

HINESBURG TOWN SCHOOL DISTRICT
AUDIT REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

September 22, 2009

To the Board of School Directors
Hinesburg Town School District
Hinesburg, Vermont

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hinesburg Town School District, as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in financial position, thereof and the budget comparison for the General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2009, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Respectfully submitted,

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

HINESBURG TOWN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009

Our discussion and analysis of Hinesburg Town School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the School District's financial statements which begin on page 10.

Financial Highlights

- The School District's net assets changed as a result of this year's operations. Net assets of our governmental activities increased by \$49,967.
- The cost of all of the School District's programs was \$7,815,127 this year, with no new programs added this year.
- The General Fund reported a deficit this year of \$93,862 which was \$146,138 better than what was budgeted.
- The unreserved fund balance for the General Fund was \$146,138 as of June 30, 2009. This amount represents the amount of funds available for future budgets. Reserved fund balances of the General Fund total \$261,887 as of June 30, 2009. This amount is reserved for fiscal year 2010 expenditures and future expenditures.
- The Food Service Fund reported a surplus this year of \$5,712, after a transfer from the General Fund of \$53,334 which increased the cumulative surplus to \$18,452.
- The Capital Projects Fund reported a surplus this year of \$26,294, after a transfer from the General Fund of \$140,000 which increased the cumulative surplus to \$232,925.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits A and B) provide information about the activities of the School District as a whole and present a longer-term view of the School District'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 School District's operations in more detail than the government-wide statements by providing information about the School District's most significant funds. The remaining statements provide financial information about activities for which the School District acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the School District as a Whole

The financial statements of the School District as a whole are reflected on Exhibit A and Exhibit B. One of the most important questions asked about the School District's finances is, "Is the School District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District 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 revenues and expenses are taken into account regardless of when cash is received or paid.

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

These two statements report the School District's net assets and changes in them. You can think of the School District's net assets – the difference between assets and liabilities – as one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the School District's property tax base and the condition of the School District's capital assets, to assess the overall health of the School District.

All of the School District's basic services are governmental activities. They include regular and special education for Pre Kindergarten through 8th grade, support services, administrative services, transportation, interest on long-term debt and other activities. Property taxes and state grants finance most of these activities.

Reporting the School District's Most Significant Funds

The financial statements of the School District's major governmental funds are reflected on Exhibit C through Exhibit E. These fund financial statements provide detailed information about the most significant funds – not the School District as a whole. The School Board establishes the 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 State of Vermont Department of Education).

Governmental Funds

All of the School District'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 School District'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 School District's programs.

The School District as Agent

The School District is the fiscal agent for funds held for various school related activities. All of the School District's fiduciary activities are Agency Funds and are reported in a separate Statement of Fiduciary Net Assets at Exhibit H. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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

The School District as a Whole

The School District's combined net assets increased by \$49,967 – increasing from \$4,611,360 to \$4,661,327. In contrast, last year's net assets increased by \$100,566. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the School District's governmental activities.

Table 1
Net Assets

	Governmental Activities		Net Change
	2009	2008	
Current and other assets	\$ 785,255	\$ 825,969	\$ (40,714)
Capital assets	5,139,746	5,156,816	(17,070)
Total assets	<u>5,925,001</u>	<u>5,982,785</u>	<u>(57,784)</u>
Other liabilities	129,167	108,494	20,673
Long term liabilities	1,134,507	1,262,931	(128,424)
Total liabilities	<u>1,263,674</u>	<u>1,371,425</u>	<u>(107,751)</u>
Net assets:			
Invested in capital assets, net of debt	4,014,746	3,906,816	107,930
Restricted for capital projects	76,742	50,448	26,294
Unrestricted	569,839	654,096	(84,257)
Total net assets	<u>\$ 4,661,327</u>	<u>\$ 4,611,360</u>	<u>\$ 49,967</u>

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements decreased from a \$654,096 surplus at June 30, 2008, to a \$569,839 surplus at June 30, 2009, a decrease of \$84,257.

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

Table 2
Change in Net Assets

	Governmental Activities		Net Change
	2009	2008	
REVENUES			
Program revenues:			
Charges for services	\$ 166,183	\$ 150,911	\$ 15,272
Operating grants	1,122,417	1,176,607	(54,190)
General revenues:			
Act 68 State aid	6,443,821	9,453,272	(3,009,451)
Other general revenues	132,673	275,033	(142,360)
Total revenues	<u>7,865,094</u>	<u>11,055,823</u>	<u>(3,190,729)</u>
PROGRAM EXPENSES			
Regular instruction and related	3,199,438	3,057,213	142,225
High School assessment	0	3,272,433	(3,272,433)
Special Education and related	1,354,004	1,346,266	7,738
Support services - student based	895,749	905,098	(9,349)
Administrative support services	726,305	696,251	30,054
Buildings and grounds	788,702	751,228	37,474
Transportation	280,288	220,604	59,684
Interest on short-term debt	46,961	122,555	(75,594)
Interest on long-term debt	50,155	56,290	(6,135)
Food service	216,126	198,386	17,740
Other grant programs	5,399	82,933	(77,534)
On behalf payments	252,000	246,000	6,000
Total program expenses	<u>7,815,127</u>	<u>10,955,257</u>	<u>(3,140,130)</u>
Increase in net assets	<u>\$ 49,967</u>	<u>\$ 100,566</u>	<u>\$ (50,599)</u>

