

TOWN OF HYDE PARK, VERMONT

**BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2015**

AND AUDITOR'S REPORT

TOWN OF HYDE PARK, VERMONT

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Glenna L. Pound

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities of the Town of Hyde Park, Vermont as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on the audit. I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Hyde Park, Vermont as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Glenna L. Pound, CPA

Glenna L. Pound, CPA
Stowe, VT
February 4, 2016

**TOWN OF HYDE PARK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

The Town of Hyde Park (the "Town") herein sets forth an overview and analysis of its financial operations for the fiscal year ended June 30, 2015.

Financial Highlights

Government-Wide Statements

- The Town's net position increased by \$176,762, an approximate 4.4% increase from June 30, 2014 (restated) as a result of this year's operations.
- The cost of all of the Town's programs was \$2,016,477 this year compared to \$2,003,747 in the prior year, an increase of \$12,730, an approximate 0.6% increase.
- Total net position of the Town is \$4,230,571. Of this amount \$417,252 (*Unrestricted Net Position*) may be used by the various funds of the Town to meet the Town's ongoing obligations. For comparison, Unrestricted Net Position at the end of FY2014 was \$332,769 (restated).
- Long-term liabilities decreased by \$62,373 with \$62,777 remaining at the end of FY2015.

Fund Highlights

- The General Fund reported a decrease in fund balance this year of \$65,298. The June 30, 2015 unassigned fund balance was \$309,423. No amount of fund balance was used to offset the FY2015 tax rate.
- The FY2015 fund balance decrease resulted primarily from the acquisition of machinery & equipment in the amount of \$296,200 when \$88,000 was budgeted.
- The town did not spend \$133,641 in paving to refund the fund balance for paving costs used in FY2014.

Overview of the Town's Financial Statements:

The annual financial report consists of three components: 1) government-wide financial statements, 2) general fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town of Hyde Park's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Town of Hyde Park's assets and liabilities with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how the Town's net position changed during the fiscal year. The *Statement of Activities* reports operations on a full accrual basis (i.e., all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows); whereas the *Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds* presents activity of the funds on a modified accrual basis (i.e., revenue is recognized when it becomes measurable and available and expenditures are recognized when the related liability is incurred). Thus, in the *Statement of Activities* revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The governmental activities of the Town of Hyde Park include general administration, highways and streets, public safety, health and welfare, cemeteries, and culture and recreation.

TOWN OF HYDE PARK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015
(continued)

Fund financial statements - A fund is a set of self-balancing accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. For financial statement purposes, the Town has one governmental fund.

Notes to the financial statements - The notes provide additional information that is necessary for an understanding of the information in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements in this report.

Government-Wide Analysis

The June 30, 2014 balances are restated to account for the implementation of GASB 68, which is a new accounting pronouncement related to accounting for pensions. The net effect of the restatement is a reduction of net position as of June 30, 2014 of \$32,535.

The Town's June 30, 2015 net position increased by \$176,762. Our analysis below focuses on the current year net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

Table 1
Net Position

	2015	2014 Restated	Net Change
Current and other assets	\$ 1,112,191	\$ 1,132,588	\$ (20,397)
Capital assets	3,289,157	3,110,740	178,417
Total assets	<u>4,401,348</u>	<u>4,243,328</u>	<u>158,020</u>
Deferred outflows of resources	18,763	17,183	1,580
Other liabilities	88,300	31,834	56,466
Long term liabilities	62,777	174,868	(112,091)
Total liabilities	<u>151,077</u>	<u>206,702</u>	<u>(55,625)</u>
Deferred inflows of resources	38,463	0	38,463
Net position:			
Invested in capital assets, net of debt	3,263,657	3,014,069	249,588
Restricted	549,662	706,971	(157,309)
Unrestricted	417,252	332,769	84,483
Total net position	<u>\$ 4,230,571</u>	<u>\$ 4,053,809</u>	<u>\$ 176,762</u>

The unrestricted net position of the Town increased by \$84,483 primarily because a portion of the FY2015 paving funds (\$133,641) replaced the fund balance amount used for FY2014 paving. Highway equipment reserves were utilized for the acquisition of two plow trucks in one year where normally no more than one plow truck is replaced in any year. The largest portion of the Town's net position is in its investment in capital assets (net of debt) at approximately 77.1% (74.4% in FY2014). These assets are not available for future spending.

TOWN OF HYDE PARK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015
(continued)

A portion (13%) of the Town's net position is subject to restrictions on how funds may be used. The remaining balance of \$417,252 (9.86%) is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors. Management designates some of these funds included in the unrestricted net position for particular purposes (e.g., capital projects and reduction in taxes in subsequent years). For comparison, the unrestricted net position for FY2014 was \$332,769.

