, liabilities and equity accounts were affected:

| | |
|--|----------|
| Deferred outflows of resources - pension-related | \$ 8,079 |
| Net pension liability | (4,161) |
| Deferred inflows of resources - pension-related | (12,831) |
| Beginning of year equity | 9,954 |

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

EXHIBIT K

JUNE 30, 2015

| | <u>Private Purpose Trusts</u> | | <u>Total</u> |
|--------------------------|-------------------------------|--------------------|-------------------|
| | <u>Peck</u> | <u>Eddy Family</u> | <u>Trust</u> |
| | <u>Estate</u> | <u>Recreation</u> | <u>Funds</u> |
| ASSETS | | | |
| Cash | \$ 7,026 | \$ 92,481 | \$ 99,507 |
| Investments | <u>893,414</u> | <u>0</u> | <u>893,414</u> |
| Total assets | <u>900,440</u> | <u>92,481</u> | <u>992,921</u> |
| NET POSITION | | | |
| Held in trust for others | <u>\$ 900,440</u> | <u>\$ 92,481</u> | <u>\$ 992,921</u> |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2015

| | Private Purpose Trusts | | Total |
|-----------------------------|------------------------|---------------------------|-------------------|
| | Peck Estate | Eddy Family Recreation | Trust Funds |
| ADDITIONS | | | |
| Interest and dividends | \$ 29,285 | \$ 0 | \$ 29,285 |
| Unrealized investment loss | (35,379) | 0 | (35,379) |
| Total additions | (6,094) | 0 | (6,094) |
| DEDUCTIONS | | | |
| Administrative expenses | 5,448 | 0 | 5,448 |
| Payment to school | 35,000 | 0 | 35,000 |
| Total deductions | 40,448 | 0 | 40,448 |
| CHANGE IN NET POSITION | (46,542) | 0 | (46,542) |
| NET POSITION, JULY 1, 2014 | 946,982 | 92,481 | 1,039,463 |
| NET POSITION, JUNE 30, 2015 | <u>\$ 900,440</u> | <u>\$ 92,481</u> | <u>\$ 992,921</u> |

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, operating and capital grants and contributions. Program revenue must be directly associated with the function (highway, public safety, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants and contributions while the capital grants column reflects capital-specific grants and contributions.

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, 2015
(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. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. 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, 2015
(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.

Unavailable Revenue

Unavailable revenue consists of delinquent taxes not collected within sixty (60) days after year end and community development notes receivable which will not be collected in the current period.

Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Net position is divided into three components:

Invested in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consist of assets that are restricted by the Town's creditors, enabling legislation, by grantors, and by other contributors.

Unrestricted net position – all other net position is reported in this category.

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

In July of 2014, the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) and additions to/deductions from VMERS's fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

The Town reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position. The deferred outflows of resources reported in this year's statement of net position are 1) a deferred outflow of resources for contributions made to the Town's defined benefit pension plans between the measurement date of the net position liabilities from those plans and the end of the Town's fiscal year, and 2) changes in proportionate share of contributions. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

The Town's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s).

Deferred inflows of resources are reported in the Town's statement of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense. These deferred inflows of resources are attributed to pension expense over a total of 5 years, including the current year.

In its governmental funds, the only deferred inflow of resources are for revenues that are not considered available. The Town will not recognize the related property tax revenues until they are available (collected not later than sixty days after the end of the Town's fiscal year) under the modified accrual basis of accounting, nor will they recognize the related community development notes receivable, until available.

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(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.

Investments

Investments are stated at fair value (quoted market price, or the best available estimate).