The School District's revenues decreased by 29% compared to fiscal year 2008. The cost of all programs and services decreased by 29%, with no new programs added this year. See table above for changes in specific categories. Prior to FY 2009, local communities were assessed costs of providing high school education to residents of the town. Hinesburg was assessed costs from Champlain Valley Union High School and in turn raised taxes or received revenue from the state to cover these costs. In FY 09 that changed and the Union High School now raises taxes directly from communities and receives support directly from the state. As a result stated revenue and expense at the local level is significantly lower.

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

Governmental Activities

Table 3 presents the cost of each of the School District's three largest programs – regular instruction and related services, high school assessment and special education and related services – as well as each program's net cost (total cost less revenue generated by the activities). The net cost shows the financial burden that was placed on the School District's taxpayers by each of these functions.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Regular instruction and related services	\$ 3,199,438	\$ 3,057,213	\$ 3,124,461	\$ 2,972,142
High School assessment	0	3,272,433	0	3,272,433
Special education and related services	1,354,004	1,346,266	670,330	657,066
All others	3,261,685	3,279,345	2,731,736	2,726,098
Totals	<u>\$ 7,815,127</u>	<u>\$10,955,257</u>	<u>\$ 6,526,527</u>	<u>\$ 9,627,739</u>

The School District's Funds

As the School District completed the year, its governmental funds (as presented in the Balance Sheet on Exhibit C) reported a combined fund balance of \$659,402, which is below last year's total of \$721,258. Included in this year's total change in fund balance is a deficit of \$93,862 in the School District's General Fund, a surplus of \$5,712 in the Food Service Fund, and a surplus of \$26,294 in the Capital Projects Fund. The following explains the reasons for the current year surpluses and deficit:

- The Voters approved using \$240,000 of the fund balance when they approved the budget. Therefore, a deficit of \$93,862 is actually \$146,138 better than what was budgeted. Please see Exhibit G for a comparison of actual to budget that shows where the favorable and unfavorable variances arose during the year. Some revenues and expenditures were not included in the approved budget because they netted out to no effect.
- The Food Service Fund surplus occurred because the General Fund transferred \$53,334.
- The Capital Projects Fund reflects the activities related to the renovation of the School's buildings, specifically improvements to both classroom wings and the main bathrooms.

General Fund Budgetary Highlights

Over the course of the year, the School District Leadership Team adjusted the budget a few times to reflect expense changes. Most changes were insignificant.

Quarterly financial reports reviewed by the Board of School Directors served as the vehicle for monitoring the budget for the fiscal year.

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

For the year ended June 30, 2009, General Fund revenues were less than expenditures and other financing sources and uses by \$93,862 which was \$146,138 better than budget. Exhibit G of the financial statements compares actual results to budget. The most significant variances were as follows:

General Fund	Variance Favorable (Unfavorable)
Revenues:	
Earnings on investments	\$ (119,720)
Title I	(99,375)
State special education	35,703
Expenditures:	
Title I	178,141
Instructional program	23,208
Essential early education	(48,944)
Co-curricular programs	19,798
Guidance services	34,037
Other support services - general	19,676
Office of the Principal	(25,335)
Interest on short-term debt	76,039
Capital outlays	(32,578)

Capital Asset and Debt Administration

Capital Assets

At June 30, 2009, the School District had \$5,139,746 invested in a broad range of capital assets, net of accumulated depreciation, including elementary school buildings and furniture and equipment. (See Table 4 below) This amount represents a net decrease (netting additions, disposals and depreciation) of \$17,070 compared to last year.

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

	Governmental Activities	
	2009	2008
Land improvements	\$ 56,625	\$ 60,337
Buildings and improvements	4,897,838	4,991,186
Furniture and equipment	185,283	105,293
Totals	\$ 5,139,746	\$ 5,156,816

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

This year's major additions included:

Computers	\$ 75,078
Flooring	36,108
Dishwasher	32,259
Point of sale	6,341
Building improvements	13,707
Total	\$ 163,493

The School District's capital projects budget for fiscal year 2010 includes expenditures for improved bus access to the front of the building and improved security building wide. These expenditures will be funded from existing Capital Projects Fund fund balance. The Board is planning to ask voters this fall to support a major renovation of the 1969 Classroom wing.