Table 2
Change in Net Position

	Governmental Activities		Increase
	2015	2014	(Decrease)
Revenues			
Program revenues			
Charges for services	\$ 55,563	\$ 49,695	\$ 5,868
Operating grants and contributions	164,663	184,108	(19,445)
Capital grants and contributions	16,895	-	16,895
General revenues			
Property taxes	1,985,013	1,979,616	5,397
Investment income (loss)	(38,698)	47,023	(85,721)
Gain on sale of capital asset	9,803	-	9,803
Other	-	26,125	(26,125)
Total revenues	2,193,239	2,286,567	(93,328)
Expenses			
Governmental activities:			
General government	575,913	579,661	(3,748)
Highways and streets	657,986	653,445	4,541
Public safety	542,416	520,900	21,516
Health and welfare	70,179	69,673	506
Cemeteries	17,800	17,800	-
Culture and recreation	114,326	102,658	11,668
Special articles	36,670	56,906	(20,236)
Interest on long-term debt	1,187	2,704	(1,517)
Total expenses	2,016,477	2,003,747	12,730
Change in net position	\$ 176,762	\$ 282,820	\$ (106,058)

Governmental activities. The Town's net position decreased by \$106,058 as compared to an increase of \$106,259 in FY2014. Many factors contributed to a decrease in net position. In FY2015, the library's investments recognized a loss from the change in market value of \$50,847, compared to a gain of \$33,683 in FY2014. Library health care costs exceeding the budget by \$13,348, public safety expenses include closing out FAST squad accounts and building & vehicle repairs were over budget by \$12,660 and recreation pavilion costs exceeding the budget by \$8,375.

TOWN OF HYDE PARK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015
(continued)

General Fund Budgetary Highlights

The FY2015 General Fund balance decreased by \$65,298; decreasing from \$936,124 to \$870,826. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual compares actual results to budget. The most significant variances were as follows:

Revenues:

- Intergovernmental revenues were greater than budget due to the receipt of grant funds not anticipated at the time the budget was developed.
- Penalties and interest on taxes was greater than budget due to the intended omission of penalty revenue and related expense from the budget.
- Investment income was less than budget due to \$50,847 in unrealized losses on stock. Interest and dividends totaled \$12,149 compared to the budget of \$10,300.

Expenditures:

- The tax collector expense is directly related to penalty revenues collected which were intentionally omitted from the budget.
- Road salt costs (over budget by \$13,039) were offset by lower highway fuel expenses (\$15,826).
- Unanticipated highway equipment repairs expenses (above budget by \$27,384) resulted from repairs to one plow truck (\$15,368) and replacement of road grader tires (\$12,369).
- Library expenditures were greater than budgeted due to an unbudgeted health insurance costs and building repairs.
- Unbudgeted grant expenditures were funded by additional intergovernmental revenues.
- Capital outlays for machinery and equipment were greater than budgeted by \$208,200, which was funded by use of highway equipment reserve account. Capital outlays for infrastructure were less than anticipated due to completing paving projects budgeted for fiscal year 2015 in the prior year.

Capital Assets and Debt Administration

Capital Assets - The Town added to its inventory of capital assets in the amount of \$463,105. Current year depreciation was \$229,744. After sales and retirement of assets, capital assets totaled \$3,289,157 at June 30, 2015. Major capital assets added in FY2015 included the paving of Depot Street (\$60,233), completing drainage improvements on Cricket Hill Road (\$21,136), acquiring two plow trucks (\$354,200) and completing HVAC improvements to the basement town vault (\$5,424).

The North Hyde Park / Eden Fire Department rescue truck is reported on the Town's capital asset depreciation schedule until the 5-year note is paid in FY2017. The five-year loan for \$63,750 will be paid by the Town of Hyde Park (this note amount plus the deposit of \$21,250 made at purchases equals 50% of the total cost of \$170,000). The Town of Eden pays the other 50% for a total acquisition cost of \$170,000.

Debt Administration - At June 30, 2015, the Town had \$25,500 in one note payable (fire equipment) outstanding versus \$96,671 outstanding on June 30, 2014. Two fire equipment notes were paid off in FY2015 leaving the one remaining note for the municipality, which will be paid in full in FY2017.