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015
(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, 2015, \$7,026 of the government's bank balance was exposed to custodial credit risk as follows:

| | |
|-----------------------------|----------------------------|
| Insured by FDIC | \$ 232,265 |
| Uninsured - collateralized | 1,441,628 |
| Uninsured, uncollateralized | <u>7,026</u> |
| Total bank balance | <u><u>\$ 1,680,919</u></u> |

Investments

As of June 30, 2015, the Town had the following investments:

| <u>Investment type</u> | <u>Maturities</u> | <u>Fair Value</u> | <u>Rating</u> |
|------------------------|--------------------|--------------------------|---------------|
| Mutual funds | | \$ 148,771 | |
| Common stock | | 528,230 | |
| Corporate bonds | 12/15/15 - 3/16/21 | <u>265,770</u> | A- to BBB- |
| | | <u><u>\$ 942,771</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, 2015
(Continued)

NOTE 3 - CAPITAL ASSETS

Governmental Activities

The summary of capital assets as of June 30, 2015 is as follows:

| | July 1, 2014 | Depreciation and Additions | Conversions and Deletions | June 30, 2015 |
|--|----------------------|-------------------------------|------------------------------|----------------------|
| Capital assets not depreciated | | | | |
| Land | \$ 2,207,957 | \$ 150,000 | \$ 0 | \$ 2,357,957 |
| Construction in progress | 175,750 | 26,733 | 0 | 202,483 |
| Total capital assets not depreciated | <u>2,383,707</u> | <u>176,733</u> | <u>0</u> | <u>2,560,440</u> |
| Capital assets being depreciated | | | | |
| Land improvements | 433,107 | 0 | 0 | 433,107 |
| Buildings | 1,875,795 | 12,000 | 0 | 1,887,795 |
| Infrastructure | 7,002,747 | 578,709 | 0 | 7,581,456 |
| Equipment and vehicles | 2,857,514 | 68,779 | (76,015) | 2,850,278 |
| Total capital assets being depreciated | <u>12,169,163</u> | <u>659,488</u> | <u>(76,015)</u> | <u>12,752,636</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 125,177 | 22,292 | 0 | 147,469 |
| Buildings | 386,092 | 37,053 | 0 | 423,145 |
| Infrastructure | 960,525 | 357,759 | 0 | 1,318,284 |
| Equipment and vehicles | 1,820,014 | 205,551 | (66,482) | 1,959,083 |
| Accumulated depreciation | <u>3,291,808</u> | <u>622,655</u> | <u>(66,482)</u> | <u>3,847,981</u> |
| Total capital assets, net | <u>\$ 11,261,062</u> | <u>\$ 213,566</u> | <u>\$ (9,533)</u> | <u>\$ 11,465,095</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, 2014 | Depreciation and Additions | Deletions | June 30, 2015 |
|------------------------------------|---------------------|-------------------------------|-------------------|---------------------|
| Water and Sewer Fund | | | | |
| Capital assets not depreciated | | | | |
| Land | \$ 341,619 | \$ 0 | \$ 0 | \$ 341,619 |
| Construction in progress | 91,967 | 222,019 | 0 | 313,986 |
| Capital assets being depreciated | | | | |
| Buildings | 687,443 | 0 | 0 | 687,443 |
| Improvements | 3,996,791 | 13,310 | 0 | 4,010,101 |
| Equipment and vehicles | 857,797 | 48,058 | (14,155) | 891,700 |
| Total capital assets | <u>5,975,617</u> | <u>283,387</u> | <u>(14,155)</u> | <u>6,244,849</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 275,619 | 13,749 | 0 | 289,368 |
| Improvements | 1,098,206 | 101,737 | 0 | 1,199,943 |
| Equipment and vehicles | 632,243 | 25,187 | (11,943) | 645,487 |
| Accumulated depreciation | <u>2,006,068</u> | <u>140,673</u> | <u>(11,943)</u> | <u>2,134,798</u> |
| Total capital assets, net | <u>\$ 3,969,549</u> | <u>\$ 142,714</u> | <u>\$ (2,212)</u> | <u>\$ 4,110,051</u> |

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 3 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

| | |
|--|-------------------|
| Governmental activities: | |
| General government | \$ 160,579 |
| Public safety | 95,738 |
| Highway and streets | 360,890 |
| Culture and recreation | 5,448 |
| Total governmental activities depreciation expense | <u>\$ 622,655</u> |
| Business-type activities: | |
| Water and sewer - shared expenses | <u>\$ 140,673</u> |

NOTE 4 - NOTES RECEIVABLE

The Town has a note receivable at June 30, 2015 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 \$478,769 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, 2015 was \$239,384.

