

**VILLAGE OF HYDE PARK, VERMONT**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2015 and 2014**

**VILLAGE OF HYDE PARK, VERMONT**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Village of Hyde Park  
Hyde Park, Vermont

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Hyde Park, Vermont, as of and for the year ended December 31, 2015, which comprise the Village of Hyde Park, Vermont's, basic financial statements as listed in the table of contents.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 Village of Hyde Park'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 Village of Hyde Park's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Hyde Park, Vermont, as of December 31, 2015, and the respective changes in financial position, and, where applicable cash flows, thereof 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 4 to 13 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with "Government Auditing Standards," we have also issued our report dated June 17, 2016, on our consideration of the Village of Hyde Park, Vermont's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Village of Hyde Park, Vermont's, internal control over financial reporting and compliance.

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Hyde Park, Vermont's basic financial statements. The total-all-funds information for the year 2014 in the basic financial statements is presented for purpose

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To the Board of Trustees  
Village of Hyde Park, Vermont

of additional analysis. The total-all-funds information is the responsibility of management and was derived from December 31, 2014, financial statements.

The total-all-funds information has not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express opinions or provide any assurance on them.

  
Newport, Vermont  
June 17, 2016  
92-0000568

**VILLAGE OF HYDE PARK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Village of Hyde Park, Vermont ("VOHP") we offer readers of the financial statements this narrative overview and analysis of the financial activities of VOHP for the fiscal year ended December 31, 2015.

**USING THIS ANNUAL REPORT AND FINANCIAL HIGHLIGHTS**

This annual report consists of a series of financial statements. Additional financial statements are presented in addition to the fund financial statements. These include the Statement of Net Position and the Statement of Activities. The Statement of Net Position on page 15 and the Statement of Activities on pages 16 and 17 of the basic financial statements provide information about activities as a whole and present a longer-term view of VOHP's finances. Fund financial statements start on page 18 of the report.

For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report VOHP's operations in more detail than the government-wide financial information which VOHP acts solely as agent for the benefit of those outside the government. Below are some significant items for 2015 to note for further discussion, as follows:

Total net position as of December 31, 2015 decreased \$76,667 compared to an increase of \$169,642 in 2014 and an increase of \$311,988 in 2013.

- Net position of General Fund (governmental) activities decreased by \$28,169 compared to an increase of \$176,100 in 2014 and increase of \$241,835 in 2013. The increase for 2014 was primarily the result of an increase in fixed assets contributed to the construction of the sidewalk on Depot Street. The decrease for 2015 was primarily due to the sidewalk grant funds being nonrecurring revenue and the increase in depreciation expenses associated with the increase in fixed assets.
  - The Village property tax rate remained \$.08 per \$100 of property value for 2015 and 2014, generating revenue of \$34,368 in 2015 and \$33,996 in 2014. The market value of the grand list increased to \$42,620,774 in 2015 from \$42,494,474 in 2014.
  - For the Walkways and Bikeways – Linking the Community sidewalk grant project, as of the years ended December 31, 2015 and 2014, we expended \$0 and \$199,627, which includes the 20% required matching contribution. The total remaining grant funds are \$344,611, with a required 20% matching contribution.
- Net position of Electric Department, Water Department and Wastewater/Sewer Department (business-type enterprise activities) decreased \$48,498 for 2015, as compared to a decrease of \$6,458 in 2014 and an increase of \$70,153 in 2013. Revenue generated by charges for electric services increased by \$6,625, while expenses increased \$40,903. For water and wastewater/sewer business-type activities, combined charges for services decreased \$3,397 from the prior year, while expenses decreased by \$1,197.

**VILLAGE OF HYDE PARK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Electric Department rate increases trended upwards in years prior to 2011 as follows: effective December 1, 2007, rates increased 6.98%, effective February 1, 2009, rates increased 8.38%, and effective July 1, 2010, rates increased 14.47%.
- Water Department rate increases became effective March 1, 2009, bi-monthly water customer charge to \$30.00, and water usage rates to \$5.00/ per 1,000 gallons.
- Wastewater/Sewer Department rate increases effective March 1, 2009, bi-monthly wastewater customer charge to \$70.00 and wastewater/sewer usage rates from \$2.25/ per 1,000 gallons to \$5.35/per 1,000 gallons.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to VOHP's basic financial statements. VOHP's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements. The comprehensive basic financial statements can be viewed at the Village of Hyde Park office.