**TOWN OF HYDE PARK, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015
(continued)**

Economic Factors and Next Year's Budgets and Rates

These factors were all taken into consideration when preparing the FY2016 budget:

- Wages were increased by 2.0% for FY2016, higher than the CPI-U for New England of 0.4% as of the December 2014 report from the U.S. Department of Labor.
- FY2016 budgeted expenses increased overall by 2.94% (or \$62,800) over the FY2015 expense budget primarily due to:

Service Provided	FY2015	FY2016	Change	Change
Town Health Insurance *	\$85,000	\$112,500	\$27,500	32%
Annual Paving Budget	195,000	205,000	10,000	5%
Road Salt	85,000	95,000	10,000	12%
Police Patrol & Communications	401,400	413,350	11,950	3%
Ambulance Service Contract	68,700	76,400	7,700	11%
Library Staffing	37,600	49,100	11,500	31%
Reduction in debt (fire loans)	70,260	12,750	- 57,510	- 82%

Note: The health insurance increase resulted from the combination of an 8.5% MVP premium increase, eligibility changes under the Affordable Care Act and family changes.

- The debt funding amount was reduced by paying off of two fire capital equipment notes in FY2015 (\$57,510). Capital funding increases occurred to the highway equipment reserve (\$2,000) and the first anticipated annual contribution to the fire vehicles repair reserve (\$5,000).

The town-wide taxable Grandlist for the Town of Hyde Park, VT is finalized in June by the Town Listers and then utilized by the Selectboard to calculate the next fiscal year's tax rate for July 1. The Grandlist increase has been between 0.0% and 1.0% for the last six years, following the real estate adjustment of 2008-2009. The 2015 Grandlist, used to set the FY2016 tax rate, was expected to continue to increase within this range as the Town continues to see only minor commercial investment and averaging less than six new homes per year. As long as the Grandlist remains relatively unchanged, Town management is committed to managing the budget to result in tax rate increases at less than 3.0% annually.

Contacting the Town's Financial Management

This financial report is designed to provide a general overview of the Town of Hyde Park, Vermont's financial condition. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Administrator or the Town Treasurer at 344 Vermont Route 15 West, PO Box 98, Hyde Park, Vermont 05655.

TOWN OF HYDE PARK, VERMONT
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS	<u>General</u>
Cash and cash equivalents	\$ 364,103
Property taxes receivable	186,685
Prepaid items	11,741
Temporarily restricted assets:	
Cash and cash equivalents	303,666
Investments	245,996
Capital assets	5,068,557
less - accumulated depreciation	<u>(1,779,400)</u>
Net capital assets	<u>3,289,157</u>
Deferred outflows - pension	<u>18,763</u>
Total Assets and Deferred Outflows	<u>\$ 4,420,111</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 61,917
Accrued payroll	26,383
Long-term liabilities	
Accrued compensation	25,119
Net pension liability	12,158
Notes payable due within one year	12,750
Notes payable due in more than one year	12,750
Deferred inflows - pension	<u>38,463</u>
Total Liabilities and Deferred Inflows	<u>189,540</u>
NET POSITION	
Invested in capital assets, net of related debt	3,263,657
Restricted for:	
Sidewalk and pedestrian improvements - voter restriction	38,180
Cemetery vault - grantor restriction	272
History books - grantor restriction	1,000
Records restoration and preservation - grantor restriction	9,849
Grange hall - grantor restriction	1,223
Reappraisals - grantor restriction	128,027
Fire Department - voter and grantor restriction	46,550
Highway Department - voter restriction	60,752
Library - grantor restriction	263,809
Unrestricted	<u>417,252</u>
Total Net Position	<u>4,230,571</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 4,420,111</u>

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

TOWN OF HYDE PARK, VERMONT
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
JUNE 30, 2015

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</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	\$ 575,913	45,244	17,695	-	\$ (512,974)
Highways and streets	657,986	6,898	132,381	10,460	(508,247)
Public safety	542,416	-	1,340	6,435	(534,641)
Health and welfare	70,179	-	-	-	(70,179)
Cemeteries	17,800	-	-	-	(17,800)
Culture and recreation	114,326	3,421	13,247	-	(97,658)
Outside agencies support	36,670	-	-	-	(36,670)
Interest on long-term debt	<u>1,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,187)</u>
Total government activities	\$ <u>2,016,477</u>	<u>55,563</u>	<u>164,663</u>	<u>16,895</u>	\$ <u>(1,779,356)</u>

General revenues:

Property taxes	1,985,013
Unrestricted investment income (loss)	(38,698)
Gain on sale of capital asset	<u>9,803</u>
Total general revenues	<u>1,956,118</u>
Change in net position	<u>176,762</u>
Net position - beginning, as restated	4,053,809
Net position - ending	\$ <u>4,230,571</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, 2015