The Town has a note receivable at June 30, 2015 with Mountain View Park for \$432,952 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.

The Town has a note receivable at June 30, 2015 with Kelley's Field for \$201,348 with 0% interest, due in 30 years. 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, 2015 are as follows:

| | Interfund Receivables | Interfund Payables |
|-----------------------|--------------------------|-----------------------|
| General Fund | \$ 49,132 | \$ 0 |
| Enterprise Funds | 0 | 47,939 |
| Special Revenue Funds | 5,196 | 6,389 |
| | <u>\$ 54,328</u> | <u>\$ 54,328</u> |

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 6 – ACCOUNTS RECEIVABLE – GENERAL FUND

Accounts receivable in the Governmental Funds consists of:

| | | |
|------------------------------|-----------|-------------------|
| State of Vt. - FEMA | \$ 76,917 | |
| State of Vt. - Village North | 8,044 | |
| State of Vt. - Paving grant | 107,550 | |
| State of Vt. - other | 11,090 | |
| Total due from State of Vt. | | 203,601 |
| VCDP - Kelley Field | | 201,348 |
| Other grants and fees | | 12,711 |
| Total | | <u>\$ 417,660</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. | \$ 46,068 | \$ 22,700 |
| Capital Lease Payable - First Niagara Leasing, interest at 3.42%, maturing July 15, 2020, payments of \$35,395 due annually beginning July 15, 2014. | 189,117 | 28,900 |
| Capital Lease Payable - Municipal Leasing Company, interest at 3.69%, maturing June 15, 2017, payments of \$24,919 due annually beginning July 15, 2014. | 47,204 | 21,200 |
| Note Payable - Vermont Municipal Bond Bank, interest at 3.87% annual payments of principal and interest, maturing December 1, 2016. | 20,000 | 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. | 62,161 | 19,650 |
| Bond - Vermont Municipal Bond Bank, interest from 0.444% - 4.954%, maturing November 15, 2043, payments of \$35,173 plus interest due annually beginning November 15, 2014. | 1,020,027 | 35,200 |
| Capital Lease Payable - First Niagara Leasing, interest at 2.94%, maturing July 1, 2017, payments of \$60,870 due annually, beginning July 1, 2013. | 112,247 | 0 |
| Note Payable - Clean Water State Revolving Loan Fund, 2% interest maturing December 1, 2033, payments of \$27,614 due annually beginning November 1, 2015. | 432,952 | 19,000 |
| Total governmental activities bonds, notes and leases payable | 1,929,776 | 156,650 |
| Accrued compensated absences | 123,527 | 0 |
| Total governmental activities | <u>\$ 2,053,303</u> | <u>\$ 156,650</u> |

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

| <u>Business-type Activities</u> | <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. | \$ 840,000 | \$ 70,000 |
| Bond Payable - People's United Bank, interest at 0%, maturing August, 2023, annual payments of \$27,383 beginning August, 2019. | 131,295 | 0 |
| 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. | 26,201 | 1,300 |
| Capital Lease Payable - Municipal Leasing Company, interest at 3.69%, maturing June 15, 2017, payments of \$12,459 due annually beginning July 15, 2014. | 23,604 | 11,600 |
| 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. | 678,789 | 34,000 |
| Capital Lease Payable - First Niagara Leasing, interest at 2.94%, maturing July 1, 2017, payments of \$2,184 due annually, beginning July 1, 2013. | 4,328 | 0 |
| Total business activities bonds and lease payable | 1,704,217 | 116,900 |
| Accrued compensated absences | 5,393 | 0 |
| Total business activities | <u>\$ 1,709,610</u> | <u>\$ 116,900</u> |