**Government-wide financial statements - Reporting VOHP as a Whole**

Our analysis of VOHP as a whole begins on page 15 of the basic financial statements. One of the most important questions asked about VOHP's finances is "Is VOHP as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about VOHP as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, we divide VOHP into two kinds of activities, as follows:

**Governmental Activities** – VOHP reports basic services as General Fund (governmental activities). These include general administration, planning and zoning administration, sidewalk snow removal and maintenance, new sidewalk and/or crosswalk construction, street lighting, and recreation. In 2015, the VOHP formed the Village Planning Commission, revised and adopted the Village of Hyde Park Land Use and Development Regulations – Form-Based Zoning

## VILLAGE OF HYDE PARK, VERMONT MANAGEMENT'S DISCUSSION AND ANALYSIS

Bylaws, and formed the Village Development Review Board. VOHP's property taxes fund a large majority of these activities. State and federal grants provide support for specific projects.

Business-type Activities - VOHP charges a fee to customers to help it cover all or most of the cost of certain services it provides. VOHP's electric, water and wastewater/sewer systems are reported as business-type activities.

### **Fund Financial Statements - Reporting the Village's Most Significant Funds**

Our analysis of VOHP's major funds begins on page 18. The fund financial statements provide detailed information about the most significant funds, not VOHP as a whole. Some funds are required to be established by state law and by bond covenants. However, the Board of Trustees may establish other funds to help control and manage money for particular purposes. VOHP's two kinds of funds (governmental and proprietary) use different accounting approaches.

Governmental Funds - Most of the VOHP's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed, short-term view of the VOHP's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance VOHP's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation on pages 19 and 21 of the fund financial statements.

Proprietary Funds - When VOHP charges customers for the services it provides, whether to outside customers or to other units of VOHP, these charges are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, VOHP's enterprise fund (a component of proprietary funds) is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**VILLAGE OF HYDE PARK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS - VOHP AS A WHOLE**

For 2015, VOHP combined net position decreased \$76,667 as compared to an increase of \$169,642 in 2014. See pages 16 and 17.

Our analysis below focuses on the net position and changes in net position of VOHP's governmental and business-type activities.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>2015 Totals</u>	<u>2014 Totals</u>	<u>Increase (Decrease)</u>
Cash and cash equivalents	\$ 62,626	\$ 313,101	\$ 375,727	\$ 477,956	\$ (102,229)
Other assets	8,804	656,958	665,762	615,398	50,364
Restricted assets	103,153	-	103,153	107,608	(4,455)
Investments	-	310,870	310,870	280,494	30,376
Capital assets, net	534,879	1,279,365	1,814,244	1,863,160	(48,916)
Deferred Outflows	<u>279</u>	<u>22,089</u>	<u>22,368</u>	<u>-</u>	<u>22,368</u>
<b>Total Assets And Deferred Outflows</b>	<u>709,741</u>	<u>2,582,383</u>	<u>3,292,124</u>	<u>3,344,616</u>	<u>(52,492)</u>
Debt	-	215,200	215,200	269,000	(53,800)
Other liabilities	98,122	387,864	485,986	421,474	64,512
Unearned revenue	-	26,125	26,125	27,500	(1,375)
Deferred Inflows	<u>538</u>	<u>44,305</u>	<u>44,843</u>	<u>-</u>	<u>44,843</u>
<b>Total Liabilities And Deferred Inflows</b>	<u>98,660</u>	<u>673,494</u>	<u>772,154</u>	<u>717,974</u>	<u>54,180</u>
<b>Net Position</b>	<u>\$ 611,081</u>	<u>\$1,908,889</u>	<u>\$2,519,970</u>	<u>\$2,626,642</u>	<u>\$(106,672)</u>

Net position of VOHP's governmental activities: unrestricted assets make up the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The 2014 ending balance was restated, see note 9, resulting in a decrease in the net position of \$30,004 and a restated total net position decrease of \$76,667 for 2015.

	<u>Governmental</u>	<u>Business-type</u>	<u>Total Activities</u>
Net Position – Beginning (restated)	\$ 639,250	\$ 1,957,387	\$ 2,596,637
Net Position – Ending	<u>611,081</u>	<u>1,908,889</u>	<u>2,519,970</u>
Change in Net Position	<u>\$ (28,169)</u>	<u>\$ (48,498)</u>	<u>\$ (76,667)</u>

**VILLAGE OF HYDE PARK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

VOHP's total revenue decreased to \$2,500,901 in 2015 as compared to 2014 revenue of \$2,691,385 a decrease of \$190,484 or 7%. The total cost of all utilities and services also increased as revenues decreased this year. VOHP has covered most of its expenses and continues to meet its current liability obligations. The analysis below separately considers the operations of governmental and business-type activities.