	General
ASSETS	
Cash and cash equivalents	\$ 364,103
Property taxes receivable	186,685
Prepaid expenditures	11,741
Cash - temporarily restricted	303,666
Investments - temporarily restricted	<u>245,996</u>
Total Assets	\$ <u>1,112,191</u>
LIABILITIES	
Accounts payable	\$ 61,917
Accrued payroll	<u>26,383</u>
Total Liabilities	<u>88,300</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes and interest	<u>153,065</u>
Total Deferred Inflows of Resources	<u>153,065</u>
FUND BALANCES:	
Nonspendable:	
Prepaid expenditures	11,741
Restricted for:	
Sidewalk and pedestrian improvements	38,180
Cemetery vault	272
History books	1,000
Records restoration and preservation	9,849
Grange hall	1,223
Reappraisals	128,027
Fire Department/Fast Squad	46,550
Highway Department	60,752
Lanpher Memorial Library	263,809
Unassigned	<u>309,423</u>
Total Fund Balances	<u>870,826</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>1,112,191</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 GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUND (page 10)	\$	870,826
Amounts reported for governmental activities in the statement of net position are different because:		
Net deferred inflows for pension liability. This is the amount by which projected and actual investment earnings exceeded proportional pension contributions.		(19,700)
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 unavailable property taxes and interest in the governmental fund.		153,065
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		3,289,157
Accrued compensation is not due and payable in the current period and therefore is not reported in the governmental fund.		(25,119)
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental fund.		(12,158)
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>(25,500)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (page 8)	\$	<u>4,230,571</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, 2015

REVENUES:	<u>General</u>
Property taxes	\$ 1,947,390
Intergovernmental revenues	166,511
Grants	5,310
Penalties and interest	49,356
Licenses and permits	38,473
Fines	5,192
Investment income (loss)	(38,698)
Contributions and donations	7,081
Other revenue	<u>14,554</u>
Total Revenues	<u>2,195,169</u>
EXPENDITURES:	
Current:	
General government	548,510
Highways and streets	491,133
Public safety	504,514
Health and welfare	70,179
Cemeteries	17,800
Culture and recreation	99,835
Grant expenditures	20,938
Special articles	36,670
Debt service:	
Principal	71,171
Interest	1,359
Capital outlay:	
Machinery and equipment	296,200
Buildings and improvements	16,799
Infrastructure	<u>85,359</u>
Total Expenditures	<u>2,260,467</u>
Excess of Expenditures over Revenues	<u>(65,298)</u>
Net Change in Fund Balance	(65,298)
Fund Balance - beginning	<u>936,124</u>
Fund Balance - ending	\$ <u><u>870,826</u></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 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND (page 12) \$ (65,298)

Amounts reported for governmental activities in the Government-Wide Statement of Activities (page 9) are different because:

Property tax revenues are reported on the accrual basis in the statement of net position. Governmental funds report only "available" property tax revenues on a modified accrual basis. This amount is the net change in unavailable property taxes and interest. (11,733)

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 \$326,872 exceeded depreciation expense of \$148,455, net of disposals, in the current period. 178,417

Payments of compensated absences and pension expense are reported as expenditures in the governmental funds when actually paid. However, on the governmental-wide statement of activities, items are reported as they are accrued. The following is the (increase) or decrease in these liabilities.

Decrease in accrued compensated absences	3,356
Decrease in accrued pension expense	677

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. 172

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 71,171

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (page 9) \$ 176,762

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, 2015

	<u>Original & Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Property taxes	\$ 1,802,050	\$ 1,814,605	\$ 12,555
Current use revenue	82,000	100,529	18,529
PILOT revenue	28,000	32,256	4,256
Intergovernmental revenues	128,000	166,511	38,511
Grants	-	5,310	5,310
Penalties and interest	22,000	49,356	27,356
Licenses, permits and fees	39,150	38,473	(677)
Fines	5,000	5,192	192
Investment income (loss)	10,300	(38,698)	(48,998)
Contributions and donations	1,000	7,081	6,081
Highway other revenue	14,000	5,828	(8,172)
Other revenue	6,600	8,726	2,126
Total Revenues	2,138,100	2,195,169	57,069
EXPENDITURES:			
General government			
Selectboard	3,750	3,750	-
Town clerk	24,600	24,694	(94)
Town treasurer	24,600	24,694	(94)
Tax collector	-	16,456	(16,456)
Town office	189,750	186,684	3,066
Employee benefits	169,300	170,994	(1,694)
Accounting/ town reports	16,100	18,591	(2,491)
Listers and mapping	13,600	13,686	(86)
Board of civil authority	1,500	1,541	(41)
Legal	5,000	1,737	3,263
Building and grounds	8,000	5,725	2,275
Insurance	40,000	44,588	(4,588)
Taxes and dues	36,200	35,370	830
Total general government	532,400	548,510	(16,110)
Highways and streets			
Highway general appropriations			
- excluding paving	444,100	391,410	52,690
Highway garage and maintenance	78,300	99,723	(21,423)
Total highway and streets	522,400	491,133	31,267