During the fiscal year ended June 30, 2015, 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, 2014 | \$ 3,969,599 | \$ 2,306,513 | \$ 1,663,086 |
| Decrease in accrued vacation payable | (6,481) | (6,481) | 0 |
| Bond and note proceeds | 235,636 | 69,561 | 166,075 |
| Debt forgiveness | (59,430) | (59,430) | 0 |
| Bonds, notes and leases retired | <u>(376,411)</u> | <u>(256,860)</u> | <u>(119,551)</u> |
| Long-term liabilities at June 30, 2015 | 3,762,913 | 2,053,303 | 1,709,610 |
| Due within one year | <u>273,550</u> | <u>156,650</u> | <u>116,900</u> |
| Due after one year | <u>\$ 3,489,363</u> | <u>\$ 1,896,653</u> | <u>\$ 1,592,710</u> |

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

As of June 30, 2015, the maturities of the bonds, notes, and leases payable are as follows:

| | Governmental Funds | | | Water and Sewer Fund | | |
|---------------|---------------------|----------------------------|--------------------|----------------------|----------------------------|---------------------|
| | Principal | Interest and admin. fee | Total | Principal | Interest and admin. fee | Total |
| June 30, 2016 | \$ 156,650 | \$ 62,600 | \$ 219,250 | \$ 116,900 | \$ 69,000 | \$ 185,900 |
| June 30, 2017 | 216,400 | 62,800 | 279,200 | 120,100 | 52,500 | 172,600 |
| June 30, 2018 | 163,000 | 56,100 | 219,100 | 108,800 | 37,400 | 146,200 |
| June 30, 2019 | 87,400 | 49,400 | 136,800 | 107,400 | 33,100 | 140,500 |
| June 30, 2020 | 123,100 | 48,200 | 171,300 | 135,500 | 28,800 | 164,300 |
| 2021-2025 | 285,000 | 200,600 | 485,600 | 656,300 | 14,500 | 670,800 |
| 2026-2030 | 296,400 | 155,300 | 451,700 | 363,500 | 31,800 | 395,300 |
| 2031-2035 | 281,200 | 103,800 | 385,000 | 95,717 | 2,900 | 98,617 |
| 2036-2040 | 175,900 | 56,400 | 232,300 | 0 | 0 | 0 |
| 2041-2044 | 144,726 | 13,900 | 158,626 | 0 | 0 | 0 |
| Total | <u>\$ 1,929,776</u> | <u>\$ 809,100</u> | <u>\$2,738,876</u> | <u>\$1,704,217</u> | <u>\$ 270,000</u> | <u>\$ 1,974,217</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, 2015 was \$123,527 for governmental activities and \$5,393 for business-type activities and is reflected on the Government-wide Statement of Net Position. During fiscal year 2015, this balance decreased by \$6,481 for governmental activities and was unchanged for business-type activities.

NOTE 9 - UNAVAILABLE REVENUE / UNEARNED GRANTS

Unavailable revenue in the General Fund consists of delinquent taxes not collected within sixty (60) days after the fiscal year end as these would not be available to liquidate current liabilities. Additionally, it includes community development loan receivables which will not be repaid within six months of year end.

Unearned revenue in the General Fund is made up of unspent police grant, town forest grant, and other smaller grants.

