

TOWN OF HYDE PARK, VERMONT
BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2011
AND ACCOUNTANT'S REPORT

TOWN OF HYDE PARK, VERMONT

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ACCOUNTANT'S COMPILATION REPORT

To the Selectboard of the
Town of Hyde Park, Vermont:

I have compiled the accompanying basic financial statements of the Town of Hyde Park, Vermont as of June 30, 2011, and for the year then ended, which collectively comprise the Town's financial statements as listed in the table of contents. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. However, I did become aware of departures from generally accepted accounting principles that are described in the following paragraph.

As discussed in Note IV. C., the Town's historical costs prior to July 1, 2003 are incomplete for land, buildings and improvements. Furthermore, the basic financial statements referred to above do not include the financial activities of the Lanpher Memorial Library which should be included to conform with generally accepted accounting principles. The effects of these departures from generally accepted accounting principles on the basic financial statements have not been determined.

The Town has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although are not required to be part of the basic financial statements.

Glenna L. Pound, CPA

Stowe, VT
November 3, 2011

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TOWN OF HYDE PARK, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2011
(See Accountant's Report)

	General
ASSETS	
Cash and cash equivalents	\$ 377,370
Receivables	192,081
Inventories and prepaid items	1,892
Temporarily restricted assets:	
Cash and cash equivalents	170,289
Capital assets	
Buildings and improvements	251,617
Vehicles	102,992
Machinery and equipment	1,691,747
Infrastructure	665,912
Road construction in progress	26,241
Accumulated depreciation	<u>(757,378)</u>
Total Assets	\$ <u><u>2,722,763</u></u>
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 292
Accrued payroll	21,248
Accrued interest	1,511
Accrued compensation	19,960
Long-term liabilities	
Notes payable due within one year	86,834
Notes payable due in more than one year	<u>203,732</u>
Total Liabilities	<u>333,577</u>
 NET ASSETS	
Invested in capital assets, net of related debt	1,740,565
Restricted for:	
Cemetery vault	268
History books	1,000
Book restoration	18,619
Grange hall	1,447
Reappraisals	68,496
Fire Department	12,216
Highway Department	68,243
Unrestricted	<u>478,332</u>
Total Net Assets	<u>2,389,186</u>
 Total Liabilities and Net Assets	 \$ <u><u>2,722,763</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HYDE PARK, VERMONT
STATEMENT OF ACTIVITIES
JUNE 30, 2011
(See Accountant's Report)

Functions/Programs	<u>Expenses</u>	Program Revenues			<u>Net Expense and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Total</u>
Governmental activities:					
General government	\$ 482,538	59,226	4,116		\$ (419,196)
Highways and streets	726,802	21,580	136,652	147,513	(421,057)
Public safety	438,010	45	4,898	-	(433,067)
Health and welfare	65,968	-	-	-	(65,968)
Cemeteries	15,750	-	-	-	(15,750)
Culture and recreation	46,632	-	17,903	-	(28,729)
Special articles	29,386	-	-	-	(29,386)
Interest on long-term debt	<u>3,024</u>	-	-	-	<u>(3,024)</u>
Total government activities	\$ <u>1,808,110</u>	<u>80,851</u>	<u>163,569</u>	<u>147,513</u>	\$ <u>(1,416,177)</u>

General revenues:

Property taxes	1,763,541
Unrestricted interest income	3,572
Gain on sale of capital asset	<u>1,988</u>
Total general revenues	<u>1,769,101</u>
Change in net assets	<u>352,924</u>
Net assets - beginning	2,036,262
Net assets - ending	\$ <u><u>2,389,186</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HYDE PARK, VERMONT
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2011
(See Accountant's Report)

	General
ASSETS	
Cash and cash equivalents	\$ 377,370
Receivables	192,081
Inventories and prepaid items	1,892
Cash - temporarily restricted	<u>170,289</u>
Total Assets	\$ <u><u>741,632</u></u>
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 292
Accrued payroll	21,248
Deferred tax revenue	<u>130,418</u>
Total Liabilities	<u>151,958</u>
 FUND BALANCES:	
Nonspendable:	
Inventory and prepaid items	1,892
Restricted for:	
Municipal building renovations	21,500
Reappraisals	68,496
Committed for:	
Cemetery vault	268
History books	1,000
Book restoration	18,619
Grange hall	1,447
Fire Department	12,216
Highway Department	68,243
Assigned for:	
Whitcomb Island Bridge and Barnes Road Construction Project	32,521
Unassigned	<u>363,472</u>
Total Fund Balances	<u>589,674</u>
Total Liabilities and Fund Balances	\$ <u><u>741,632</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HYDE PARK, VERMONT
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011
(See Accountant's Report)