Debt

At June 30, 2009, the School District had \$1,125,000 in bonds outstanding versus \$1,250,000 on June 30, 2008 – a decrease of \$125,000 – as shown in Table 5.

Table 5
 Outstanding Debt at Year-End

	Governmental Activities	
	2009	2008
Bonds	\$ 1,125,000	\$ 1,250,000

Economic Factors and Next Year's Budgets and Rates

The School District's elected and appointed officials considered many factors when setting the fiscal year 2010 budget for school operations. When adopting the budget for the fiscal year 2010 school year the School Board took into account the current economic climate, enrollment changes year to year and resulting property tax impacts to changes in the expenditures of the School District.

The School Board settled on a 1.78% increase in expenditures.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Operations Officer, Chittenden South Supervisory Union, Shelburne, Vermont.

STATEMENT OF NET ASSETS

JUNE 30, 2009

	<u>Governmental Activities</u>	
ASSETS		
Cash	\$ 717,368	
Accounts receivable:		
State of Vermont	41,776	
Other School Districts	38	
Other	20,843	
Inventory	1,413	
Prepaid expenses	3,817	
Capital assets:		
Land improvements (net of allowance for depreciation of \$36,768)	56,625	
Property & equipment (net of allowance for depreciation of \$2,505,248)	<u>5,083,121</u>	
 Total assets		 5,925,001
LIABILITIES		
Accounts payable	19,405	
Due to other School Districts	5,351	
Deferred revenue	76,458	
Accrued interest	3,314	
Accrued salaries and payroll liabilities	24,639	
Bonds and notes payable due within one year	125,000	
Accrued compensated absences due after one year	9,507	
Bonds and notes payable due after one year	<u>1,000,000</u>	
 Total liabilities		 <u>1,263,674</u>
NET ASSETS		
Unrestricted	569,839	
Restricted for capital projects	76,742	
Invested in capital assets, net of related debt	<u>4,014,746</u>	
 Total net assets		 <u><u>\$4,661,327</u></u>

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charge for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Governmental Activities</u>
Governmental Activities:				
Regular instruction and related services	\$ 3,199,438	\$ 55,732	\$ 19,245	\$ (3,124,461)
Special education and related services	1,354,004	0	683,674	(670,330)
Support services - student based	895,749	0	0	(895,749)
Administrative support services	726,305	0	0	(726,305)
Buildings and grounds	788,702	0	0	(788,702)
Transportation	280,288	0	106,086	(174,202)
Interest on short-term debt	46,961	0	0	(46,961)
Interest on long-term debt	50,155	0	0	(50,155)
Food service	216,126	110,451	56,013	(49,662)
Other grant programs	5,399	0	5,399	0
On behalf payments	252,000	0	252,000	0
Total governmental activities	<u>\$ 7,815,127</u>	<u>\$ 166,183</u>	<u>\$ 1,122,417</u>	<u>(6,526,527)</u>
General Revenues:				
Act 68 State aid				6,443,821
Earnings on investments				94,019
Other local share income				38,654
Total general revenues				<u>6,576,494</u>
Change in net assets				49,967
Net assets - July 1, 2008				<u>4,611,360</u>
Net assets - June 30, 2009				<u>\$ 4,661,327</u>

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2009

	General Fund	Special Revenue Food Service	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash	\$ 483,286	\$ 0	\$ 234,082	\$ 717,368
Accounts receivable:				
State of Vermont	41,776	0	0	41,776
Other School Districts	38	0	0	38
Other	14,029	6,814	0	20,843
Inventory	0	1,413	0	1,413
Prepays	3,817	0	0	3,817
Due from other funds	0	13,909	0	13,909
	<u>0</u>	<u>13,909</u>	<u>0</u>	<u>13,909</u>
Total assets	<u>\$ 542,946</u>	<u>\$ 22,136</u>	<u>\$ 234,082</u>	<u>\$ 799,164</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 15,721	\$ 3,684	\$ 0	\$ 19,405
Deferred revenue - medicaid	76,458	0	0	76,458
Due to other School Districts	5,351	0	0	5,351
Due to other funds	12,752	0	1,157	13,909
Accrued salaries and payroll liabilities	24,639	0	0	24,639
	<u>134,921</u>	<u>3,684</u>	<u>1,157</u>	<u>139,762</u>
Total liabilities	<u>134,921</u>	<u>3,684</u>	<u>1,157</u>	<u>139,762</u>
FUND BALANCES				
Unreserved - undesignated	146,138	17,039	0	163,177
Unreserved - designated	0	0	156,183	156,183
Reserved for inventory	0	1,413	0	1,413
Reserved for FY 2010 expenditures	100,000	0	0	100,000
Reserved for prepaids	3,817	0	0	3,817
Reserved for future expenditures	158,070	0	0	158,070
Reserved for capital improvements	0	0	76,742	76,742
	<u>408,025</u>	<u>18,452</u>	<u>232,925</u>	<u>659,402</u>
Total fund balances	<u>408,025</u>	<u>18,452</u>	<u>232,925</u>	<u>659,402</u>
Total liabilities and fund balances	<u>\$ 542,946</u>	<u>\$ 22,136</u>	<u>\$ 234,082</u>	<u>\$ 799,164</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2009