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(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 | \$ 168,229 | \$ 168,229 |
| Fire Department - landscaping | 22,297 | 0 | 0 |
| Land preservation | 32,431 | 0 | 0 |
| Print, bind & microfilm | 8,134 | 0 | 0 |
| Records restoration | 0 | 42,255 | 42,255 |
| Conservation committee | 5,011 | 0 | 0 |
| Highway roads and bridges | 208,409 | 0 | 0 |
| Highway gravel and culverts | 10,000 | 0 | 0 |
| Buildings and grounds | 11,349 | 0 | 0 |
| Recreation | 55,503 | 33,385 | 33,385 |
| Planning and zoning | 6,000 | 0 | 0 |
| Fire department | 32,836 | 0 | 0 |
| FY16 expenses | 16,800 | 0 | 0 |
| Police station building | 0 | 2,948 | 2,948 |
| VDCP Fund | 0 | 40,820 | 280,204 |
| Cemetery | 0 | 50,682 | 50,682 |
| Impact fees | 0 | 54,640 | 54,640 |
| | <u>\$ 408,770</u> | <u>\$ 392,959</u> | <u>\$ 632,343</u> |

Proprietary Fund

The Sewer and Water Fund has unrestricted net position of \$974,432 as of June 30, 2015, of which \$2,877 is designated for purchase of a truck, \$29,399 for capital upgrades of the water system, \$185,550 for upgrades of the sewer system, and \$421,871 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 1½ % 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.

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.

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 11 - PROPERTY TAXES (Continued)

Property taxes levied for the year ended June 30, 2015 were calculated as follows:

| | Grand List | Tax Rate | Total Amount |
|--|----------------|-----------|---------------------|
| Municipal | \$ 517,103,043 | \$ 0.4875 | \$ 2,520,877 |
| Non-residential education | 142,758,325 | 1.5912 | 2,271,570 |
| Residential education | 374,843,688 | 1.6313 | 6,114,825 |
| Property taxes billed | | | 10,907,272 |
| Abatements and adjustments | | | (16,230) |
| Property taxes paid to School District | | | (8,396,396) |
| Change in deferred property taxes | | | 16,000 |
| Property tax revenues recognized in General Fund | | | <u>\$ 2,510,646</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:

VMERS Defined Benefit Plan

Plan description. The Town contributes to the Vermont Municipal Employees' Retirement System (VMERS) which is a cost sharing multiple employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2015, the retirement system consisted of 437 participating employers.

The plan was established effective July 1, 1975, and is governed by Title 24, V.S.A Chapter 125.

The general administration and responsibility for formulating administrative policy and procedures of the retirement system for its members and their beneficiaries is vested in the Board of Trustees, consisting of five members. They are the State Treasurer, two employee representatives elected by the membership of the system, and two employer representatives – one elected by the governing bodies of participating employers of the system and one selected by the Governor from a list of four nominees. The list of four nominees is jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association.

All assets are held in a single trust and are available to pay retirement benefits to all members. Benefits available to each group are based on average final compensation (AFC) and years of creditable service.

Summary of System Provisions

Membership is open to all full time employees of participating municipalities. The municipality elects coverage under Groups A, B, C, or D. The Town only has Group B members.

Creditable service is service as a member plus purchased service.

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 12 - PENSION PLANS (Continued)