(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, 2015

	Original & Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
Public safety			
Sheriff's department / road patrol	334,000	333,936	64
Sheriff's department / communications	67,400	67,317	83
NHP / Eden fire department	27,200	27,200	-
Hyde Park fire department/ Fast squad	63,400	76,061	(12,661)
Total public safety	<u>492,000</u>	<u>504,514</u>	<u>(12,514)</u>
Health and welfare			
Animal control	4,200	1,841	2,359
NEMS ambulance service	68,700	68,338	362
Total health and welfare	<u>72,900</u>	<u>70,179</u>	<u>2,721</u>
Cemeteries	<u>17,800</u>	<u>17,800</u>	<u>-</u>
Culture and recreation			
Library	74,000	93,982	(19,982)
Recreation/ Community circle	8,700	5,853	2,847
Culture and recreation	<u>82,700</u>	<u>99,835</u>	<u>(17,135)</u>
Grant expenditures	<u>-</u>	<u>20,938</u>	<u>(20,938)</u>
Debt service:			
2013 NHP / Eden FD truck loan	12,750	12,750	-
HPFD Fire Truck municipal loan	22,000	22,000	-
HPFD Fire Truck bank loan	35,510	36,421	(911)
Interest expense	2,784	1,359	1,425
Total debt service	<u>73,044</u>	<u>72,530</u>	<u>514</u>
Capital outlay:			
Machinery and equipment	88,000	296,200	(208,200)
Buildings and improvements	3,000	16,799	(13,799)
Infrastructure and land (including paving)	219,000	85,359	133,641
Total capital outlay	<u>310,000</u>	<u>398,358</u>	<u>(88,358)</u>
Total municipal expenditures before outside agencies support:	<u>2,103,244</u>	<u>2,223,797</u>	<u>(120,553)</u>
Outside agencies support:			
Hyde Park Elementary after School Program	2,000	2,000	-
Hyde Park Baseball/Softball Association	1,000	1,000	-
Lamoille Home Health and Hospice	8,862	8,862	-
Lamoille Area Adult Day Care Center	650	650	-
Central Vermont Adult Basic Education	710	710	-
Central Vermont Community Action Council	300	300	-

(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, 2015

	Original & Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
	<u> </u>	<u> </u>	<u> </u>
Outside agencies support continued:			
Clarina Howard Nichols Center	1,250	1,250	-
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	-
Home Share Now	500	500	-
Lamoille Valley Mentoring	2,500	2,500	-
North Country Animal League	500	500	-
Lamoille Housing Partnership	300	300	-
Lamoille County Planning Commission	1,829	1,829	-
Lamoille Economic Development Corporation	2,000	2,000	-
Lamoille Community Food Share, Inc.	1,000	1,000	-
Lamoille Special Investigations Unit	1,900	1,828	72
Northern VT Resource Conservation	75	75	-
Northern VT Chapter - American Red Cross	300	300	-
Rural Community Transport	3,350	3,350	-
Total outside agencies support	<u>34,856</u>	<u>34,784</u>	<u>72</u>
Village Sidewalk	-	1,886	(1,886)
Total Expenditures	<u>2,138,100</u>	<u>2,260,467</u>	<u>(122,367)</u>
Excess of (Expenditures) over Revenues	<u>-</u>	<u>(65,298)</u>	<u>(65,298)</u>
Net Change in Fund Balances	\$ <u>-</u>	(65,298)	(65,298)
Fund Balance - beginning		<u>936,124</u>	<u>936,124</u>
Fund Balance - ending		\$ <u>870,826</u>	\$ <u>870,826</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, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Town of Hyde Park, Vermont (the Town) 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.

A. Reporting Entity

The Town is a primary unit of government under reporting criteria established by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The reporting criteria include a separately elected governing body, separate legal standing, and fiscal independence from other state and local governmental entities. 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.

The accounting policies adopted by the Town of Hyde Park (the "Town") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The GASB periodically updates its codification of the existing *Governmental Accounting and Reporting Standards* which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide and fund financial statements. The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of inter fund activity has been removed from these statements. 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.

In the government-wide statement of net position, the financial position of the Town is consolidated and incorporates capital assets, as well as, all long-term debt and obligations. 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.

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

B. Government-Wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental and proprietary 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.

C. 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 60 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. Licenses and permits, fines and other revenues are considered to be measurable and available only when cash is received by the government. Investment earning and certain intergovernmental grants are recorded as earned when they become available.

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.

The operations of the fund are accounted for with a set of self-balancing accounts that are comprised of assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures. 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, 2015

D. 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 expenditures or expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities, and Net Position 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. Investments are carried at fair market value.

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, 2015, management has determined that all property taxes receivable 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. Inventory 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 \$11,741 of prepaid items at June 30, 2015.

4. Capital Assets

Generally accepted accounting principles require that the Town report and depreciate capital assets in the government-wide financial statements. Capital assets purchased or acquired with an original cost of \$5,000 or more and an estimated useful life in excess of one year 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.