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 659,402

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

Capital assets used in governmental activities are not
financial resources and therefore are not reported as
assets in governmental funds. The cost of the assets is
\$7,681,761, and the accumulated depreciation is \$2,542,015. 5,139,746

Long-term liabilities and accrued interest, including bonds payable,
are not due and payable in the current period and therefore are not
reported as liabilities in the funds. They consist of:

Bonds and notes payable	1,125,000	
Accrued interest on bonds and notes payable	3,314	
Accrued compensated absences	9,507	(1,137,821)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 4,661,327

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	General Fund	Special Revenue Funds	Capital Projects Fund	Total Governmental Funds
REVENUES				
Act 68 State aid	\$ 6,443,821	\$ 0	\$ 0	\$ 6,443,821
Tuition - regular	55,732	0	0	55,732
Food sales	0	110,451	0	110,451
Peck estate	28,000	0	0	28,000
Other local sources	16,053	0	0	16,053
State transportation aid	106,086	0	0	106,086
State special ed	622,728	0	0	622,728
State food service grant	0	2,457	0	2,457
Medicaid & EPSDT revenues	19,245	0	0	19,245
IDEA B grants	60,946	0	0	60,946
Federal food service grants	0	53,556	0	53,556
Earnings on investments	88,280	0	5,739	94,019
On behalf payments	252,000	0	0	252,000
Total revenues	<u>7,692,891</u>	<u>166,464</u>	<u>5,739</u>	<u>7,865,094</u>
EXPENDITURES				
Current				
Instructional program	3,074,992	0	0	3,074,992
Kindergarten through Team eight	30,486	0	0	30,486
Art	3,714	0	0	3,714
Language program	2,671	0	0	2,671
Health/physical education	1,364	0	0	1,364
Discrete math	296	0	0	296
Literacy & math coordinators	18,972	0	0	18,972
Music	2,791	0	0	2,791
Science program	753	0	0	753
Family consumer science	3,969	0	0	3,969
Essentials program	1,200	0	0	1,200
Special education	1,014,135	0	0	1,014,135
Title One program	71,223	0	0	71,223
Essential early education	256,872	0	0	256,872
Early development learning partners	10,574	0	0	10,574
Co-curricular programs	62,854	0	0	62,854
Guidance services	238,575	0	0	238,575

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2009

	General Fund	Special Revenue Funds	Capital Projects Fund	Total Governmental Funds
EXPENDITURES (Continued)				
Health services	65,932	0	0	65,932
Psychological services	62,947	0	0	62,947
Speech and language services	111,912	0	0	111,912
Computer technology	270,404	0	0	270,404
Library	145,979	0	0	145,979
Board of Education	26,709	0	0	26,709
Executive administration	129,548	0	0	129,548
Other support services	33,326	0	0	33,326
Office of the Principal	368,534	0	0	368,534
Other administrative services	52,203	0	0	52,203
Fiscal services	115,985	0	0	115,985
Operations & maintenance of buildings and grounds	579,149	0	0	579,149
Pupil transportation services	280,288	0	0	280,288
Food services	0	214,086	0	214,086
Construction - repairs	0	0	31,030	31,030
On behalf payments	252,000	0	0	252,000
Summer nutrition	5,399	0	0	5,399
Interest on short-term debt	46,961	0	0	46,961
Debt service				
Principal	125,000	0	0	125,000
Interest on long-term debt	50,624	0	0	50,624
Capital outlays	75,078	0	88,415	163,493
Total expenditures	<u>7,593,419</u>	<u>214,086</u>	<u>119,445</u>	<u>7,926,950</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>99,472</u>	<u>(47,622)</u>	<u>(113,706)</u>	<u>(61,856)</u>
OTHER FINANCING SOURCES (USES)				
Transfer - capital projects	(140,000)	0	140,000	0
Transfer - food services	(53,334)	53,334	0	0
Total other financing sources (uses)	<u>(193,334)</u>	<u>53,334</u>	<u>140,000</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>(93,862)</u>	<u>5,712</u>	<u>26,294</u>	<u>(61,856)</u>
FUND BALANCES - JULY 1, 2008	<u>501,887</u>	<u>12,740</u>	<u>206,631</u>	<u>721,258</u>
FUND BALANCES - JUNE 30, 2009	<u>\$ 408,025</u>	<u>\$ 18,452</u>	<u>\$ 232,925</u>	<u>\$ 659,402</u>

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	(61,856)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation expense (\$180,563) exceeds capital outlays net of disposals and adjustments of \$163,493 in the period.

