

**TOWN OF HINESBURG, VERMONT**  
**AUDIT REPORT AND FINANCIAL STATEMENTS**

**JUNE 30, 2020**

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**TOWN OF HINESBURG, VERMONT**  
**AUDIT REPORT AND FINANCIAL STATEMENTS**

**JUNE 30, 2020**

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# FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



## 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, 2020, 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 of Hinesburg, Vermont, as of June 30, 2020, 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 April 30, 2021 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 solely 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 the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Respectfully submitted,

*Fothergill Segale & Valley, CPAs*

FOTHERGILL SEGAL & VALLEY, CPAs

Montpelier, Vermont

Vermont Public Accountancy License #110

April 30, 2021

TOWN OF HINESBURG, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

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, 2020. Please read it in conjunction with the Town's financial statements which begin with Exhibit A.

**Financial Highlights**

- The Town's combined net position increased as a result of this year's operations. Net position of our business-type activities increased by \$248,708, or 6.65 percent and net position of our governmental activities increased by \$301,332, or 2.58 percent.
- In the Town's business-type activities, revenue increased to \$1,175,233 (or 14.8%) while expenses increased to \$926,525 (or 5.37%). Ending net position for the business-type activities was \$3,988,252, up from a net position of \$3,739,544, an increase of \$248,708.
- The cost of all of the Town's programs was \$5,015,263 this year, compared to \$4,870,665 in the prior year, with no new programs added.
- The General Fund reported a increase in fund balance this year of \$98,120, which was \$219,120 better than the budgeted deficit of \$121,000.
- The unassigned fund balance for the General Fund was \$539,339 as of June 30, 2020. This amount represents the amount of resources available for future budgets. Assigned fund balances of the General Fund total \$283,749 as of June 30, 2020. These amounts are set aside for expenditures in subsequent years. Nonspendable fund balances total \$79,394. This amount represents prepaid expenses for the subsequent year. Restricted fund balances are \$133,731. These amounts are restricted for a specific use as noted in Note 10.
- The Capital Projects Fund ended the year with a total fund balance of \$663,769, an increase of \$71,327, due primarily to the use of the bond funds for the construction of the new highway garage. The Vermont Community Development Project Fund ended the year with a total fund balance of \$54,809, a decrease of \$125,642. Nonmajor funds ended the year with a total fund balance of \$208,656, an increase of \$22,405.

**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.

TOWN OF HINESBURG, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020  
(Continued)

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, 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 fund (a component of proprietary funds) is 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). 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, 2020  
(Continued)

**The Town as a Whole**

The Town's combined net position increased by \$550,040 from a year ago – increasing from a balance of \$15,426,020 to \$15,976,060. 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 2019.

Table 1  
Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 3,932,139	\$ 3,884,518	\$ 1,028,182	\$ 775,282	\$ 4,960,321	\$ 4,659,800
Capital assets	14,680,991	14,877,697	5,292,325	5,443,106	19,973,316	20,320,803
Total assets	<u>18,613,130</u>	<u>18,762,215</u>	<u>6,320,507</u>	<u>6,218,388</u>	<u>24,933,637</u>	<u>24,980,603</u>
Deferred outflows	167,761	182,683	36,569	35,368	204,330	218,051
Long term liabilities	5,977,564	6,474,543	2,235,004	2,357,029	8,212,568	8,831,572
Net pension liability	462,253	395,195	100,764	76,511	563,017	471,706
Other liabilities	339,612	372,860	30,080	77,609	369,692	450,469
Total liabilities	<u>6,779,429</u>	<u>7,242,598</u>	<u>2,365,848</u>	<u>2,511,149</u>	<u>9,145,277</u>	<u>9,753,747</u>
Deferred inflows	<u>13,654</u>	<u>15,824</u>	<u>2,976</u>	<u>3,063</u>	<u>16,630</u>	<u>18,887</u>
Net position:						
Invested in capital assets, net of debt	10,563,387	10,349,904	3,057,321	3,086,076	13,620,708	13,435,980
Restricted	560,818	586,570	0	0	560,818	586,570
Unrestricted	863,603	750,002	930,931	653,468	1,794,534	1,403,470
Total net position	<u>\$11,987,808</u>	<u>\$ 11,686,476</u>	<u>\$ 3,988,252</u>	<u>\$3,739,544</u>	<u>\$ 15,976,060</u>	<u>\$15,426,020</u>

Net position of the Town's governmental activities increased by 2.58% (\$11,987,808 compared to \$11,686,476).

The net position of our business-type activities increased by 6.65% (\$3,988,252 compared to (\$3,739,544).

TOWN OF HINESBURG, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020  
(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	
	2020	2019	2020	2019	2020	2019
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 356,036	\$ 300,645	\$1,160,863	\$ 1,013,263	\$ 1,516,899	\$1,313,908
Operating grants and contributions	581,873	336,298	0	0	581,873	336,298
Capital grants and contributions	63,752	114,976	0	0	63,752	114,976
General revenues:						
Property taxes, penalties and interest	3,331,371	3,174,430	0	0	3,331,371	3,174,430
Investment income	17,667	24,122	13,032	8,282	30,699	32,404
Gain(loss) on disposal of assets	0	29	0	0	0	29
Other general revenues	39,371	33,758	1,338	2,399	40,709	36,157
Total revenues	<u>4,390,070</u>	<u>3,984,258</u>	<u>1,175,233</u>	<u>1,023,944</u>	<u>5,565,303</u>	<u>5,008,202</u>
<b>PROGRAM EXPENSES</b>						
General government	1,376,327	1,262,924	0	0	1,376,327	1,262,924
Public safety	870,325	894,341	0	0	870,325	894,341
Highways and streets	1,030,147	1,047,013	0	0	1,030,147	1,047,013
Agency requests	300,529	290,037	0	0	300,529	290,037
Culture and recreation	283,239	263,254	0	0	283,239	263,254
Interest on long-term debt	161,914	171,739	0	0	161,914	171,739
Health and cemetery	39,232	35,197	0	0	39,232	35,197
County tax	27,025	26,842	0	0	27,025	26,842
Water	0	0	184,573	216,235	184,573	216,235
Wastewater	0	0	194,359	194,170	194,359	194,170
Shared expenses	0	0	547,593	468,913	547,593	468,913
Total program expenses	<u>4,088,738</u>	<u>3,991,347</u>	<u>926,525</u>	<u>879,318</u>	<u>5,015,263</u>	<u>4,870,665</u>
Increase (decrease) in net position	<u>\$ 301,332</u>	<u>\$ (7,089)</u>	<u>\$ 248,708</u>	<u>\$ 144,626</u>	<u>\$ 550,040</u>	<u>\$ 137,537</u>