Benefits provided and contributions

| | Group A | Group B | Group C | Group D |
|--|---|--|---|---|
| Avg Final Compensation (AFC) | Average annual compensation during highest 5 consecutive years | Average annual compensation during highest 3 consecutive years | Average annual compensation during highest 3 consecutive years | Average annual compensation during highest 2 consecutive years |
| Service Retirement Allowance | | | | |
| Eligibility | Earlier of age 65 with 5 years of service or age 55 with 35 years of service | Earlier of age 62 with 5 years of service or age 55 with 30 years of service | Age 55 with 5 years of service | Age 55 with 5 years of service |
| Amount | 1.4% of AFC times service | 1.7% of AFC times service as Group B member plus percentage earned as a Group A member times AFC | 2.5% of AFC times service as Group C member plus percentage earned as a Group A or B member times AFC | 2.5% of AFC times service as Group D member plus percentage earned as a Group A, B, or C member times AFC |
| Maximum Benefit | 60% of AFC, including portion of allowance provided by member contributions | | 50% of AFC, including portion of allowance provided by member contributions | |
| Early Retirement Allowance | | | | |
| Eligibility | Age 55 with 5 years of service | | n/a | Age 50 with 20 years of service |
| Amount | Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age | | n/a | Normal allowance based on service and AFC at early retirement, without reduction |
| Vested Retirement Allowance | | | | |
| Eligibility | 5 years of service | 5 years of service | 5 years of service | 5 years of service |
| Amount | Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the CPI, subject to the limits on "Post-Retirement Adjustments" described below. | | | |
| Disability Retirement Allowance | | | | |
| Eligibility | 5 years of service and disability as determined by Retirement Board | | | |
| Amount | Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member. | | | |
| Death Benefit | | | | |
| Eligibility | After 5 years of service | After 5 years of service | After 5 years of service | After 5 years of service |
| Amount | Reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as of the date of death. | | | 70% of the unreduced accrued benefit plus children's benefit |
| Optional Benefit and Death after Retirement | | | | |
| | Lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contributions guarantee. | | | Lifetime allowance or 70% contingent annuitant option with no reduction |
| Refund of Contribution | Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded. | | | |
| Post-Retirement Adjustments | | | | |
| | Allowance in payment for at least one year, increased on each January 1 by one-half of the percentage increase in CPI but not more than the following percentage: | | | |
| | 2% | 3% | 3% | 3% |
| Member Contributions | 2.5% effective 1/1/00 | 4.75% effective 7/1/14 | 9.625% eff. 7/1/14 and 9.75% eff. 1/1/15 | 11.25% effective 7/1/14 |
| Employer Contributions | 4% | 5.375% effective 7/1/14 | 6.875% eff. 7/1/14 and 7% eff 1/1/15 | 9.75% effective 7/1/14 |
| Retirement Stipend | \$25 per month payable at the option of the Board of Retirees | | | |

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 12 - PENSION PLANS (Continued)

For the year ended June 30, 2015, the Town's contributions to the Plan were \$55,793.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the Town reported a liability of \$31,087 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the Town's proportion was 0.3406 percent, which was an increase of 0.0157 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized total pension expense of \$48,010 on the government-wide statements. That and the related pension liabilities and deferrals were split between government-wide and business-type based on the participating costs for FY15. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Net difference between projected and actual earnings on Plan investments | \$ 0 | \$ 95,859 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 4,568 | 0 |
| Member contributions subsequent to the measurement date | <u>55,793</u> | <u>0</u> |
| Total | <u>\$ 60,361</u> | <u>\$ 95,859</u> |

The \$55,793 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| | | |
|-----------------------------|----|----------|
| Year ending June 30, | | |
| 2016 | \$ | (21,719) |
| 2017 | | (21,719) |
| 2018 | | (21,719) |
| 2019 | | 0 |
| 2020 | | 0 |
| Thereafter | | 0 |

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 12 - PENSION PLANS (Continued)

Interest rate – A select-and-ultimate interest rate set, specified below. The interest rate set is restarted every year.

| | | | |
|--------|-------|-------------------|-------|
| Year 1 | 6.25% | Year 10 | 8.50% |
| Year 2 | 6.75% | Year 11 | 8.50% |
| Year 3 | 7.00% | Year 12 | 8.50% |
| Year 4 | 7.50% | Year 13 | 8.50% |
| Year 5 | 7.75% | Year 14 | 8.50% |
| Year 6 | 8.25% | Year 15 | 8.50% |
| Year 7 | 8.25% | Year 16 | 8.75% |
| Year 8 | 8.25% | Year 17 and later | 9.00% |
| Year 9 | 8.50% | | |

Salary increase - 5% per year

Deaths

Active participants – 50% of the probabilities in the 1995 Buck Mortality Tables for males and females

Non-disabled retirees and terminated vested participants – the 1995 Buck Mortality Tables with no set-back for males and one-year set-back for females

Disabled retirees – RP-2000 Disabled Life Tables

Beneficiaries – 1995 Buck Mortality Tables for males and females

Spouse's age – husbands are assumed to be three years older than their wives

Cost of Living Adjustments to Benefits of Terminated Vested and Retired Participants - Assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D.