**Governmental Activities Revenue and Expenses**

General revenues for VOHP's governmental activities decreased \$106, this year while total expenses increased \$16,119. In 2015, the tax rate remained unchanged from 2014 at \$.08 per \$100 of property value. The tax rate appears sufficient to cover normal General Fund operating expenses; however, should nonrecurring legal costs, capital projects, new or expanded services, or maintenance of sidewalks and streets expense increase in the future, reserves may deplete and additional tax increases considered.

The cost of all governmental activities, excluding capital outlays, was \$59,409 for 2015 as compared \$55,328 for 2014. However, as shown in the Statement of Revenues, Expenditures, and Change in Fund Balance in the basic financial statements, the amount that taxpayers financed for these activities through Village tax income was \$34,566. The cost was paid partially by other funds in the amount of \$21,921 for warehouse rental and other contributions.

The following presents the cost of each of the VOHP's major functions: street lighting, sidewalk maintenance, zoning, enhancements, and general administration. The net cost shows the financial burden placed on VOHP's taxpayers by each of these functions.

**Governmental Activities**

<b><u>Governmental Activities</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>Change</u></b>
General government & administration	\$37,433	\$30,885	\$ 6,548
Streets and sidewalk	15,242	18,016	(2,774)
Street lights	5,376	5,363	13
Village services	<u>1,358</u>	<u>1,064</u>	<u>294</u>
<b>Total Governmental Activities</b>	<b><u>\$59,409</u></b>	<b><u>\$55,328</u></b>	<b><u>\$ 4,081</u></b>

**Business-Type Activities Revenue and Expenses**

Revenues of VOHP's business-type activities have decreased over 2014 revenues by \$2,334, and overall expenses have increased by \$39,706, over the prior year. The factors driving these results include:

**VILLAGE OF HYDE PARK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Revenues**

Electric – charges for electric service increased \$6,625 from the prior year. Water and Wastewater/Sewer – For 2015, total water and sewer revenue decreased by approximately 2% over 2014 because of decreased usage

**Expenses**

Expenses in the Electric department (“Hyde Park Electric”) (“HPE”) increased by \$39,275 to \$2,335,683 as compared to \$2,296,408 in 2014. Purchase power and transmission costs continue to be the largest expense of the VOHP’s business-type activities. These expenses decreased to \$1,421,717 in 2015 from \$1,532,931 in 2014, a 7% decrease. During this period, while transmission and capacity costs increased, the energy component of our purchased power costs moderated outside of winter months due to the immense amount of available natural gas supplies during this period.

Expenses in the Water and Sewer departments decreased to \$155,032 in 2015 from \$156,229 in 2014, a difference of \$1,197. Both systems are aging, therefore future repair and replacement costs are of concern.

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS – VOHP’S FUNDS**

**Governmental Funds**

VOHP’s governmental funds (as presented in the balance sheet on page 18 reports a combined fund equity of \$73,369, which is a decrease of \$4,206 over the 2014 fund balance of \$77,576. Of this fund balance, \$13,153 has been restricted for future sidewalk or crosswalk capital projects and \$90,000 is restricted for the Walkways and Bikeways Project. As discussed above, restricted funds are not available for general government spending.

The primary reasons for the General Fund changes are highlighted on pages 20 and 21. In addition, these activities should be noted:

1. In 2015 and 2014, VOHP spent \$0 and \$199,627 towards the costs of Walkways and Bikeways Project, for which funds were provided by the capital projects grants. This project will continue to grow in the future.
2. The Village of Hyde Park continues to apply for grants to offset the cost of implementing enhancements within the village including sidewalks, crosswalks, signage, parks, etc.

**VILLAGE OF HYDE PARK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Proprietary Funds**

The proprietary funds consist of the Electric, Water and Sewer Funds and the highlighted changes begin on page 23 of the basic financial statements. A condensed version of the Statement of Revenues, Expenditures, and Changes in Net Position is provided below for each fund.

**Electric**

<b><u>Statement of Revenue, Expenditures, and Changes in Net Position</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>Increase (Decrease)</u></b>
<b>Total Operating Revenues</b>	<u>\$2,133,912</u>	<u>\$2,125,564</u>	<u>\$ 8,348</u>
Expenses:			
Purchased power, transmission and distribution	1,588,800	1,643,142	(54,342)
Customer accounts	204,734	172,035	32,699
Administrative and general	307,104	295,080	12,024
Depreciation expenses	114,142	72,864	41,278
Taxes	<u>120,903</u>	<u>113,287</u>	<u>7,616</u>
<b>Total Operating Expenses</b>	<u>2,335,683</u>	<u>2,296,408</u>	<u>39,275</u>
Operating Loss	(201,771)	(170,844)	(30,927)
Non-operating income	<u>141,627</u>	<u>145,284</u>	<u>(3,657)</u>
<b>Change in net position</b>	<u>(60,144)</u>	<u>\$ (25,560)</u>	<u>\$ (34,584)</u>