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

JUNE 30, 2015

4. Capital Assets (continued)

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. Unavailable and Unearned Revenue

The Town has recorded, in the General Fund, unavailable revenue from property taxes and related interest which have not been collected within 60 days following year end and are not considered available for current-year operations. It is the Town's policy to record unexpended grant receipts as unearned revenue.

6. 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.

7. 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 position. Governmental fund type financial statements do not include any long-term liabilities as the governmental fund uses the current financial resources measurement focus and only includes current assets and liabilities on the balance sheet.

8. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until the future event. The Town had deferred outflows related to pension expense as discussed in note V.A. Pension Plan.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two items in this category. Unavailable revenue which arises under the modified

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

8. Deferred Outflows/Inflows of Resources (continued):

accrual basis of accounting and the difference between projected and actual earnings on pension plan investments are reported as deferred inflows of resources. Accordingly, the items of unavailable revenue (unavailable property taxes and interest) are reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other deferred inflow on the government-wide statement of net position is related to pension expense as discussed in note V.A. Pension Plan.

9. Net Position

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

10. Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, distinguishes fund balances between amounts considered nonspendable, because they are not available for current use, and amounts that are available for use, 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 of available fund balances.

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.

It is the Town's policy to apply expenditures to fund balance in the order of restricted, committed, assigned, and unassigned unless the Selectboard specifies otherwise.

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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.

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. The tax rate is determined by the Selectboard based on the education and municipal grand lists, the approved budget and the State education property tax liability. 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).

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2015, General Fund expenditures exceeded appropriations by \$122,367. These were funded by excess revenues and available fund balance.

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

IV. DETAILED NOTES ON FUNDS:

A. Cash and Investments

Custodial credit risk - deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town 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. Cash received by the Town is placed in the custody of the Town Treasurer who is elected. The Town maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Town addresses custodial risk for deposits by requiring each institution to provide deposit insurance and/or proof of collateralization. At June 30, 2015, the Town's deposit accounts were either insured or collateralized.

Temporary restricted cash. The Town maintains separate bank accounts for the following purposes.

Cemetery vault	\$	272
History books		1,000
Book restoration		9,849
Grange hall		1,223
Reappraisals		128,027
Fire Department		46,550
Highway Department		60,752
Sidewalk and pedestrian improvements		38,180
Lanpher Memorial Library		<u>17,813</u>
	\$	<u>303,666</u>

Investments are temporarily restricted for use by the Lanpher Memorial Library. The classification and fair value of investments held at June 30, 2015 are as follows.

	S&P's Rating	Moody's Rating	Investment Maturity	Fair Value
Preferred stock	A+	A2	>10 years	\$ 836
Preferred stock	AAA	Aa3	>10 years	212,992
Preferred stock	AA-	Aa1	>10 years	3,571
Mutual funds	N/A	N/A	N/A	<u>28,597</u>
				\$ <u>245,996</u>

Investments are carried at fair market value. Any unrealized gains or losses are recognized annually. The Town recorded an unrealized loss of \$50,846 netted with investment income of \$12,148 at June 30, 2015. As of February 4, 2016, unrealized investment loss for the change in market value from June 30, 2015 was estimated at \$22,886.

TOWN OF HYDE PARK, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

A. Cash and Investments (continued)

The Town's investment policy permits the following investments.

1. U.S. Treasury Bills
2. Short-term U.S. Governments/Agency obligations
3. Certificates of Deposit
4. Bankers Acceptances
5. High Grade Commercial Paper
6. Investment Grade Obligations of State and Local Governments and Public Authorities
7. Repurchase Agreements of U.S. Government of Agency Securities
8. Money Market Funds
9. Local Government Investment Pools

Interest rate risk - Changes in market interest rates will affect the fair value of an interest earning investment over time. The Town does not have a deposit policy regarding interest rate risk. Maturities of interest-earning investments at June 30, 2015 are indicated above.

B. Property taxes receivable

Property taxes receivable at June 30, 2015, as reported in the government-wide statement of net assets and the governmental fund balance sheet, net of applicable allowances for uncollectible accounts, are as follows.

	<u>Governmental Activities</u>
Delinquent taxes receivable	\$ 174,721
Interest receivable	11,964
Total receivables	\$ <u>186,685</u>

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

C. Capital Assets

In the Statement of Activities for June 30, 2015, depreciation expense of \$10,498 was included in general government activities expense, \$166,853 was included in highways and streets expense, \$37,902 was included in public safety expense and \$14,491 was included in culture and recreation expenses. The following table reflects the activity for the period ended June 30, 2015.