TOTAL FUND BALANCES - GOVERNMENTAL FUND (page 4)	\$	589,674
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Property taxes collected several months after the fiscal year end are not considered "available" for governmental funds until received. The total amount is reported as deferred revenue in the governmental fund.		130,418
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		1,981,131
Accrued interest and compensation is not due and payable in the current period and therefore is not reported in the governmental fund.		(21,471)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the governmental fund.		<u>(290,566)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (page 2)	\$	<u>2,389,186</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HYDE PARK, VERMONT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2011
(See Accountant's Report)

REVENUES:	<u>General</u>
Property taxes	\$ 1,730,222
Intergovernmental revenues	274,985
Grants	27,078
Penalties and interest	41,728
Licenses and permits	39,841
Fines	7,504
Interest income	3,572
Contributions and donations	9,019
Other revenue	<u>33,504</u>
Total Revenues	<u>2,167,453</u>
EXPENDITURES:	
Current:	
General government	468,201
Highways and streets	616,524
Public safety	404,878
Health and welfare	65,968
Cemeteries	15,750
Culture and recreation	46,632
Special articles	29,386
Debt service:	
Principal	176,461
Interest	8,477
Capital outlay:	
Machinery and equipment	44,761
Buildings and improvements	79,438
Road construction in progress	26,241
Infrastructure	<u>147,514</u>
Total Expenditures	<u>2,130,231</u>
Excess of Revenues over Expenditures	<u>37,222</u>
OTHER FINANCING SOURCES (USES):	
Proceeds of loan	85,000
Sale of capital assets	<u>3,050</u>
Total Other Financing Sources and Uses	<u>88,050</u>
Net Change in Fund Balance	125,272
Fund Balance - beginning	<u>464,402</u>
Fund Balance - ending	<u>\$ 589,674</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HYDE PARK, VERMONT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011
(See Accountant's Report)

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND (page 6)	\$	125,272
<p>Amounts reported for governmental activities in the Statement Of Activities (page 3) are different because:</p>		
Property tax revenues are reported on the accrual basis in the statement of net assets. Governmental funds report only "available" property tax revenues on a modified accrual basis. This amount is the net change in deferred taxes.		(8,409)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$297,954 exceeded depreciation expense \$149,852, net of disposals, in the current period.		147,040
Payment of compensated absences is reported as expenditures in the governmental funds when actually paid. However, on the governmental-wide statement of changes in net assets, compensated absences are expensed as they are accrued. This is the increase in the amount of compensated absences liability.		(7,895)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is paid. In the statement of activities, interest expense is recognized as interest accrues. Accrued interest decreased by this amount.		5,453
Borrowing of long-term debt is an other financing source in the governmental funds, but the borrowing increases long-term liabilities in the statement of net assets.		(85,000)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		<u>176,463</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 3)	\$	<u><u>352,924</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HYDE PARK, VERMONT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
(See Accountant's Report)

	Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES:			
Property taxes	\$ 1,587,012	\$ 1,614,086	\$ 27,074
Current use revenue	75,000	84,523	9,523
PILOT revenue	25,000	31,613	6,613
Intergovernmental revenues	100,000	274,985	174,985
Grants	-	27,078	27,078
Penalties and interest	21,000	41,728	20,728
Licenses and permits	36,550	39,841	3,291
Fines	7,200	7,504	304
Interest income	2,200	3,572	1,372
Contributions and donations	-	9,019	9,019
Highway other revenue	16,000	21,580	5,580
Other revenue	6,400	11,924	5,524
Total Revenues	<u>1,876,362</u>	<u>2,167,453</u>	<u>291,091</u>
EXPENDITURES:			
General government			
Selectboard	5,350	4,699	651
Town clerk	22,000	22,354	(354)
Town treasurer	22,000	24,314	(2,314)
Tax collector	-	15,757	(15,757)
Town office	96,600	94,966	1,634
Employee benefits	157,415	163,539	(6,124)
Accounting/ town reports	13,000	13,197	(197)
Listers	15,900	13,231	2,669
Board of civil authority	1,600	1,395	205
Planning commission	8,000	118	7,882
Development review board	25,000	37,672	(12,672)
Legal	2,500	801	1,699
Building and Grounds	20,000	18,027	1,973
Insurance	22,000	25,614	(3,614)
Taxes and dues	32,645	32,517	128
Total general government	<u>444,010</u>	<u>468,201</u>	<u>(24,191)</u>
Highways and streets			
Highway general appropriation	578,750	558,380	20,370
Highway garage	23,100	21,243	1,857
Highway equipment maintenance	54,000	36,901	17,099
Total highway and streets	<u>655,850</u>	<u>616,524</u>	<u>39,326</u>

(continued)

TOWN OF HYDE PARK, VERMONT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
(See Accountant's Report)

	Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
Public safety			
Sheriff's department / road patrol	257,110	257,189	(79)
Sheriff's department / communications	65,503	65,502	1
NHP / Eden fire department	26,100	26,100	-
Hyde Park fire department	50,550	56,087	(5,537)
Dry Hydrants Expense	1,500	-	1,500
Total public safety	<u>400,763</u>	<u>404,878</u>	<u>(4,115)</u>
Health and welfare			
Animal control	8,500	3,537	4,963
Board of health	1,000	-	1,000
NEMS ambulance service	62,687	62,431	256
Total health and welfare	<u>72,187</u>	<u>65,968</u>	<u>6,219</u>
Cemeteries	<u>15,750</u>	<u>15,750</u>	<u>-</u>
Culture and recreation	<u>43,140</u>	<u>46,632</u>	<u>(3,492)</u>
Debt service:			
Gravel pit note payment	25,000	25,000	-
NHP / Eden FD truck loan	6,176	6,176	-
HPFD Renovation loan program	5,500	5,500	-
Municipal Building Renovation	-	85,000	(85,000)
HPFD Fire Truck municipal loan	-	22,000	(22,000)
HPFD Fire Truck bank loan	60,000	32,785	27,215
Interest expense	6,600	8,477	(1,877)
Total debt service	<u>103,276</u>	<u>184,938</u>	<u>(81,662)</u>
Capital outlay:			
Machinery and equipment	112,000	44,761	67,239
Buildings and improvements	85,000	79,438	5,562
Road construction in progress	-	26,241	(26,241)
Infrastructure	-	147,514	(147,514)
Total capital outlay	<u>197,000</u>	<u>297,954</u>	<u>(100,954)</u>
Total municipal expenditures before special articles:	<u>1,931,976</u>	<u>2,100,845</u>	<u>(168,869)</u>
Special articles:			
Hyde Park Elementary after School Program	2,000	2,000	-
Hyde Park Baseball/Softball Association	1,000	1,000	-
Lamoille Home Health and Hospice	8,541	8,541	-

(continued)

TOWN OF HYDE PARK, VERMONT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
(See Accountant's Report)

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Special Articles continued:			
Lamoille Area Adult Day Care Center	650	650	-
Central Vermont Adult Basic Education	710	710	-
Central Vermont Community Action Council	300	300	-
Clarina Howard Nichols Center	1,000	1,000	-
Lamoille Family Center	1,500	1,500	-
Lamoille County Court Diversion	900	900	-
Central Vermont Council on Aging	1,500	1,500	-
Retired and Senior Volunteer Program	225	225	-
Meals on Wheels of Lamoille County	1,705	1,705	-
North Country Animal League	500	500	-
Lamoille Housing Partnership	300	300	-
Lamoille County Planning Commission	1,880	1,880	-
Lamoille Economic Development Corporation	2,000	2,000	-
Lamoille Community Food Share, Inc.	1,000	1,000	-
Northern VT Resource Conservation	75	75	-
Northern VT Chapter - American Red Cross	250	250	-
Rural Community Transport	3,350	3,350	-
Total Special Articles	<u>29,386</u>	<u>29,386</u>	<u>-</u>
 Total Expenditures	 <u>1,961,362</u>	 <u>2,130,231</u>	 <u>(168,869)</u>
 Excess of Revenues over (Expenditures)	 <u>(85,000)</u>	 <u>37,222</u>	 <u>122,222</u>
 OTHER FINANCING SOURCES (USES):			
Proceeds of loan	85,000	85,000	-
Sale of capital assets	-	3,050	3,050
Total Other Financing Sources and Uses	<u>85,000</u>	<u>88,050</u>	<u>3,050</u>
Net Change in Fund Balances	\$ <u>-</u>	125,272	125,272
 Fund Balance - beginning		 <u>464,402</u>	 <u>464,402</u>
 Fund Balance - ending		 \$ <u>589,674</u>	 \$ <u>589,674</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity

The Town of Hyde Park, Vermont was chartered in Lamoille County in August 27, 1781. The Town of Hyde Park, Vermont operates under a Selectboard form of government and provides the following services: general administrative, highways and streets, public safety, health and welfare, cemeteries and culture and recreation.

The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Hyde Park, Vermont.

Except as noted below, the accounting policies adopted by the Town of Hyde Park (the "Town") conform to generally accepted accounting principle (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

This report should include all of the funds of the Town of Hyde Park, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. Based on these criteria, there is one entity, the Lanpher Memorial Library, which should be combined with the financial statements of the Town, but is not. The Town plans to include the library operations in 2012 fiscal year.

B. Changes in Accounting Methods and Basis of Financial Statement Presentation

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 34 - "Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments", GASB Statement No. 37, "Basis Financial Statements- and Management's Discussion and Analysis - For State and Local Governments: Omnibus" and GASB Statement No. 38, "Certain Financial Statement Note Disclosures". Except as otherwise noted, The Town of Hyde Park, Vermont has implemented these standards effective for the year ended June 30, 2004.

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

**B. Changes in Accounting Methods and Basis of Financial Statement Presentation
(continued)**

Governmental Accounting Statements No. 34 and 37, among many other changes, added the "Government-Wide" financial statements as basic financial statements required for all governmental units. The Statement of Net Assets and the Statement of Activities are the required statements. Both statements are prepared on the full accrual basis of accounting. Prior to June 30, 2006, in accordance with accounting principles for governmental units, the Town used the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements.

The Town has not presented the Management Discussion and Analysis which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 62 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Town may invest in investments as allowed by State Statute. The Town had no investments at June 30, 2011.

2. Receivables and Payables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables. At June 30, 2011, management has determined that all receivables were collectible.

Accounts payable represent the liabilities and expenditures recognized and reported on the accrual basis of accounting in both the government-wide and the fund financial statements. These liabilities are paid in a timely manner and in full from current financial resources.

3. Inventories and Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items or inventory in both government-wide and fund financial statements. Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. The Town had no inventory and \$1,892 of prepaid items at June 30, 2011.

4. Capital Assets

Generally accepted accounting principles require that the Town report and depreciate capital assets in the government-wide financial statements. Historical costs prior to July 1, 2003 are incomplete for land, buildings and improvements. Other capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost.

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

4. Capital Assets (continued)

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.

Capital assets of the Town are depreciated using the straight line method over the estimated useful lives of the assets, which range from 25 to 50 years for the buildings and improvements, 5 to 10 years for vehicles, 5 to 20 years for machinery and equipment and 20 to 50 for infrastructure. GASB No. 34 does not require the Town to report infrastructure assets acquired or constructed prior to July 1, 2003; the Town has not reported infrastructure assets retroactively. Other costs incurred for repairs and maintenance are expensed as incurred.

5. Compensated absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits as earned time off. All earned time off is accrued when incurred in the government-wide financial statements. Payments for the unused compensated absences in the governmental funds are recorded as expenditures in the year they are paid.

6. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Governmental fund type financial statements do not include any long-term liabilities as those funds use the current financial resources measurement focus and only include current assets and liabilities on their balance sheets.

7. Net Assets

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets 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 by their use by Town legislation or eternal restrictions by creditors, grantors, laws or regulations of other governments.