(17,070)

Repayment of bond and notes principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

125,000

In the statement of activities, certain operating expenses - accrued compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). This year, compensated absences paid out were more than the amounts earned by \$3,424.

3,424

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The reduction in interest reported in the statement of activities is because accrued interest on bonds and notes payable decreased by \$469.

469

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	49,967
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49,967

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE COMPARED TO BUDGET

GENERAL FUND

YEAR ENDED JUNE 30, 2009

	Budget As Voted	Transfers	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
REVENUES					
Act 68 State aid	\$ 6,443,821	\$ 0	\$ 6,443,821	\$ 6,443,821	\$ 0
Tuition - regular	48,824	0	48,824	55,732	6,908
Peck estate	27,000	0	27,000	28,000	1,000
Earnings on investments	208,000	0	208,000	88,280	(119,720)
Other local sources	0	0	0	16,053	16,053
State transportation aid	109,664	0	109,664	106,086	(3,578)
State special ed	587,025	0	587,025	622,728	35,703
Medicaid & EPSDT revenues	18,745	0	18,745	19,245	500
IDEA B grants	60,186	0	60,186	60,946	760
Title I grant	99,375	0	99,375	0	(99,375)
Total revenues	7,602,640	0	7,602,640	7,440,891	(161,749)
EXPENDITURES					
Current					
Instructional program	3,096,700	1,500	3,098,200	3,074,992	23,208
Kindergarten	3,000	0	3,000	2,664	336
Team 1-2	7,707	0	7,707	7,654	53
Team 3-4	6,853	0	6,853	5,887	966
Team 5-6	7,340	0	7,340	4,370	2,970
Team 7-8	11,180	0	11,180	9,911	1,269
Art	5,180	0	5,180	3,714	1,466
Language program	2,790	0	2,790	2,671	119
Health/physical education	3,640	0	3,640	1,364	2,276
Discrete math	300	0	300	296	4
Literacy & math coordinators	18,237	0	18,237	18,972	(735)
Music	3,280	0	3,280	2,791	489
Science program	1,600	0	1,600	753	847
Family consumer science	4,933	0	4,933	3,969	964
Essentials program	2,350	0	2,350	1,200	1,150
Special education	1,019,952	0	1,019,952	1,014,135	5,817
Title One program	249,364	0	249,364	71,223	178,141
Essential early education	207,928	0	207,928	256,872	(48,944)
Early development learning partners	10,574	0	10,574	10,574	0
Co-curricular programs	82,652	0	82,652	62,854	19,798
Guidance services	272,612	0	272,612	238,575	34,037
Health services	65,960	0	65,960	65,932	28
Psychological services	81,501	0	81,501	62,947	18,554
Speech/language services	122,089	0	122,089	111,912	10,177
Computer technology	256,782	0	256,782	270,404	(13,622)
Library	163,164	0	163,164	145,979	17,185
Board of Education	42,574	(5,000)	37,574	26,709	10,865
Executive administration	129,548	0	129,548	129,548	0
Other support services - general	53,002	0	53,002	33,326	19,676
Office of the Principal	343,199	0	343,199	368,534	(25,335)
Other support services - administrative	47,745	0	47,745	52,203	(4,458)
Fiscal services	116,240	0	116,240	115,985	255

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE COMPARED TO BUDGET

GENERAL FUND

YEAR ENDED JUNE 30, 2009

	Budget As Voted	Transfers	Adjusted Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)					
Operations & maintenance of buildings and grounds	594,885	0	594,885	579,149	15,736
Pupil transportation services	272,971	3,500	276,471	280,288	(3,817)
Other support services	350	0	350	0	350
Other miscellaneous grants	0	0	0	5,399	(5,399)
Interest on short-term debt	123,000	0	123,000	46,961	76,039
Debt service					
Principal	125,000	0	125,000	125,000	0
Interest on long-term debt	50,624	0	50,624	50,624	0
Capital outlays	42,500	0	42,500	75,078	(32,578)
Total expenditures	<u>7,649,306</u>	<u>0</u>	<u>7,649,306</u>	<u>7,341,419</u>	<u>307,887</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(46,666)</u>	<u>0</u>	<u>(46,666)</u>	<u>99,472</u>	<u>146,138</u>
OTHER FINANCING SOURCES (USES)					
Transfer - capital projects	(140,000)	0	(140,000)	(140,000)	0
Transfer - food services	(53,334)	0	(53,334)	(53,334)	0
Total other financing sources (uses)	<u>(193,334)</u>	<u>0</u>	<u>(193,334)</u>	<u>(193,334)</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>\$ (240,000)</u>	<u>\$ 0</u>	<u>\$ (240,000)</u>	<u>(93,862)</u>	<u>\$ 146,138</u>
FUND BALANCE - JULY 1, 2008				<u>501,887</u>	
FUND BALANCE - JUNE 30, 2009				<u>\$ 408,025</u>	

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 34,371</u>
 LIABILITIES	
Due to student groups	<u>\$ 34,371</u>

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

Hinesburg Town School District is organized, according to Vermont Education Laws, under the governance of the Board of School Directors to provide public education for the Town of Hinesburg.