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



TOWN OF HINESBURG, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020  
(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
	2020	2020	2019	2019
General government	\$ 1,376,327	\$ 943,213	\$ 1,262,924	\$ 1,046,214
Public safety	870,325	742,733	894,341	770,437
Highways and streets	1,030,147	664,063	1,047,013	787,401
Agency requests	300,529	300,529	290,037	290,037
Culture and recreation	283,239	208,368	263,254	111,561
Interest on long-term debt	161,914	161,914	171,739	171,739
All others	66,257	66,257	62,039	62,039
Totals	<u>\$ 4,088,738</u>	<u>\$ 3,087,077</u>	<u>\$ 3,991,347</u>	<u>\$ 3,239,428</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 \$1,963,447. The General Fund increased by \$98,120, from \$938,093 to \$1,036,213. The Capital Projects Fund ended the year with a total fund balance of \$663,769, an increase of \$71,327, due primarily to the use of the bond funds for the construction of the new highway garage. The Vermont Community Development Project Fund ended the year with a total fund balance of \$54,809, a decrease of \$125,642. Nonmajor funds ended the year with a total fund balance of \$208,656, an increase of \$22,656.

*General Fund Budgetary Highlights*

Exhibit G compares actual results for fiscal year 2020 to the approved budget for the General Fund. Revenues were greater than expenditures and other financing uses by \$98,120, which was better than the budgeted deficit by \$219,120.

TOWN OF HINESBURG, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020  
(Continued)

The most significant variances were as follows:

	Variance <u>Favorable (Unfavorable)</u>
REVENUES:	
Licenses and permits	\$ 27,482
Miscellaneous	51,566
EXPENDITURES:	
General government	91,438
Public safety	37,935
Capital outlays - general government	(11,969)
Debt service - principal	(20,518)

Significant budget variances are explained below:

Revenue –

General fund revenues were higher than budgeted for a number of reasons. There were higher than expected fees for permits from the Planning Department as well as a significant increase in recording fees in the Town Clerk's office. The solar tracker revenue exceeded expectations. Police judicial fines were higher than budgeted. The off-setting income for the Mountain View Mobile Home Park water system upgrade loan also contributed to the above budgeted revenues.

Expenditures –

The General Fund expenses were lower than budgeted by approximately \$95,000. One of the biggest drivers of the savings was worker's compensation insurance which was approximately \$50,000 lower than the budgeted amount. There were also savings in both the police and highway personnel budgets. The Highway Department also had significantly lower than expected vehicle maintenance costs.

*Water and Sewer Highlights*

Exhibit I shows actual results for the Water and Sewer Fund for fiscal year 2020. Revenues were greater than expenses by \$248,708. Included in the expenses for the year is depreciation expense of \$173,502. The cash and cash equivalents in the Water and Sewer Fund increased by \$84,993 as reflected on Exhibit J of the financial statements. Water rate increases were implemented due to increased costs associated with debt service for the water treatment facility while the wastewater rates remained flat. There was a significant increase in revenues collected primarily related to water application fees. The water and wastewater combined budget exceeded the expenditures by approximately \$1,700.

TOWN OF HINESBURG, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020  
(Continued)

**Capital Assets and Debt Administration**

*Capital Assets*

At June 30, 2020, the Town had \$19,973,316 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and wastewater lines net of accumulated depreciation. (See Table 4 below) This amount represents a net decrease (including additions less depreciation) of \$347,487 compared to June 30, 2019.

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

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,353,157	\$ 2,353,157	\$ 341,619	\$ 341,619	\$ 2,694,776	\$ 2,694,776
Construction in progress	992,645	758,590	123,316	108,995	1,115,961	867,585
Land improvements	199,988	196,470	0	0	199,988	196,470
Buildings	3,889,154	3,975,999	331,602	344,642	4,220,756	4,320,641
Equipment and vehicles	1,301,309	1,562,139	186,613	211,758	1,487,922	1,773,897
Improvements	0	0	4,309,175	4,436,092	4,309,175	4,436,092
Infrastructure	5,944,738	6,031,342	0	0	5,944,738	6,031,342
Totals	<u>\$ 14,680,991</u>	<u>\$ 14,877,697</u>	<u>\$ 5,292,325</u>	<u>\$ 5,443,106</u>	<u>\$ 19,973,316</u>	<u>\$20,320,803</u>

This year's additions included:

	Governmental Activities	Business-type Activities	Totals
Sidewalk improvements	\$ 234,054	\$ 0	\$ 234,054
Charlotte Road paving	365,701	0	365,701
Highway garage	25,897	0	25,897
Leaf blower	5,500	0	5,500
Various upgrades to improvements	0	22,721	22,721
	<u>\$ 631,152</u>	<u>\$ 22,721</u>	<u>\$ 653,873</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, 2020  
(Continued)

*Debt Administration*

At June 30, 2020, the Town had \$7,067,571 in bonds, notes, and leases outstanding versus \$7,686,572 on June 30, 2019 – a decrease of \$619,001 – as shown in Table 5.

Table 5  
Outstanding Debt at Year-End

	Governmental Activities	Business-type Activities	Totals
Balances - July 1, 2019	\$ 5,329,543	\$ 2,357,029	\$ 7,686,572
New loans and leases	0	37,650	37,650
Repayments	(496,976)	(159,675)	(656,651)
Balances - June 30, 2020	<u>\$ 4,832,567</u>	<u>\$ 2,235,004</u>	<u>\$ 7,067,571</u>

The new debt in the business-type activity is relating to the new well.

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

The fiscal year 2021 expenditure budget approved by voters at Town Meeting on March 3, 2020 is \$4,294,563. The approved budget represents a \$331,024 increase from the approved fiscal year 2020 budget. The approved fiscal year 2021 tax rate of \$0.5450 represented an increase of \$0.0360 from the FY2020. The increase was largely due to an increased utilization of group health insurance, an additional hire in the Fire Department, and increase in salary and wages.