	July 1, 2014	Increases	Decreases	June 30, 2015
Governmental activities				
Land	\$ 114,844	-	-	\$ 114,844
Buildings and improvements	958,014	23,546	-	981,560
Vehicles	111,814	-	-	111,814
Machinery and equipment	1,889,368	354,200	129,486	2,114,082
Infrastructure	1,210,898	85,359	-	1,296,257
Depletable asset	450,000	-	-	450,000
Construction in progress	6,747	-	6,747	-
Total capital assets	<u>4,741,685</u>	<u>463,105</u>	<u>136,233</u>	<u>5,068,557</u>
Accumulated depreciation				
Buildings and improvements	454,411	27,024	-	481,435
Vehicles	81,880	7,808	-	89,688
Machinery and equipment	824,559	121,792	81,289	865,062
Infrastructure	145,095	68,120	-	213,215
Depletable asset	<u>125,000</u>	<u>5,000</u>	-	<u>130,000</u>
Total accumulated depreciation	<u>1,630,945</u>	<u>229,744</u>	<u>81,289</u>	<u>1,779,400</u>
Total capital assets, net	\$ <u>3,110,740</u>	<u>233,361</u>	<u>54,944</u>	\$ <u>3,289,157</u>

D. Operating Lease

In August 2014, the Town entered into a five year operating lease agreement for recording equipment. Operating lease payments were \$8,220 for the fiscal year ended June 30, 2015. Future minimum lease payments are as follows.

Year ending June 30,	
2016	8,220
2017	8,220
2018	8,220
2019	<u>1,370</u>
	\$ <u>26,030</u>

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

E. Long-Term Debt

The Town had the following outstanding notes payable at June 30, 2015.

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>
Governmental activities				
2010 Capital equipment note payable to the State of Vermont, interest at 2%. Annual principal payments of \$22,000 due December 31, 2014.	\$ 22,000	-	(22,000)	\$ -
2010 Capital equipment note payable to the Community National Bank, interest at 2.66%. Annual payments of \$37,451 due April 22, 2015.	36,421	-	(36,421)	-
2013 Capital equipment note payable to the State of Vermont, interest at 0%. Annual principal payments of \$12,750, due June 30, 2017.	<u>38,250</u>	<u>-</u>	<u>(12,750)</u>	<u>25,500</u>
Total long-term liabilities	\$ <u>96,671</u>	<u>-</u>	<u>(71,171)</u>	\$ <u>25,500</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	12,750	-	12,750
2017	<u>12,750</u>	<u>-</u>	<u>12,750</u>
	\$ <u>25,500</u>	\$ <u>-</u>	\$ <u>25,500</u>

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

JUNE 30, 2015

V. OTHER INFORMATION:

A. Pension Plans

Vermont Municipal Employees' Retirement System

Defined Benefit Plan -

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

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

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2014, the measurement date selected by the State of Vermont, VMERS was funded at 98.32% and had a plan fiduciary net position of \$534,525,477 and a total pension liability of \$543,652,090 resulting in a net pension liability of \$9,126,613. As of June 30, 2015, the Town's proportionate share of this was .1332% resulting in a liability of \$12,158. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

A. Pension plans (continued):

contributions of all participating entities, actuarially determined. As of June 30, 2014, the Town's proportion of .1332% was a decrease of 0.0034% from its proportion measured as of June 30, 2013. The Town's Government-Wide beginning net position was adjusted for net pension liability related to prior periods in the amount of \$32,535.

For the year ended June 30, 2015, the Town recognized pension savings of \$677.

As of June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>
Change in proportionate share of contributions	\$ -		\$ 974
Difference between projected and actual earnings on pension plan investments	-		37,489
Town's required employer contribution made subsequent to the measurement date	<u>18,763</u>		<u>-</u>
	\$ <u>18,763</u>		\$ <u>38,463</u>

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$18,763 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2016	\$ (9,852)
2017	(9,852)
2018	(9,852)
2019	-
2020	-
Total	<u>\$ (29,556)</u>

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

A. Pension plans (continued):

Summary of System Provisions

Membership – Full time employees of participating municipalities. The Town elected coverage under Group B provisions.

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Group B – Average annual compensation during highest three (3) consecutive years.

Service Retirement Allowance:

Eligibility – Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service.

Amount – Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC.

Maximum benefit is 60% of AFC for Group B. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Group B.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members.

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

Amount – Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on “Post-Retirement Adjustments”.

Disability Retirement Allowance:

Eligibility – Five (5) years of service and disability as determined by Retirement Board.

Amount – Immediate allowance based on AFC and service to date of disability.

Death Benefit: Eligibility – Death after five (5) years of service.

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

A. Pension plans (continued):

Amount – For Group B, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death.

Optional Benefit and Death after Retirement - For Group B, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee.

Refund of Contribution - Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.