The Hinesburg Town School District is governed by a five member elected Board. The Hinesburg Town School District, for financial reporting purposes, consists only of the funds of the School District. The Hinesburg Town School District's elected Board of Directors has no financial accountability for any other governmental entity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District'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). The more significant accounting policies established in GAAP and used by the School District are discussed below.

Reporting Entity

The School District's basic financial statements include the accounts of all School operations. The criteria for including organizations as component units within the School District's reporting entity are set forth in GASB 14 as amended by GASB 39 and Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards.

Based on the criteria, the School District has no component units.

Basic Financial Statements – Government-Wide Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements categorize activities as governmental or business type. All of the School District's activities are classified as governmental activities.

The government-wide Statement of Net Assets presents all the School District'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 School District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The School District 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 School District's governmental functions. The functions are also supported by general government revenues (Act 68 State aid and other local revenue). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, consisting of operating grants and contributions. Program revenues must be directly associated with the governmental function (regular education, special education, etc.). Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by governmental function) are normally covered by general revenues (Act 68 state aid, earnings on investments, etc.).

JUNE 30, 2009

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basic Financial Statements – Fund Financial Statements

The financial transactions of the School District 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, reserves, fund equity, revenues 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 in either of the governmental categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The General Fund, Special Revenue Fund and Capital Projects Fund are shown as major funds. The following funds are used by the School District:

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 governmental funds of the School District:

General Fund is the main operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund is used to account for the food service program.

Capital Projects Fund is used to account for the acquisition or construction of major capital facilities.

Fiduciary Fund

Agency funds are used to account for assets held by the School District as an agent for individuals, private organizations and other governments. The fund is used to record revenues and expenses of the activities run for and by the student and related groups. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses 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

Governmental activities in the government-wide financial statements and the fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when transactions occur and expenses are recognized when liabilities are incurred.

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within six months of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, are recognized when due.

Inventories

Inventories consist of food and supplies for the Hot Lunch program. Quantities are determined by physical count. Inventory is stated at the lower of cost or market on the first-in, first-out basis. Commodity inventory is valued using the U.S. Government commodity.

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 and improvements	20 – 100 years
Furniture and equipment	5 – 20 years

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. Sick days are not accrued since they are not paid when the employee terminates employment.

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 amounts. Unused sick days may be accumulated to use in the following year, but sick days are not accrued since they are not paid when the employee terminates employment.

Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net resources invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by the School District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

JUNE 30, 2009

(Continued)

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

The fund equity in the fund financial statements is classified into the following categories:

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

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

Interfund Activity

Interfund activity is 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. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted in the preparation of the government-wide financial statements.

Use of Estimates

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

On Behalf Payments

On behalf payments are contributions made by the State of Vermont to the State Teachers' Retirement System on behalf of the District's teaching employees. The General Fund budget does not include on behalf payments as a revenue or expense.

Budget Adoption

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

The School Board prepares an operating budget in December for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures by line item and the means of financing them. The budget is approved at the annual district meeting by the School District voters. Budgetary integration is employed as a management control device during the year for the General Fund. From time to time during the year, transfers among budget line items are made in accordance with Board policy.

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE 2 – DEPOSITS

The Treasurer invests excess cash according to policies established by the School Board.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2009, the School District is not exposed to custodial credit risk. The following is a breakdown of the School's bank deposits at June 30, 2009.

Insured	\$ 35,794
Uninsured - Collateralized	<u>830,647</u>
Total bank balance at June 30, 2009	<u><u>\$ 866,441</u></u>

NOTE 3 – CAPITAL ASSETS

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

	Furniture & Equipment	Building and Improvements	Accum. Depreciation	Total
Book Value at June 30, 2008	\$ 287,695	\$ 7,230,573	\$ (2,361,452)	\$ 5,156,816
Additions	113,678	49,815	0	163,493
Depreciation	<u>0</u>	<u>0</u>	<u>(180,563)</u>	<u>(180,563)</u>
Book Value at June 30, 2009	<u><u>\$ 401,373</u></u>	<u><u>\$ 7,280,388</u></u>	<u><u>\$ (2,542,015)</u></u>	<u><u>\$ 5,139,746</u></u>

NOTE 4 – SHORT TERM DEBT

On July 1, 2008, the District signed a tax anticipation note with Chittenden Bank for \$1,954,000 at 2.41% per annum. Principal and interest of \$2,000,961 were paid in full June 30, 2009.