**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, 10632 Route 116, Hinesburg, Vermont.

TOWN OF HINESBURG, VERMONT  
STATEMENT OF NET POSITION  
JUNE 30, 2020

EXHIBIT A

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents, unrestricted	\$ 1,330,792	\$ 639,796	\$ 1,970,588
Cash, restricted	563,484	0	563,484
Investments, restricted	51,006	0	51,006
Receivables:			
Delinquent taxes	75,887	0	75,887
Delinquent tax interest	15,473	0	15,473
Sewer and water charges	0	408,460	408,460
State of Vermont	7,683	0	7,683
Other	68,430	0	68,430
Prepaid expenses	79,394	13,367	92,761
Note receivable	1,706,549	0	1,706,549
Internal balances	33,441	(33,441)	0
Capital assets:			
Non-depreciable:			
Land	2,353,157	341,619	2,694,776
Construction in progress	992,645	123,316	1,115,961
Depreciable:			
Land improvements	459,003	0	459,003
Buildings	4,504,547	687,443	5,191,990
Improvements	0	6,142,447	6,142,447
Infrastructure	9,339,759	0	9,339,759
Equipment and vehicles	3,952,102	958,818	4,910,920
Accumulated depreciation	(6,920,222)	(2,961,318)	(9,881,540)
Total assets	18,613,130	6,320,507	24,933,637
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related	167,761	36,569	204,330
Total assets plus deferred outflows of resources	18,780,891	6,357,076	25,137,967
<b>LIABILITIES</b>			
Accounts payable	126,031	24,269	150,300
Accrued and withheld payroll deductions	19,960	0	19,960
Taxes collected in advance	21,283	0	21,283
Unearned grant revenue - police	1,563	0	1,563
Unearned grant revenue - other	24,306	0	24,306
Accrued interest	37,150	418	37,568
Net pension liability	462,253	100,764	563,017
Bonds, notes, and leases payable due within one year	501,428	161,798	663,226
Due to State after one year	1,145,000	0	1,145,000
Accrued compensated absences due after one year	109,316	5,393	114,709
Bonds, notes, and leases payable due after one year	4,331,139	2,073,206	6,404,345
Total liabilities	6,779,429	2,365,848	9,145,277
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related	13,654	2,976	16,630
Total liabilities and deferred inflows of resources	6,793,083	2,368,824	9,161,907
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	10,563,387	3,057,321	13,620,708
Restricted:			
Cemetery	64,112	0	64,112
Impact fees	144,544	0	144,544
Other purposes	352,162	0	352,162
Unrestricted	863,603	930,931	1,794,534
Total net position	\$ 11,987,808	\$ 3,988,252	\$15,976,060

See Notes to Financial Statements.

## TOWN OF HINESBURG, VERMONT

EXHIBIT B

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Charges 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	\$ 1,376,327	\$ 196,921	\$ 236,193	\$ 0	\$ (943,213)	\$ 0	\$ (943,213)
Public safety	870,325	91,192	36,400	0	(742,733)	0	(742,733)
Highways and streets	1,030,147	2,224	300,108	63,752	(664,063)	0	(664,063)
Agency requests	300,529	0	0	0	(300,529)	0	(300,529)
Culture and recreation	283,239	65,699	9,172	0	(208,368)	0	(208,368)
Interest on long-term debt	161,914	0	0	0	(161,914)	0	(161,914)
Health and cemetery	39,232	0	0	0	(39,232)	0	(39,232)
County tax	27,025	0	0	0	(27,025)	0	(27,025)
Total governmental activities	4,088,738	356,036	581,873	63,752	(3,087,077)	0	(3,087,077)
Business-type activities							
Water	184,573	682,270	0	0	0	497,697	497,697
Sewer	194,359	478,593	0	0	0	284,234	284,234
Shared expenses	547,593	0	0	0	0	(547,593)	(547,593)
Total business-type activities	926,525	1,160,863	0	0	0	234,338	234,338
Total government	\$ 5,015,263	\$ 1,516,899	\$ 581,873	\$ 63,752	(3,087,077)	234,338	(2,852,739)
General Revenues:							
Property taxes, penalties and interest					3,331,371	0	3,331,371
Earnings on investments					17,667	13,032	30,699
Miscellaneous					39,371	1,338	40,709
Total general revenues					3,388,409	14,370	3,402,779
Change in net position					301,332	248,708	550,040
Net position - July 1, 2019					11,686,476	3,739,544	15,426,020
Net position - June 30, 2020					\$ 11,987,808	\$ 3,988,252	\$ 15,976,060

See Notes to Financial Statements.

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	Major Funds			Non-Major Funds	
	General Fund	Capital Projects Fund	VCDP Fund	Special Revenue Funds	Totals
<b>ASSETS</b>					
Cash and cash equivalents, unrestricted	\$1,330,792	\$ 0	\$ 0	\$ 0	\$1,330,792
Cash, restricted	1,563	317,036	92,468	152,417	563,484
Investments, restricted	0	0	0	51,006	51,006
Receivables:					
Delinquent taxes, net allowance of \$11,000	75,887	0	0	0	75,887
Delinquent tax interest	15,473	0	0	0	15,473
State of Vermont	7,683	0	0	0	7,683
Other	68,430	0	0	0	68,430
Note receivable	334,307	0	1,372,242	0	1,706,549
Prepaid expenses	79,394	0	0	0	79,394
Due from other funds	0	347,785	0	7,875	355,660
Total assets	<u>\$1,913,529</u>	<u>\$ 664,821</u>	<u>\$1,464,710</u>	<u>\$ 211,298</u>	<u>\$4,254,358</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 87,320	\$ 1,052	\$ 37,659	\$ 0	\$ 126,031
Accrued and withheld payroll deductions	19,960	0	0	0	19,960
Taxes collected in advance	21,283	0	0	0	21,283
Unearned grant revenue - police	1,563	0	0	0	1,563
Unearned grant revenue - other	24,306	0	0	0	24,306
Due to other funds	319,577	0	0	2,642	322,219
Total liabilities	<u>474,009</u>	<u>1,052</u>	<u>37,659</u>	<u>2,642</u>	<u>515,362</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - taxes	69,000	0	0	0	69,000
Unavailable revenue - community development	334,307	0	1,372,242	0	1,706,549
Total deferred inflows of resources	<u>403,307</u>	<u>0</u>	<u>1,372,242</u>	<u>0</u>	<u>1,775,549</u>
<b>FUND BALANCES</b>					
Nonspendable - prepaids	79,394	0	0	0	79,394
Restricted	133,731	313,232	54,809	208,656	710,428
Assigned	283,749	350,537	0	0	634,286
Unassigned	539,339	0	0	0	539,339
Total fund balances	<u>1,036,213</u>	<u>663,769</u>	<u>54,809</u>	<u>208,656</u>	<u>1,963,447</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$1,913,529</u>	<u>\$ 664,821</u>	<u>\$1,464,710</u>	<u>\$ 211,298</u>	<u>\$4,254,358</u>