8. Fund Balances

In March 2009, the GASB issued GASB 54 on "Fund Balance Reporting and Governmental Fund Type Definitions" for financial statements for periods beginning after June 15, 2010. Prior to GASB 54, governmental funds reported reservations of fund balance for equity amounts that were not available for appropriation or were legally restricted by outside parties for use for a specific purpose. Unreserved fund balance was the equity amount that is available for appropriation and expenditure in future periods. GASB 54 distinguishes fund balance between amount considered nonspendable, because they are not available for current use, (such as fund balance associated with inventories or legally or contractually required to be maintained intact) and amounts that are available for use

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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8. Fund Balances (continued)

but are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. The following are the classifications and descriptions.

Restricted fund balances requires that inflows and outflows of resources be constrained to a specific purpose by enabling legislation, external parties or constitutional provisions.

Committed fund balances are those balances with constraints imposed by the government using the highest decision-making authority. The Town's highest decision making authority is the Selectboard.

Assigned fund balances are amounts intended for a specific purpose by the Town's management and are also appropriations of existing fund balances.

Unassigned fund balances are amounts available for any purpose.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds for the sale of capital assets as revenue, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue.

Long-term debt transaction differences arise because governmental funds report bond proceeds and principal payments as other financing sources and uses, whereas government-wide statements report those transactions as increases and decreases in liabilities.

TOWN OF HYDE PARK, VERMONT
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III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. Budgetary Information

An annual budget for the Town's general fund is approved at the Town meeting in March and the Selectboard, based on the budget and the Grand List, determines the tax rate. Formal budgetary accounting is employed as a management control device during the year for the General Fund. The budget for the General Fund is adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

IV. DETAILED NOTES ON FUNDS:

A. Cash

Cash received by the Town is placed in the custody of the Town Treasurer who is elected. The cash deposits in the Town's accounts as of June 30, 2011 consisted of the following:

	<u>Book</u>	<u>Bank</u>	
	<u>Balance</u>	<u>Balance</u>	
Insured (FDIC)	\$ 255,656	\$ 255,656	
Uninsured and uncollateralized	<u>292,003</u>	<u>377,306</u>	
Total	<u>\$ 547,659</u>	<u>\$ 632,962</u>	

The difference between the book and bank balances is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flows at certain times during the year, the amounts of uninsured, uncollateralized cash may be much higher than at year end.

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Town does not have an investment policy or a policy to limit the exposure to custodial credit risk.

B. Receivables

Receivables at June 30, 2011, as reported in the statement of net assets and the governmental fund balance sheet, net of applicable allowances for uncollectible accounts, are as follows:

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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B. Receivables (continued)

	<u>Governmental Activities</u>
Delinquent taxes receivable	\$ 155,735
Penalties and interest receivable	21,039
Other receivable	<u>15,307</u>
Total receivables	\$ <u><u>192,081</u></u>

C. Capital Assets

As discussed in the Summary of Significant Accounting Policies Note F. "Capital Assets", historical costs prior to July 1, 2003 are incomplete for land, buildings and improvements. Depreciation expense of \$6,442 was included in general government activities expense, \$110,278 was included in highways and streets expense, and \$33,132 was included in public safety expense in the Statement of Activities for June 30, 2011.

The following table reflects the activity for the period ended June 30, 2011.

	<u>July 1, 2010</u>	<u>Additions and Retirements</u>	<u>Depreciation</u>	<u>June 30, 2011</u>
Governmental activities				
Buildings and improvements	\$ 172,180	79,437	-	\$ 251,617
Vehicles	102,992	-	-	102,992
Machinery and equipment	1,700,485	(8,738)	-	1,691,747
Infrastructure	518,398	147,514	-	665,912
Road construction in progress	-	<u>26,241</u>	-	<u>26,241</u>
Total capital assets	<u>2,494,055</u>	<u>244,454</u>	-	<u>2,738,509</u>
Accumulated depreciation				
Buildings and improvements	15,914	-	9,329	25,243
Vehicles	60,443	-	19,140	79,583
Machinery and equipment	535,231	(52,437)	100,825	583,619
Infrastructure	<u>48,375</u>	-	<u>20,558</u>	<u>68,933</u>
Total accumulated depreciation	<u>659,963</u>	<u>(52,437)</u>	<u>149,852</u>	<u>757,378</u>
Total capital assets, net	\$ <u><u>1,834,092</u></u>	<u><u>296,891</u></u>	<u><u>(149,852)</u></u>	\$ <u><u>1,981,131</u></u>

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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D. Short-Term Debt

On July 1, 2010, the Town contracted with Union Bank to borrow \$85,000, for building renovations, at 2.90% interest with five annual installments of \$18,616; the final principal and interest installment due on September 15, 2015. During the fiscal year, the Town repaid the loan.