The following is a summary of the changes in short term debt:

Balance June 30, 2008	\$ 0
Proceeds from tax anticipation note	1,954,000
Principal payments	<u>(1,954,000)</u>
Balance June 30, 2009	<u><u>\$ 0</u></u>

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE 5 - LONG-TERM DEBT

Bonds payable of the Hinesburg Town School District at June 30, 2009, are as follows:

	<u>Total Due</u>	<u>Due within One Year</u>
General obligation bond with Vermont Municipal Bond Bank, 3.555% to 5.1555%, 20 years, due December 1, 2017, interest payable each June 1 and December 1, principal payable each December 1 in the amount of \$130,000 through December 1, 2006, then \$125,000 through December 1, 2017.	<u>\$ 1,125,000</u>	<u>\$ 125,000</u>

Interest paid on long-term bonds payable for the year ended June 30, 2009 was \$50,624.

The following is a summary of the changes in long-term debt:

Balance - June 30, 2008	\$ 1,250,000
Principal payments	<u>(125,000)</u>
Balance - June 30, 2009	1,125,000
Due within one year	<u>(125,000)</u>
Due after one year	<u>\$ 1,000,000</u>

Principal and interest payments on long-term bonds payable indebtedness are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 125,000	\$ 44,900	\$ 169,900
2011	125,000	45,300	170,300
2012	125,000	39,300	164,300
2013	125,000	33,200	158,200
2014	125,000	27,000	152,000
2015-2018	500,000	(300)	499,700
	<u>\$ 1,125,000</u>	<u>\$ 189,400</u>	<u>\$ 1,314,400</u>

Accrued Compensated Absences

The following is a summary of the changes in accrued compensated absences:

	<u>Absences</u>
Balance - June 30, 2008	\$ 12,931
Earned	1,473
Used	<u>(4,897)</u>
Balance - June 30, 2009	9,507
Due within one year	0
Due after one year	<u>\$ 9,507</u>

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The School District has combined some of the cash resources of its governmental funds for accounting and reporting purposes. That portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2009 are as follows:

Major Fund	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 0	\$ 12,752
Food Service Fund	13,909	0
Capital Projects Fund	0	1,157
	<u>\$ 13,909</u>	<u>\$ 13,909</u>

NOTE 7 - INTERFUND TRANSFERS

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds. Interfund transfers for the year ended June 30, 2009 consisted of a transfer from the General Fund to the Food Services Fund in the amount of \$53,334 to cover current operating deficit and a transfer from the General Fund to the Capital Projects Fund in the amount of \$140,000 to cover the costs of the renovation of the 1969 wing.

NOTE 8 - OPERATING LEASES

The District is the lessee of various copiers and a mail machine, all copier leases with US Bancorp and Pitney Bowes for the mailer. The leases are operating expiring in fiscal years 2010 through 2012. Payments range from \$218 to \$2,990 per month. Total lease expense for June 30, 2009 was \$38,492. Minimum future lease payments under these leases as of June 30, 2009 are as follows:

2010	\$ 38,492
2011	36,530
2012	2,990
	<u>\$ 78,012</u>

The District has entered into two long-term leases for land from the Town of Hinesburg. The leases are for fifty years, expiring in May 2050. The leases call for no monthly rental payments. Instead, the District will be responsible for all costs, expenses and obligations of every kind and nature whatsoever relating to the premises.

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE 9 – CONCENTRATION OF SUPPORT

The School District receives approximately 87% of its revenue from Act 68 State Aid. The amount of Act 68 State Aid received by the School District is equal to the budgeted expenditures approved by the voters less expected other revenues for the year. Act 68 State Aid is funded with statewide property taxes. The State determines a different education property tax rate for homestead and non-homestead properties based on statewide information. The tax rate on homesteads in Hinesburg is adjusted based on the amount of Act 68 State Aid in relation to the number of students in Hinesburg. The tax rate for non-homestead property in Hinesburg is not impacted by the amount of Hinesburg's Act 68 State Aid. The State uses a common level of appraisal to equalize property values between communities.

In addition to Act 68 State Aid, the School District receives grants from the State of Vermont for special education, transportation and other programs.