TOWN OF HINESBURG, VERMONT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020

EXHIBIT D

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,963,447

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 \$21,601,213 and the accumulated depreciation is \$6,920,222. 14,680,991

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	227,242	
Unavailable revenue - Mt. View	334,307	
Unavailable revenue - Kelley Field	470,000	
Unavailable revenue - Green Street	675,000	
Unavailable tax revenue	69,000	1,775,549

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		(462,253)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds:

Deferred outflows	167,761	
Deferred inflows	(13,654)	154,107

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	4,832,567	
Due to State after one year	1,145,000	
Accrued interest on bonds, notes, and leases payable	37,150	
Accrued compensated absences	109,316	(6,124,033)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$11,987,808



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

YEAR ENDED JUNE 30, 2020

	Major Funds			Non-Major Funds	
	General	Capital Projects	VCDP	Special Revenue	
	Fund	Fund	Fund	Funds	Totals
REVENUES					
Property taxes	\$ 3,302,653	\$ 0	\$ 0	\$ 0	\$ 3,302,653
Penalties and interest	18,718	0	0	0	18,718
Licenses and permits	72,382	0	0	0	72,382
Impact fees	0	0	0	25,060	25,060
Intergovernmental	229,169	316,029	0	0	545,198
Charges for services	177,705	0	0	0	177,705
Fines and forfeits	49,395	0	0	0	49,395
Investment income	13,680	0	5,090	(1,103)	17,667
Donations	8,547	66,820	0	0	75,367
Miscellaneous income	89,983	22,060	71,717	4,400	188,160
Total revenues	3,962,232	404,909	76,807	28,357	4,472,305
EXPENDITURES					
Current					
General government	1,117,759	5,150	63,301	0	1,186,210
Public safety	718,234	8,380	0	665	727,279
Highways and streets	570,906	10,552	0	0	581,458
Culture and recreation	128,748	18,170	1,489	0	148,407
Health and cemetery	38,832	0	0	400	39,232
Community development	0	0	100,000	0	100,000
County tax	27,025	0	0	0	27,025
Agency requests	300,529	0	0	0	300,529
Capital outlays					
General government	11,969	222,086	0	0	234,055
Highways and streets	0	397,097	0	0	397,097
Debt service					
Interest	148,480	17,546	1,801	0	167,827
Principal	190,224	270,894	35,858	0	496,976
Total expenditures	3,252,706	949,875	202,449	1,065	4,406,095
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
BEFORE OTHER FINANCING SOURCES (USES)	709,526	(544,966)	(125,642)	27,292	66,210
OTHER FINANCING SOURCES (USES)					
Operating transfers in (out)	(611,406)	616,293	0	(4,887)	0
Total other financing sources (uses)	(611,406)	616,293	0	(4,887)	0
NET CHANGE IN FUND BALANCES	98,120	71,327	(125,642)	22,405	66,210
FUND BALANCES - JULY 1, 2019	938,093	592,442	180,451	186,251	1,897,237
FUND BALANCES - JUNE 30, 2020	\$ 1,036,213	\$ 663,769	\$ 54,809	\$ 208,656	\$ 1,963,447

TOWN OF HINESBURG, VERMONT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT  
OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES TO THE STATEMENT OF  
ACTIVITIES  
YEAR ENDED JUNE 30, 2020

EXHIBIT F

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 66,210

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 depreciation expense of \$827,858 exceeds the capital outlays of \$631,152. (196,706)

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. 496,976

Notes receivable are recognized on an accrual basis in the statement of net position, not the modified accrual basis. The effects are as follows:

Miscellaneous revenues	(92,235)	
Expenses for new loans	<u>100,000</u>	
		7,765

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 \$10,000. 10,000

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. (79,810)

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 earned exceeded the amounts used by \$9,016. (9,016)

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 decrease in interest reported in the General Fund is because accrued interest on bonds, notes, and leases payable decreased.

5,913

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 301,332

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

YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 3,300,424	\$ 3,302,653	\$ 2,229
Penalties and interest	22,000	18,718	(3,282)
Licenses and permits	44,900	72,382	27,482
Intergovernmental	233,500	229,169	(4,331)
Charges for services	164,000	177,705	13,705
Fines and forfeits	35,000	49,395	14,395
Investment income	2,300	13,680	11,380
Donations	0	8,547	8,547
Miscellaneous income	38,417	89,983	51,566
Total revenues	3,840,541	3,962,232	121,691
<b>EXPENDITURES</b>			
Current			
General government	1,209,197	1,117,759	91,438
Public safety	756,169	718,234	37,935
Highways and streets	576,318	570,906	5,412
Culture and recreation	125,434	128,748	(3,314)
Health and cemetery	36,800	38,832	(2,032)
County tax	29,845	27,025	2,820
Agency requests	301,929	300,529	1,400
Capital outlays			
General government	0	11,969	(11,969)
Debt service			
Interest	141,851	148,480	(6,629)
Principal	169,706	190,224	(20,518)
Total expenditures	3,347,249	3,252,706	94,543
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	493,292	709,526	216,234
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	2,000	4,886	2,886
Operating transfers out	(616,292)	(616,292)	0
Total other financing sources (uses)	(614,292)	(611,406)	2,886
NET CHANGE IN FUND BALANCE	\$ (121,000)	98,120	\$ 219,120
FUND BALANCE - JULY 1, 2019		938,093	
FUND BALANCE - JUNE 30, 2020		\$ 1,036,213	

TOWN OF HINESBURG, VERMONT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2020

EXHIBIT H

	<u>Water and Sewer</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 639,796
Accounts receivable:	
Water/sewer and other fees	408,460
Other	
Prepaid expenses	13,367
Total current assets	<u>1,061,623</u>
Noncurrent assets:	
Capital assets	
Land	341,619
Construction in progress	123,316
Buildings	687,443
Equipment and vehicles	958,818
Improvements	6,142,447
Accumulated depreciation	(2,961,318)
Total noncurrent assets	<u>5,292,325</u>
Total assets	6,353,948
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related	<u>36,569</u>
Total assets plus deferred outflows of resources	<u>6,390,517</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	24,269
Accrued interest	418
Due to other funds	33,441
Net pension liability	100,764
Accrued compensated absences	5,393
Bonds, note, and leases payable due within one year	161,798
Total current liabilities	<u>326,083</u>
Noncurrent liabilities:	
Bonds, note, and leases payable due after one year	<u>2,073,206</u>
Total liabilities	2,399,289
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related	<u>2,976</u>
Total liabilities and deferred inflows of resources	<u>2,402,265</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	3,057,321
Unrestricted	930,931
Total net position	<u><u>\$3,988,252</u></u>