Post-Retirement Adjustments - Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 3% for Group B.

Member Contributions - Group B – 4.75% effective July 1, 2014 (increased from 4.625%)

Employer Contributions - Group B – 5.375% effective July 1, 2014 (increased from 5.125%)

Retirement Stipend - \$25 per month payable at the option of the Board of Retirees.

Significant Actuarial Assumptions and Methods

Interest Rate - A select-and-ultimate interest rate set, specified as follows. The interest rate set is restarted every year.

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

Salary increases - 5% per year.

Deaths:

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

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

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

A. Pension plans (continued):

Disabled retirees – RP-2000 Disabled Life Tables.

Beneficiaries – 1995 Buck Mortality Tables for males and females.

Spouse's Age: - Husbands are assumed to be three years older than their wives.

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

Actuarial Cost Method - Entry Age Normal - Level Percentage of Pay.

Asset Valuation Method - Invested assets are reported at fair value.

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

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

Long-term Expected Rate of Return:

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

TOWN OF HYDE PARK, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

A. Pension plans (continued):

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	31.50%	6.70%
Fixed Income	33.00%	2.94%
Alternatives	15.50%	6.26%
Multi-strategy	20.00%	5.98%

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

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

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.23 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (7.23%) or one percent higher (9.23%):

<u>1% Decrease (7.23%)</u>	<u>Discount Rate (8.23%)</u>	<u>1% Increase (9.23%)</u>
\$102,420	\$12,158	\$(63,570)

Additional Information

Additional information regarding the State of Vermont Municipal Employees' Retirement System, including the details of the Fiduciary Net Position, is available upon request from the State of Vermont.

State of Vermont's §457 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.

TOWN OF HYDE PARK, VERMONT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015

A. Pension plans (continued):

The employees can make voluntary contributions to the Plan up to 100% of their compensation up to \$18,000, unless the employee is over 50 years of age, then the limit is \$24,000 in 2015. 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, 2015. 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, 2015, property taxes were due on or before August 15, 2014, November 17, 2014, February 17, 2015 and May 15, 2015. 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. If property taxes are not paid in full by the final May installment, an 8% penalty is charged on the unpaid balance.

The tax rates for the year ended June 30, 2015 were as follows:

	<u>Residential</u>	<u>Non-Residential</u>	
Town	0.6539	0.6539	
Education	<u>1.4566</u>	<u>1.4900</u>	
Total	<u>2.1105</u>	<u>2.1439</u>	

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

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

D. Joint Ventures (continued)

improvements to their homes. Loan payments from the borrowers are returned to the Towns of Hyde Park and Wolcott and split between them.

During 2014, the Selectboards from the Town of Hyde Park and the Town of Wolcott agreed to the terms of a new note which was filed on June 30, 2014, in the Hyde Park Land Records, Volume 146, pages 326-327. The new note is for \$124,268; installments of \$1,000 are to be paid on the 1st of each month starting August 1, 2014 through December 1, 2026. Interest is 3% fixed rate for 149 months. These second generation funds may be used by the Towns for any purpose deemed appropriate by the legislative bodies. During the fiscal year ended June 30, 2015, the Town of Hyde Park received \$5,386. The Union Bank serves as the trustee for the loan. Undistributed loan payments were \$10,987 at June 30, 2015.

Town of Eden

North Hyde Park/Eden Fire Department is a member-owned non-profit for the purpose of 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 \$27,200 of support to the Fire Department for the fiscal year ended June 30, 2015.

E. 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.

On May 11, 2015, the Town contracted with the Lamoille County Sheriff's Department for patrol services from July 1, 2015 to June 30, 2016 in the amount of \$343,212.

On May 11, 2015, the Town contracted with the Lamoille County Sheriff's Department for dispatching services from July 1, 2015 to June 30, 2016 in the amount of \$69,976.

On May 18, 2015, the Town entered into an agreement with the Towns of Belvidere, Eden, Johnson and Waterville to contract Newport Ambulance Services, Inc. for ambulance services from July 1, 2015 to June 30, 2016. The Town of Hyde Park's portion for the proposed service is \$76,361.

On July 9, 2015, the Town entered into an agreement with Dufresne Group for a scoping study not to exceed \$34,400. The Town expects federal (\$28,198) and state (\$2,762) grants to offset 90% of the scoping study cost.

TOWN OF HYDE PARK, VERMONT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

E. Commitments and Contingencies (continued)

On August 13, 2015, the Town amended a paving contract, from May 14, 2015 for \$205,000, with Pike Industries to not to exceed \$370,000.

On October 8, 2015, the Town committed to new air packs and a compressor expenditures for the fire department in the amount of \$150,000. The Town expects a federal grant of \$142,591 to offset 95% of the public safety expenditure.