NOTE 10 - ASSESSMENTS

Supervisory Union Assessment

The District is billed for its appropriate share of expenses relating to the Chittenden South Supervisory Union. The District paid \$761,818 of such expenses during the year ended June 30, 2009.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

State Teachers' Retirement System of Vermont

The teachers employed by Hinesburg Town School District are covered by the State Teachers' Retirement System of Vermont which is a single employer retirement system. Vermont State statutes provide the authority under which benefit provisions and the State's obligation to contribute are established. Required contributions to the System are made by the State of Vermont based upon a valuation report prepared by the System's actuary.

The contribution amount made by the State on behalf of the participants in the State Teachers' Retirement System is approximately \$252,000. The amount is based on prior year's contribution percentage.

All teachers become members of the retirement system upon employment. Teachers who became members before July 1, 1990 are Group A members. All other teachers are Group C members. Members who have Group A coverage are required to contribute at a rate of 5.5% of earnable compensation and members in Group C are required to contribute at a rate of 3.54% of earnable compensation. Vesting in both groups occurs upon reaching five years of creditable service. Of the District's total payroll of \$4,385,724, \$3,420,769 was covered under the Vermont State Teachers' Retirement System.

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

JUNE 30, 2009

(Continued)

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)*Vermont Municipal Employees' Retirement System*

The non-teaching employees of the Hinesburg Town School District are eligible for coverage by the Vermont Municipal Employees' Retirement System (VMERS). VMERS is a cost sharing multiple-employer public employees' retirement system. Vermont State statutes provide the authority under which benefit provisions and the obligation to contribute are established. The School District and the employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

There are three levels of contributions and benefits in the System called Group A, Group B and Group C. Employee contributions are 2.5%, 4.5% and 9% of gross pay and employer contributions are 4%, 5% and 6% of gross pay for Group A, Group B, and Group C plan members, respectively.

Of the District's total payroll of \$4,384,724, \$734,389 was covered under the Vermont Municipal Employees' Retirement System. Total employer contributions to the Vermont Municipal Employees' Retirement Plan was \$36,510 for fiscal year 2009, \$35,236 for fiscal year 2008 and \$32,550 for fiscal year 2007.

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

NOTE 12 - RISK MANAGEMENT

The School District 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 District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

In addition, Hinesburg Town School District is a member of Vermont School Boards' Association Insurance Trust, Inc. (VSBIT) Medical Benefits Program. VSBIT is a nonprofit corporation formed in 1978 to provide insurance and risk management programs for Vermont school districts and is owned by the participating districts.

To provide health insurance coverage, VSBIT has established a self-funded fully insured program in conjunction with Blue Cross and Blue Shield. A portion of member contributions is used to purchase reinsurance and to fund a reserve required by the reinsurance. Contributions in excess of claims requirements, reserve fund requirements, reinsurance and administrative costs are returned to participants. The pooling agreement does not permit the pool to make additional assessments to its members.

Effective January 1, 2009, the schools of Chittenden South Supervisory Union created a self funded dental plan that is managed by the third party administrator EBPA. The self funded dental plan provides coverage to the employees who are not part of the teacher bargaining unit.

HINESBURG TOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

(Continued)

NOTE 13 – RECONCILIATION OF EXHIBIT G TO EXHIBIT E

Amounts recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance Compared to Budget – General Fund (Exhibit G) are reported on the basis budgeted by the School District. Amounts recorded in the Statement of Revenues, Expenditures and Changes in Fund Balances (Exhibit E) for the General Fund was adjusted for on behalf payments of fringe benefits (see Note 11) as follows:

	<u>Revenues</u>	<u>Expenditures</u>
Exhibit E	\$ 7,692,891	\$ 7,593,419
On behalf fringe benefits	<u>(252,000)</u>	<u>(252,000)</u>
Exhibit G	<u>\$ 7,440,891</u>	<u>\$ 7,341,419</u>

NOTE 14 - CONTINGENCIES

The District participates in a number of federally-assisted and State grant programs which are subject to audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2009, have not yet been reviewed by the grantor agencies. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial.

NOTE 15 – BUDGETARY COMPARISON SCHEDULES

The School District is not legally required to adopt budgets for the Food Service and Capital Projects Funds. Therefore, a budgetary comparison is not presented for these funds.

NOTE 16 - SUBSEQUENT EVENT

Management has evaluated subsequent events through September 22, 2009, the date which the financial statements were available for issue.

On July 1, 2009, the School District signed a tax anticipation note with the Chittenden Bank for \$1,899,000 at 1.69% per annum with principal and interest due June 30, 2010.

FOTHERGILL SEGALE & VALLEY

Certified Public Accountants



John E. (Jeff) Fothergill, CPA
Michael L. Segale, CPA
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**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***

September 22, 2009

To the Board of School Directors
Hinesburg Town School District
Hinesburg, Vermont

We have audited the financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the Hinesburg Town School District, as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated September 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Respectfully submitted,

Fothergill Segale & Valley CPAs
FOTHERGILL SEGALE & VALLEY, CPAs
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