TOWN OF HINESBURG, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGE IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2020

EXHIBIT I

	<u>Water and Sewer</u>
OPERATING REVENUES:	
Charges for services:	
Water	\$ 682,270
Sewer	478,593
Miscellaneous income	<u>1,338</u>
Total operating revenues	<u>1,162,201</u>
OPERATING EXPENSES:	
Water Department	167,462
Sewer Department	194,359
Shared expenses	<u>547,593</u>
Total operating expenses	<u>909,414</u>
INCOME FROM OPERATIONS	<u>252,787</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and late charges	13,032
Interest expense	<u>(17,111)</u>
Total nonoperating revenues (expenses)	<u>(4,079)</u>
CHANGE IN NET POSITION	248,708
NET POSITION - JULY 1, 2019	<u>3,739,544</u>
NET POSITION - JUNE 30, 2020	<u><u>\$3,988,252</u></u>

TOWN OF HINESBURG, VERMONT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2020

EXHIBIT J

	Water and Sewer
CASH FLOWS FROM (TO) OPERATING ACTIVITIES	
Cash received from customers	\$ 981,592
Cash payments to employees and related benefits	(332,610)
Cash payments to suppliers for goods and services	(380,920)
Net cash from operating activities	<u>268,062</u>
CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES	
Interfund advances	<u>11,730</u>
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(22,721)
Interest paid on bonds and leases	(63,085)
Proceeds from loans	37,650
Retirement of bonds and leases	(159,675)
Net cash to capital and related financing activities	<u>(207,831)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on cash	<u>13,032</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	84,993
CASH AND CASH EQUIVALENTS - JULY 1, 2019	<u>554,803</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2020	<u><u>\$ 639,796</u></u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES	
Income from operations	\$ 252,787
Adjustments to reconcile income from operations to net cash flow from operating activities:	
Depreciation	173,502
Pension expense	22,965
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(180,609)
(Increase) decrease in prepaid expenses	972
Increase (decrease) in accounts payable	<u>(1,555)</u>
Net cash from operating activities	<u><u>\$ 268,062</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	\$ 5,751
Net pension liability	3,451
Deferred inflows of resources - pension-related	2,302

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

JUNE 30, 2020

	<u>Private Purpose Trust</u>
	<u>Peck</u>
	<u>Estate</u>
ASSETS	
Cash	\$ 8,371
Investments	<u>982,601</u>
Total assets	<u>\$ 990,972</u>

## NET POSITION

Held in trust for others	<u>\$ 990,972</u>
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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

YEAR ENDED JUNE 30, 2020

	<u>Private Purpose Trust</u>
	<u>Peck</u>
	<u>Estate</u>
ADDITIONS	
Interest and dividends	\$ 30,030
Unrealized investment gain	<u>18,400</u>
Total additions	<u>48,430</u>
DEDUCTIONS	
Administrative expenses	3,778
Payment to school	<u>45,000</u>
Total deductions	<u>48,778</u>
CHANGE IN NET POSITION	(348)
NET POSITION, JULY 1, 2019	<u>991,320</u>
NET POSITION, JUNE 30, 2020	<u><u>\$ 990,972</u></u>



TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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 fund. 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 (property taxes, 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, 2020

**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, the Capital Projects Fund, and the Vermont Community Development Project (VCDP) 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.

Capital Projects Fund is the fund that is used for major capital projects and loan payments related to those projects.

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 fund 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, 2020

**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. The Capital Projects Fund and the VCDP Fund are not required to adopt budgets, thus no budgets are presented for those funds.

*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 total assets and deferred outflows and total liabilities and deferred inflows 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, 2020

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

*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 pension liabilities from those plans and the end of the Town's fiscal year, 2) the difference between expected and actual experience, 3) changes in assumptions, 4) difference between projected and actual investment earnings, and 5) 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). The deferred inflows of resources reported in the Town's statement of net position are the difference between expected and actual experience and changes in proportionate share of contributions.

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, 2020

**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, 2020

**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, 2020

**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, 2020, the government's bank balance was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 179,817
Uninsured - collateralized by securities held by pledging institution	<u>2,400,541</u>
Total bank balance	<u><u>\$ 2,580,358</u></u>

*Investments*

As of June 30, 2020, the Town had the following investments:

Investment type	Maturities	Fair Value	Rating
Mutual funds - bonds		\$ 122,630	
Mutual funds - stocks		51,006	
Common stock		484,041	
Corporate bonds	11/15/21 - 12/15/25	<u>375,930</u>	A- to BBB
		<u><u>\$ 1,033,607</u></u>	

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

*Credit Risk* – The Town's investment policy limits its investment choices to more conservative investment options.

*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, 2020

**NOTE 3 - CAPITAL ASSETS**

*Governmental Activities*

The summary of capital assets as of June 30, 2020 is as follows:

	July 1, 2019	Depreciation and Additions	June 30, 2020
Capital assets not depreciated			
Land	\$ 2,353,157	\$ 0	\$ 2,353,157
Construction in progress	758,590	234,055	992,645
Total capital assets not depreciated	<u>3,111,747</u>	<u>234,055</u>	<u>3,345,802</u>
Capital assets being depreciated			
Land improvements	433,107	25,896	459,003
Buildings	4,504,547	0	4,504,547
Infrastructure	8,974,058	365,701	9,339,759
Equipment and vehicles	3,946,602	5,500	3,952,102
Total capital assets being depreciated	<u>17,858,314</u>	<u>397,097</u>	<u>18,255,411</u>
Less accumulated depreciation for:			
Land improvements	236,637	22,378	259,015
Buildings	528,548	86,845	615,393
Infrastructure	2,942,716	452,305	3,395,021
Equipment and vehicles	2,384,463	266,330	2,650,793
Accumulated depreciation	<u>6,092,364</u>	<u>827,858</u>	<u>6,920,222</u>
Total capital assets, net	<u>\$ 14,877,697</u>	<u>\$ (196,706)</u>	<u>\$ 14,680,991</u>