Asset Valuation Method (for funding purposes) - A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. The value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

Inflation - The separately stated assumptions for investment return, salary increases and cost of living adjustments are consistent with an expected annual inflation rate of 3.00% to 3.25% per year.

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.8.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed.

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 12 - PENSION PLANS (Continued)

| Asset Class | Target Asset Allocation | Long-Term Expected Real Rate of Return |
|----------------|-------------------------|--|
| Equity | 31.50% | 6.70% |
| Fixed Income | 33.00% | 2.94% |
| Alternatives | 15.50% | 6.26% |
| Multi-strategy | 20.00% | 5.98% |

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%.

Discount Rate – The discount rate used to measure the total pension liability was 8.23%. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Town's proportionate share of the net pension liability to change in the discount rate – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.23 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is 1-percentage-point lower (7.23 percent) or 1-percentage-point higher (9.23 percent) than the current rate:

| 1% Decrease (7.23%) | Discount Rate (8.23%) | 1% Increase (9.23%) |
|---------------------|-----------------------|---------------------|
| \$ 261,887 | \$ 31,087 | \$ (162,548) |

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the State of Vermont's Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State's Department of Finance and Management website.

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 \$1,268,932, \$110,933 was covered under the VMERS defined contribution plan. The total contributions to this plan by the employer were \$5,701 and by the employees were \$5,562.

NOTE 13 – SPECIAL ITEM

The Town of Hinesburg was a participant in a class action lawsuit filed against oil companies relating to contamination in ground water due to a known carcinogen which was in the oil companies' gasoline in the 1980's. In August, 2014, the lawsuit was settled. The Town received a settlement of \$403,607, which was net the lawyer fees of \$207,511 and expenses of \$11,416.

NOTE 14 - 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.

TOWN OF HINESBURG, VERMONT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015
(Continued)

NOTE 15 - 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, 2015 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 16 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2015, expenditures exceeded appropriations in the General Fund by \$695,726. 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 17 – 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, plus an additional renewal year, 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 \$44,975, while credit for energy produced were \$46,548.

Future minimum rental payments are as follows:

| | | |
|-----------|----|---------------|
| 6/30/2016 | \$ | 44,724 |
| 6/30/2017 | | <u>22,362</u> |
| | \$ | <u>67,086</u> |

NOTE 18 – PRIOR PERIOD ADJUSTMENT

The government-wide and proprietary net positions for July 1, 2014 were restated below to adjust the beginning balances of the Town to add the beginning net pension liability in order to be in accordance with GASB 68. The opening net assets were restated as follows:

| | Governmental Activities | Proprietary Fund |
|--|----------------------------|---------------------|
| July 1, 2014, as previously reported | \$ 10,894,091 | \$ 2,987,663 |
| Deferred inflows and net pension liability | (64,413) | (9,954) |
| July 1, 2014, restated | <u>\$ 10,829,678</u> | <u>\$ 2,977,709</u> |

NOTE 19 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 24, 2016, the date which the financial statements were available for issue.

In August, 2015, the Town signed a highway equipment note with Merchants Bank for a new dump truck for \$160,875, payable over a five year period at \$32,175 per year plus interest of 1.78% per annum.

The Town has entered into an agreement with NEMRC for reappraisal, beginning July, 2015, with monthly payments of \$6,500, for a total cost of \$156,000.