The Town had a \$300,000 line of credit available with Community National Bank for tax anticipation, at a rate of 1.95% interest due on or before June 30, 2011. The Town did not use the line of credit during the year.

E. Long-Term Liabilities

The Town had the following outstanding notes payable at June 30, 2011.

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Governmental activities				
1993 Note payable for Gravel Pit, no additional interest. Annual principal payments of \$25,000 plus interest due December 30, 2013.	\$ 75,000	-	(25,000)	\$ 50,000
2007 Note payable to Union Bank, interest at 4.85%. Annual principal payments of \$12,000 plus accrued interest due April 12, 2012.	5,500	-	(5,500)	-
2009 Note payable to the State of Vermont, interest at 0%. Annual principal payments of \$6,176 due June 30, 2013.	18,529	-	(6,177)	12,352
2010 Note payable to the State of Vermont, interest at 2%. Annual principal payments of \$22,000 due December 31, 2014.	110,000	-	(22,000)	88,000

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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E. Long-Term Liabilities (continued)

2010 Note payable to the Community National Bank, interest at 2.66%. Annual principal payments of \$37,451 due April 22, 2015.	<u>173,000</u>	-	<u>(32,786)</u>	<u>140,214</u>
Total long-term liabilities	\$ <u><u>382,029</u></u>	<u>-</u>	<u>(91,463)</u>	\$ <u><u>290,566</u></u>

Anticipated maturities are as follows for the long-term debt of Governmental activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	86,835	5,552	92,387
2013	87,752	4,194	91,946
2014	57,510	2,821	60,331
2015	<u>58,469</u>	<u>1,422</u>	<u>59,891</u>
\$	<u><u>290,566</u></u>	\$ <u><u>13,989</u></u>	\$ <u><u>304,555</u></u>

V. OTHER INFORMATION:

A. Pension Plans

Vermont Municipal Employees' Retirement System

Employees of the Town 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 Town and employees make required contributions to the System based upon a valuation report prepared by the System's actuary.

There are four levels of contributions and benefits in the System called Group A, Group B, Group C and Group D. All of the Town's members participate in Group B. Employee contributions are 4.5% of gross pay and employer contributions are 5% of gross pay for Group B plan members.

Of the Town's total payroll of \$406,708, \$269,246 was covered under the Vermont Municipal Employees' Retirement System. Total employer contributions to the Vermont Municipal Employees' Retirement Plan were \$13,463 for the fiscal year ended June 30, 2011.

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

TOWN OF HYDE PARK, VERMONT
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A. Pension Plans (continued)

Deferred Compensation Plan

In November 2008, the Town joined the State of Vermont's §457 Deferred Compensation Plan (Plan). The Plan is available to all State employees and to employees of other public agencies. Internal Revenue Code Sections provide the authority under which benefit provisions are established.

The employee's can make voluntary contributions to the Plan up to 100% of their compensation up to \$16,500, unless the employee is over 50 years of age, then the limit is \$22,000 in 2011. The Plan requires a minimum contribution amount of \$20 per paycheck. There are no employer contributions with this plan.

B. Risk Management

The Town is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Town maintained insurance coverage through Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss for the period ending December 31, 2011. 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 (3) fiscal years.

C. Property Taxes

The Town is responsible for assessing and collecting its own property taxes as well as education taxes for the State of Vermont. The tax rate is set by the Selectboard based on the voter approved budget, the estimated grand list and the State education property tax liability.

Property taxes are due four times during the year. For the year ended June 30, 2011, property taxes were due on or before August 31, 2010, November 15, 2010, February 15, 2011 and May 15, 2011. Taxes not paid by the due dates are considered delinquent. Delinquent property taxes are charged interest at a rate of 1% per month for the 1st three months and 1 1/2 % thereafter.