*Business-type Activities*

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

	July 1, 2019	Depreciation and Additions	June 30, 2020
Capital assets not depreciated			
Land	\$ 341,619	\$ 0	\$ 341,619
Construction in progress	108,995	14,321	123,316
Capital assets being depreciated			
Buildings	687,443	0	687,443
Improvements	6,134,047	8,400	6,142,447
Equipment and vehicles	958,818	0	958,818
Total capital assets	<u>8,230,922</u>	<u>22,721</u>	<u>8,253,643</u>
Less accumulated depreciation for:			
Buildings	342,801	13,040	355,841
Improvements	1,697,955	135,317	1,833,272
Equipment and vehicles	747,060	25,145	772,205
Accumulated depreciation	<u>2,787,816</u>	<u>173,502</u>	<u>2,961,318</u>
Total capital assets, net	<u>\$ 5,443,106</u>	<u>\$ (150,781)</u>	<u>\$ 5,292,325</u>



TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 101,291
Public safety	143,046
Highway and streets	448,689
Culture and recreation	134,832
Total governmental activities depreciation expense	<u>\$ 827,858</u>
Business-type activities:	
Water and sewer - shared expenses	<u>\$ 173,502</u>

**NOTE 4 - NOTES RECEIVABLE**

The Town has a note receivable at June 30, 2020 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 \$127,241 note receivable with 1% interest, with terms of quarterly installments of interest only through July 2014, and principal and interest through January 2021. 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, 2020 was \$63,620, and is included on Exhibit A in the "Bonds, Notes, and Leases Payable" balance.

The Town has a note receivable at June 30, 2020 with Mountain View Park for \$334,307 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, 2020 with Kelley's Field for \$470,000 with 0% interest, due in 30 years. When this note is paid, it is immediately remitted to the Vermont Revolving Loan Fund. The amount due of \$470,000 is included on Exhibit A in the "Due to State after one year" balance.

The Town has a note receivable at June 30, 2020 with Green Street Housing Limited Partnership for \$675,000 with 0% interest, due in 30 years. When this note is paid, it is immediately remitted to the Vermont Revolving Loan Fund. The amount due of \$675,000 is included on Exhibit A in the "Due to State after one year" balance.

The Town additionally has loaned \$50,000 each to Shrubby and to TC Hospitality in December, 2019, with interest at 7.75% per year. There are interest-only payments for the first two years, and then there are monthly installments for three years following.

On the Balance Sheet for governmental funds, the note receivable balances stated above are offset by the same balance as unavailable revenue.

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**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, 2020 are as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 0	\$ 319,577
Capital Projects Fund	347,785	0
Special Revenue Funds	7,875	2,642
Proprietary Fund	0	33,441
	<u>\$ 355,660</u>	<u>\$ 355,660</u>

**NOTE 6 – ACCOUNTS RECEIVABLE – GENERAL FUND**

Accounts receivable in the Governmental Funds consists of:

Delinquent taxes and interest, net of \$11,000 allowance	\$ 91,360
State of Vermont	7,683
Green Mountain Power	22,859
St George	40,000
Other grants and fees	5,571
Total	<u>\$ 167,473</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 3.42%, maturing July 15, 2020, payments of \$35,395 including interest due annually.	\$ 34,339	\$ 34,339
Note Payable - Northfield Savings Bank, interest at 2.85%, maturing July, 2022, payments of \$15,000 plus interest due annually.	45,000	15,000
Note Payable - National Bank of Middlebury, interest at 1.9%, maturing August, 2020, payments of \$25,741 plus interest due annually.	25,740	25,740
Note Payable - Community National Bank, interest at 1.78%, annual payments of \$32,175 plus interest, maturing August, 2020.	32,175	32,175
Capital Lease Payable - First Niagara Leasing, interest at 2.59%, maturing July 15, 2020, payments of \$98,429 including interest due annually.	95,912	95,912

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 7 - LONG-TERM LIABILITIES (Continued)**

	Total	Due within one year
<u>Governmental Activities (continued)</u>		
Note Payable - National Bank of Middlebury, interest at 1.9%, maturing August, 2022, payments of \$28,695 plus interest due annually.	86,085	28,695
Note Payable - National Bank of Middlebury, interest at 2.22%, maturing August, 2022, payments of \$13,353 plus interest due annually.	40,058	13,353
Note Payable - National Bank of Middlebury, interest at 1.9%, maturing August, 2022, payments of \$26,757 plus interest due annually.	80,272	26,757
Note Payable - National Bank of Middlebury, interest at 2.22%, maturing August, 2022, payments of \$2,659 plus interest due annually.	7,975	2,659
Bond - Vermont Municipal Bond Bank, interest from 0.444% - 4.954%, maturing November, 2043, payments of \$35,173 plus interest due annually.	844,161	35,173
Bond - Vermont Municipal Bond Bank, interest from 1.78% - 3.87%, maturing November, 2047, payments of \$103,343 plus interest due annually.	2,893,388	103,343
Bond - Vermont Municipal Bond Bank, interest from 1.78% - 3.05%, maturing November, 2027, payments of \$31,200 plus interest due annually.	249,535	31,136
State of Vermont - Vermont Community Development Program, 0% interest, maturing January, 2022, payments due as it is repaid from VT Smoke & Cure.	63,620	36,218
Note Payable - Clean Water State Revolving Loan, 2% interest, maturing December 2033, payments of \$27,614 including interest due annually.	334,307	20,928
Total bonds, notes and leases payable	4,832,567	501,428
State of Vermont - Vermont Community Development Program, 0% interest, maturing July, 2045, no payments due until it is repaid from Kelley Field.	470,000	0
State of Vermont - Vermont Community Development Program, 0% interest, maturing November, 2047, no payments due until it is repaid from Green Street.	675,000	0
Total due to State of Vermont over one year	1,145,000	0
Accrued compensated absences	109,316	0
Total governmental activities	\$ 6,086,883	\$501,428
<u>Business-type Activities</u>		
Bond Payable - Vermont Municipal Bond Bank, interest between 4.0% and 6.2%, maturing December 1, 2026, principal payments of \$70,000 due on December 1, interest due June 1 and December 1.	\$ 490,000	\$ 70,000