TOWN OF HINESBURG, VERMONT
 COMBINING AND INDIVIDUAL FUND BALANCE SHEETS
 ALL NON MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

SCHEDULE 1

| | <u>Special Revenue Funds</u> | | <u>Total</u> |
|-------------------------------------|------------------------------|-------------------|------------------------|
| | <u>Cemetery</u> | <u>Impact Fee</u> | <u>Special Revenue</u> |
| | <u>Fund</u> | <u>Fund</u> | <u>Funds</u> |
| ASSETS | | | |
| Cash, restricted | \$ 8,155 | \$ 49,444 | \$ 57,599 |
| Investments, restricted | 49,357 | 0 | 49,357 |
| Due from General Fund | 0 | 5,196 | 5,196 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 57,512</u> | <u>\$ 54,640</u> | <u>\$ 112,152</u> |
| LIABILITIES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 441 | \$ 0 | \$ 441 |
| Due to General Fund | 6,389 | 0 | 6,389 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>6,830</u> | <u>0</u> | <u>6,830</u> |
| FUND BALANCES | | | |
| Restricted for specific purposes | <u>50,682</u> | <u>54,640</u> | <u>105,322</u> |
| Total liabilities and fund balances | <u>\$ 57,512</u> | <u>\$ 54,640</u> | <u>\$ 112,152</u> |

TOWN OF HINESBURG, VERMONT SCHEDULE 2
 COMBINING AND INDIVIDUAL FUND STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES
 ALL NON MAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015

| | <u>Special Revenue Funds</u> | | <u>Total</u> |
|---|------------------------------|-------------------|------------------------|
| | <u>Cemetery</u> | <u>Impact Fee</u> | <u>Special Revenue</u> |
| | <u>Fund</u> | <u>Fund</u> | <u>Funds</u> |
| REVENUES | | | |
| Impact fees | \$ 0 | \$ 26,158 | \$ 26,158 |
| Investment income | (742) | 33 | (709) |
| Miscellaneous income | 1,440 | 0 | 1,440 |
| Total revenues | <u>698</u> | <u>26,191</u> | <u>26,889</u> |
| EXPENDITURES | | | |
| Current | | | |
| Cemetery expenses | <u>5,937</u> | <u>0</u> | <u>5,937</u> |
| EXCESS (DEFICIENCY) OF | | | |
| REVENUES OVER EXPENDITURES | (5,239) | 26,191 | 20,952 |
| OTHER FINANCING SOURCES | | | |
| Operating transfers | <u>(6,389)</u> | <u>0</u> | <u>(6,389)</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER | | | |
| FINANCING SOURCES OVER EXPENDITURES | (11,628) | 26,191 | 14,563 |
| FUND BALANCES - JULY 1, 2014 | <u>62,310</u> | <u>28,449</u> | <u>90,759</u> |
| FUND BALANCES - JUNE 30, 2015 | <u>\$ 50,682</u> | <u>\$ 54,640</u> | <u>\$ 105,322</u> |

TOWN OF HINESBURG, VERMONT
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
 VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN

| | <u>2014</u> |
|---|-------------|
| Town's proportion of the net pension liability (asset) | 0.3406% |
| Town's proportionate share of the net pension liability (asset) | \$ 31,087 |
| Town's covered-employee payroll | \$ 857,331 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 3.63% |
| Plan fiduciary net position as a percentage of the total pension liability | 98.32% |

SCHEDULE OF TOWN'S CONTRIBUTIONS
 VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN
 Last three fiscal years

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-----------------|-----------------|-----------------|
| Contractually required contributions | \$ 55,793 | \$ 43,938 | \$ 39,005 |
| Contributions in relation to the contractually required contribution | <u>(55,793)</u> | <u>(43,938)</u> | <u>(39,005)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Town's covered-employee payroll | \$ 1,038,008 | \$ 857,331 | \$ 780,099 |
| Contributions as a percentage of covered-employee payroll | 5.375% | 5.125% | 5.000% |

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 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*

Town of Hinesburg
Hinesburg, Vermont

We have audited, 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, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Town of Hinesburg, Vermont, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

not identify and deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Fothergill Segale & Valley, CPAs

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

February 24, 2016