The tax rates for the year ended June 30, 2011 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Town	0.5884	0.5884
Education	<u>1.3084</u>	<u>1.3731</u>
Total	<u>1.8968</u>	<u>1.9615</u>

TOWN OF HYDE PARK, VERMONT
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D. Joint Ventures

Town of Wolcott

In 1988, the United States Department of Housing and Urban Development awarded a \$381,000 grant to the Towns of Hyde Park and Wolcott to establish a low income/senior housing mobile home park and to also provide for housing improvements to low income individuals. From these funds, \$198,000 was borrowed to develop the Sterling View Mobile Home Park. Several low income individuals borrowed lesser amounts primarily to make weatherization and/or safety improvements to their homes. Loan payments from the borrowers are returned to the Towns of Hyde Park and Wolcott and split between them.

By a Selectboard agreement dated September 17, 1997, the Town of Hyde Park receives two-thirds and the Town of Wolcott receives one-third of the loan payments. The outstanding loan balance was \$112,906 on June 30, 2011. These second generation funds may be used by the Towns for any purpose deemed appropriate by the legislative bodies. Undistributed loan payment received was \$8,121 at June 30, 2011.

Town of Eden

Hyde Park Fire District # 1 is an incorporated governmental subdivision established in 1958 for the purpose of supplying water to many of the residents of North Hyde Park Village and providing fire protection to the residents of the Town of Eden and the northwestern part of the Town of Hyde Park. The Towns of Hyde Park and Eden provide the majority of funding to operate the North Hyde Park / Eden Fire Department. The Town of Hyde Park provided \$26,100 of support to the Fire Department for the fiscal year ended June 30, 2011.

E. Beneficial Interests

At June 30, 2011, the Trustees of Public Funds for the Town of Hyde Park held \$6,480, from the sale of the Lamoille Grammar School in 1984, for the benefit of the School District. Accumulated interest is periodically distributed to the Hyde Park Elementary School Library for necessary equipment.

F. Commitments and Contingencies

On March 10, 2010, the Town contracted with the Village of Hyde Park, VT to lease office space in the town building for 30 years which may be renewed by mutual consent. In consideration of the lease the Village paid \$17,500, in the fiscal year ended June 30, 2010, towards the town office renovations and shall continue to provide water and electric services to the town building.

In April 2011, the Town sustained \$120,276 in spring flooding damages. FEMA determined that \$110,281 is eligible for assistance with 75% or \$82,711 to be reimbursed from FEMA by December 2011. The Town completed a standard subgrant agreement with the State of Vermont

TOWN OF HYDE PARK, VERMONT
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F. Commitments and Contingencies (continued)

in which they anticipate receiving an additional 15% or \$16,542 for disaster assistance related to the spring flooding. Under the terms of the agreement, the Town will incur the additional costs.

On May 12, 2011, the Selectboard approved the purchase of an International truck and a body plow, frame and wing. The truck with extended service was purchased for \$93,671 net a \$30,000 trade in for a 2002 International truck. The truck's accessories were acquired for \$61,980.

A line of credit for \$300,000 was contracted with Union Bank on June 9, 2011 at 1.60% interest per annum due on or before June 30, 2012.

On June 9, 2011, the Town awarded a paving contract of Trombley Road for \$99,436 to Pike Industry, Inc.

On June 15, 2011, the Selectboard awarded the Whitcomb Island Bridge and Barnes Road Construction Project to Salvas, Inc. The contract was for \$58,762, of which \$26,241 was completed during the 2011 fiscal year with the remaining completed in the 2012 fiscal year.

G. Subsequent Events

On July 1, 2011, the Town contracted with Newport Ambulance Services, Inc. for ambulance services from July 1, 2011 to June 30, 2012 in the amount of \$63,314. The agreement provides for additional extensions through June 30, 2015.

On July 13, 2011, the Town contracted with the Lamoille County Sheriff's Department for dispatching services from July 1, 2011 to June 30, 2012 in the amount of \$65,222.

On July 13, 2011, the Town contracted with the Lamoille County Sheriff's Department for patrol services from July 1, 2011 to June 30, 2012 in the amount of \$280,210.