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

<u>Business-type Activities (continued)</u>	<u>Total</u>	<u>Due within one year</u>
Bond Payable - Vermont Revolving Loan Fund, interest at 1%, admin fee at 2%, maturing February 2034, annual payments of \$100,824 including interest beginning June, 2018, total available \$1,500,000.	1,093,433	46,699
Bond Payable - Vermont Municipal Bond Bank, \$125,111 at 0% interest, with a 2% admin fee, maturing July 1, 2031, annual payments of \$1,833 including interest. A principal payment of \$95,134 was made in January, 2010 utilizing Federal ARRA funds.	19,387	1,446
VT EPA Revolving Loan Fund, \$80,400 at 0% interest, maturing November, 2027 with first payment due November, 2023 and annual payments of \$8,040.	69,300	0
VT EPA Revolving Loan Fund, \$42,000 at 0% interest, maturing November, 2027 with first payment due November, 2023 and annual payments of \$8,400.	42,000	0
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 including interest. This loan totalled \$1,553,216 and 50% was forgiven at the completion of the project through an ARRA loan subsidy.	502,274	37,449
Note Payable - National Bank of Middlebury, interest at 2.22%, maturing August, 2022, payments of \$8,862 plus interest due annually.	18,610	6,204
Total business activities bonds, notes, and leases payable	2,235,004	161,798
Accrued compensated absences	5,393	0
Total business activities	<u>\$ 2,240,397</u>	<u>\$ 161,798</u>

During the fiscal year ended June 30, 2020, 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, 2019	\$ 8,937,265	\$ 6,574,843	\$ 2,362,422
Increase in accrued vacation payable	26,841	26,841	0
Decrease in accrued vacation payable	(17,825)	(17,825)	0
Bond and note proceeds	37,650	0	37,650
Bonds, notes and leases payments	(656,651)	(496,976)	(159,675)
Long-term liabilities at June 30, 2020	8,327,280	6,086,883	2,240,397
Due within one year	663,226	501,428	161,798
Due after one year	<u>\$ 7,664,054</u>	<u>\$ 5,585,455</u>	<u>\$ 2,078,599</u>

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 7 – LONG-TERM LIABILITIES (Continued)**

As of June 30, 2020, 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, 2020	\$ 501,428	\$ 157,000	\$ 658,428	\$ 161,798	\$ 0	\$ 161,798
June 30, 2021	305,000	145,000	450,000	164,000	21,500	185,500
June 30, 2022	278,000	138,300	416,300	166,200	34,500	200,700
June 30, 2023	192,000	131,400	323,400	170,700	28,600	199,300
June 30, 2024	192,400	126,000	318,400	177,000	45,000	222,000
2025-2029	906,400	547,000	1,453,400	741,400	141,700	883,100
2030-2034	797,700	406,300	1,204,000	429,200	67,000	496,200
2035-2039	692,500	265,500	958,000	224,706	13,600	238,306
2040-2044	657,400	124,000	781,400	0	0	0
2045-2049	309,739	18,000	327,739	0	0	0
Total	<u>\$ 4,832,567</u>	<u>\$ 2,058,500</u>	<u>\$ 6,891,067</u>	<u>\$ 2,235,004</u>	<u>\$ 351,900</u>	<u>\$ 2,586,904</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, 2020 was \$109,316 for governmental activities and \$5,393 for business-type activities and is reflected on the Government-wide Statement of Net Position. During fiscal year 2020, this balance increased by \$9,016 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 an unspent police grant and other smaller grants.

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**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	\$ 67,104	\$ 67,104
FY21 tax reduction	150,000	0	0
VT Gas easement	60,000	0	0
Fire Department - landscaping	22,296	0	0
Land preservation	14,931	0	0
Records restoration	0	66,627	66,627
4th of July	5,334	0	0
Conservation committee	10,761	0	0
Conservation committee - VT Gas	9,750	0	0
Highway roads and bridges	59,784	0	0
Highway gravel and culverts	82,374	0	0
Highway equipment	45,970	0	0
Highway garage	0	313,232	0
Buildings and grounds	79,814	0	0
Recreation	52,169	0	0
Planning and zoning	7,500	0	0
Fire department	3,795	0	0
Technology	11,000	0	0
Police department	8,131	0	0
VDCP Fund	0	54,809	218,431
Cemetery	10,677	64,112	64,112
Impact fees	0	144,544	144,544
	<u>\$ 634,286</u>	<u>\$ 710,428</u>	<u>\$ 560,818</u>

Proprietary Fund

The Water and Sewer Fund has unrestricted net position of \$930,931 as of June 30, 2020, all of which is assigned for various 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.

The State of Vermont operates a Current Use Program and enters into tax abatement agreements directly with landowners. Enrolled landowners are required to manage their land in accordance with an approved plan, and the land is subject to a lien to recover taxes abated if the land is ever developed. In exchange, the landowners receive a reduction in assessed value on their property tax bills, which results in a reduction of property tax revenue to the Town. For fiscal year 2020, the amount of Town property taxes foregone as a result of the Current Use Program was approximately \$55,000. In accordance with 32 V.S.A § 3760, the State of Vermont limits the total loss of revenue to zero by providing the Town with a Hold Harmless payment in the following year that is equivalent to the taxes previously foregone.

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 11 - PROPERTY TAXES (Continued)**

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

Property taxes levied for the year ended June 30, 2020 were calculated as follows:

Municipal	\$ 623,793,700	\$ 0.5296	\$ 3,303,611
Non-residential education	176,716,600	1.5972	2,822,518
Residential education	446,657,600	1.4513	6,482,342
Property taxes billed			<u>12,608,471</u>
Abatements and adjustments			(3,864)
Property taxes paid to School District			(9,311,954)
Change in deferred property taxes			<u>10,000</u>
Property tax revenues recognized in General Fund			<u>\$ 3,302,653</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, 2019, the retirement system consisted of 379 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, 2020

**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
<b>Service Retirement Allowance</b>				
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	
<b>Early Retirement Allowance</b>				
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
<b>Vested Retirement Allowance</b>				
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.			
<b>Disability Retirement Allowance</b>				
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.			
<b>Death Benefit</b>				
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
<b>Optional Benefit and Death after Retirement</b>				
	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
<b>Refund of Contribution</b>				
	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.			
<b>Post-Retirement Adjustments</b>				
	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	2.75% eff 7/1/19	5.125% eff 7/1/19	10.25% eff 7/1/19	11.6% eff 7/1/19
Employer Contributions	4.25% eff 7/1/19	5.75% eff 7/1/19	7.5% eff 7/1/19	10.1% eff 7/1/19
Retirement Stipend	\$25 per month payable at the option of the Board of Retirees			



TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 12 - PENSION PLANS (Continued)**

For the year ended June 30, 2020, the Town's contributions to the Plan were \$71,758.

*Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.* At June 30, 2020, the Town reported a liability of \$563,017 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the Town's proportion was 0.3245 percent, which was a decrease of 0.0108 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized total pension expense of \$173,138 on the government-wide and business-type statements. That and the related pension liabilities and deferrals were split between government-wide and business-type based on the participating costs for FY20. At June 30, 2020, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$ 72,944	\$ 4,867
Changes of assumptions	18,798	0
Net difference between projected and actual earnings on Plan investments	38,348	0
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,482	11,763
Member contributions subsequent to the measurement date	<u>71,758</u>	<u>0</u>
Total	<u>\$ 204,330</u>	<u>\$ 16,630</u>

The \$71,758 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as pension expense in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year ending June 30,</b>		
2021	\$	47,111
2022		23,746
2023		28,445
2024		16,640

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 12 - PENSION PLANS (Continued)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

*Investment rate of return* – 7.5% net of pension plan investment expenses, including inflation.

*Salary increase* - 5% per year

***Mortality:***

***Death in Active Service:***

Groups A, B, C – 98% of RP-2006 Mortality Tables blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017.

Group D – 100% of RP-2006 Blue Collar Mortality Table with generational projection using Scale SSA-2017.

***Healthy Post-retirement:***

Groups A, B, C – 98% of RP-2006 Mortality Table, blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational projection using Scale SSA-2017.

Group D – 100% of RP-2006 Blue Collar Annuitant Table with generational projection using Scale SSA-2017.

***Disabled Post-retirement:***

All groups - RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017.

*Spouse's age* – females three years younger than males.

*Cost of Living Adjustments* – 1.15% for Group A members and 1.3% for Groups B, C and D members. The January 1, 2019 and January 1, 2020 COLAs are 1.3% and 0.8% respectively for all groups.

*Actuarial Cost Method* – Entry Age Actuarial Cost Method. Entry Age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.

*Assets* - The valuation is based on the market value of assets as of the valuation date, as provided by the System. The System uses an "actuarial value of assets" that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.

*Inflation* – 2.5%.

**Long-term expected rate of return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, is summarized in the following table:

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 12 - PENSION PLANS (Continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	29.00%	6.90%
US Equity - Large Cap	4.00%	5.94%
US Equity - Small/Mid Cap	3.00%	6.72%
Non-US Equity - Large Cap	5.00%	6.81%
Non-US Equity - Small Cap	2.00%	7.31%
Emerging Markets Debt	4.00%	4.26%
Core Bond	14.00%	1.79%
Non-Core Bonds	6.00%	3.22%
Short Quality Credit	5.00%	1.81%
Private Credit	5.00%	6.00%
US TIPS	3.00%	1.45%
Core Real Estate	5.00%	4.26%
Non-Core Real Estate	3.00%	5.76%
Private Equity	10.00%	10.81%
Infrastructure/Farmland	2.00%	4.89%
	100.00%	

*Discount Rate* – The discount rate used to measure the total pension liability was 7.5%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension liability to change in the discount rate* – The following presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.5 percent) or 1-percent higher (8.5 percent) than the current rate:

1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
\$ 923,263	\$ 563,017	\$ 264,800

*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.

TOWN OF HINESBURG, VERMONT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 13 - RISK MANAGEMENT**

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

**NOTE 14 - CONTINGENCY**

The Town of Hinesburg participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2020 have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**NOTE 15 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 30, 2021, the date which the financial statements were available for issue.

In July, 2020, the Town received a loan from Community Bank, NA, for \$110,210 at an interest rate of 2%, payable annually over five years at \$22,042 plus interest, for the purpose of financing a highway tractor.

TOWN OF HINESBURG, VERMONT  
COMBINING AND INDIVIDUAL FUND BALANCE SHEETS  
ALL NON MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020

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>
<b>ASSETS</b>			
Cash, restricted	\$ 15,748	\$ 136,669	\$ 152,417
Investments, restricted	51,006	0	51,006
Due from General Fund	0	7,875	7,875
Total assets	<u>\$ 66,754</u>	<u>\$ 144,544</u>	<u>\$ 211,298</u>
<b>LIABILITIES</b>			
Liabilities:			
Due to General Fund	\$ 2,642	\$ 0	\$ 2,642
<b>FUND BALANCES</b>			
Restricted for specific purposes	<u>64,112</u>	<u>144,544</u>	<u>208,656</u>
Total liabilities and fund balances	<u>\$ 66,754</u>	<u>\$ 144,544</u>	<u>\$ 211,298</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, 2020

	Special Revenue Funds		Total
	Cemetery Fund	Impact Fee Fund	Special Revenue Funds
REVENUES			
Impact fees	\$ 0	\$ 25,060	\$ 25,060
Investment income	(1,288)	185	(1,103)
Miscellaneous income	4,400	0	4,400
Total revenues	3,112	25,245	28,357
EXPENDITURES			
Current			
Cemetery expenses	400	0	400
Fire expenses	0	665	665
Total expenditures	400	665	1,065
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING USES	2,712	24,580	27,292
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)	(2,642)	(2,245)	(4,887)
NET CHANGE IN FUND BALANCES	70	22,335	22,405
FUND BALANCES - JULY 1, 2019	64,042	122,209	186,251
FUND BALANCES - JUNE 30, 2020	\$ 64,112	\$ 144,544	\$ 208,656

TOWN OF HINESBURG, VERMONT  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN  
As of measurement date June 30,

	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset)	0.3245%	0.3353%	0.3299%	0.3426%	0.4012%	0.3406%
Town's proportionate share of the net pension liability (asset)	\$ 563,017	\$ 471,706	\$399,730	\$440,944	\$ 309,268	\$ 31,087
Town's covered-employee payroll	\$1,108,474	\$1,067,866	\$968,252	\$946,792	\$1,038,008	\$857,331
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.79%	44.17%	41.28%	46.57%	29.79%	3.63%
Plan fiduciary net position as a percentage of the total pension liability	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

TOWN OF HINESBURG, VERMONT  
SCHEDULE OF TOWN'S CONTRIBUTIONS  
VERMONT EMPLOYEES MUNICIPAL RETIREMENT PLAN  
Years ended June 30,

	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contributions	\$ 70,363	\$ 62,352	\$ 58,733	\$ 53,254	\$ 52,074	\$ 55,793	\$ 43,938	\$ 39,005
Contributions in relation to the contractually required contribution	(70,363)	(62,352)	(58,733)	(53,254)	(52,074)	(55,793)	(43,938)	(39,005)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Town's covered-employee payroll	\$1,223,697	\$1,108,474	\$1,067,866	\$968,252	\$946,792	\$1,038,008	\$857,331	\$780,099
Contributions as a percentage of covered-employee payroll	5.750%	5.625%	5.500%	5.500%	5.500%	5.375%	5.125%	5.000%

# FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



## **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***

To the Selectboard  
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, 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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 30, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any 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 financial statements. 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

April 30, 2021