- Hyde Park Electric provides services to 1,330 retail customers. Of those, 1,167 (or 87.7%) are residential, 143 (or 10.8%) are small commercial, 3 (or 0.2%) are large commercial or industrial, and the remainder is public street lighting. This is consistent with prior years. Hyde Park Electric (“HPE”) currently utilizes the power supply resources of the Vermont Public Power Supply Authority (“VPPSA”).
- Striving to maintain system reliability, right-of-way clearing expenses remain steady with actual expenses of \$26,917. The additional installation of cutouts will to help better safeguard the system from excessive currents produced by abnormal conditions such as line faults, line or equipment overloads, or equipment failure. System reliability remains strong as demonstrated in the annual “Reliability Report” submitted to the Vermont Department of Public Service. The total number of “customer hours out” was approximately 8,162 out of a possible 11,650,800 total. Of the customer hours out, 82% related to incidents relating to trees, due to severe weather patterns. This trend continues for HPE.

**VILLAGE OF HYDE PARK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Water**

<b><u>Statement of Revenue, Expenditures, and Changes in Net Position</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>Increase (Decrease)</u></b>
<b>Total Operating Revenues</b>	\$ 89,811	\$ 96,515	\$ (6,704)
Expenses:			
Distribution	60,116	32,487	27,629
Customer accounts	12,247	15,932	(3,685)
Administrative and general	11,424	17,709	(6,285)
Depreciation expenses	11,861	11,861	-
Taxes	5,330	5,317	13
<b>Total Operating Expenses</b>	<u>100,978</u>	<u>83,306</u>	<u>17,672</u>
Operating Income (Loss)	(11,167)	13,209	(24,376)
Non-operating income	<u>698</u>	<u>1,610</u>	<u>(912)</u>
<b>Change in net position</b>	<u>\$ (10,469)</u>	<u>\$ 14,819</u>	<u>\$ (25,288)</u>

- In 1910-11, VOHP installed an 8-inch water main through Main Street. In 1941, the Fitch Hill reservoir was constructed. Although capacity is in abundance, the age of the water system is a concern. The system appears to be in fair-to-good condition. In 2015, we spent \$30,000 to repair water lines and replace three gate valves and two hydrants due to colder than normal winter weather impacts on an aged system. Age, repair, replacement, and maintenance related costs, as well as the costs associated with meeting state requirements, require the Board to review water rates in the future.

**Sewer**

<b><u>Statement of Revenue, Expenditures, and Changes in Net Position</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>Increase (Decrease)</u></b>
<b>Total Operating Revenues</b>	\$ 75,595	\$ 76,369	\$ (774)
Expenses:			
Distribution	21,393	28,843	(7,450)
Customer accounts	5,864	10,850	(4,986)
Administrative and general	8,795	14,472	(5,677)
Depreciation expenses	17,213	17,213	-
Taxes	789	1,545	(756)
<b>Total Operating Expenses</b>	<u>54,054</u>	<u>72,923</u>	<u>(18,869)</u>
Operating Income	21,541	3,446	18,095
Non-operating income	<u>574</u>	<u>837</u>	<u>(263)</u>
<b>Change in net position</b>	<u>\$ 22,115</u>	<u>\$ 4,283</u>	<u>\$ 17,832</u>

**VILLAGE OF HYDE PARK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The sewer system, installed in 1977-78, appears to be in good condition although it has reached an age that normally means necessary expenses within five years, and it is reaching maximum capacity, with limited availability for new connections. To support upgrades and to assist in seeking alternatives, sewer rates increased in 2009. In 2012, an internal camera inspection of the sewer line indicated the existing sewer lines are in good shape. Future rate increases may be necessary to continue building reserves in order to seek alternatives for necessary expenses due to the age of the system, upgrades, and address capacity issues. The State of Vermont monitors the sewer system annually and we continue to receive a good report on its services.

**CAPITAL ASSETS**

**Capital Assets**

At the end of 2015 and 2014, VOHP has a net book value of \$1,814,244 and \$1,863,160 invested in a broad range of capital assets in the governmental activities and business-type activities, including buildings, transportation equipment, sidewalks and crosswalks, electric utility infrastructure, water service lines, water treatment facility, sewer service lines, and two sewer fields. During 2015, capital assets in the Electric Fund increased by \$87,410, including construction working progress, capital assets in the Water Fund increased by \$30,690 and the General fund by \$1,957 Total capitalized items in 2015 were \$120,057 as compared to \$495,821 in 2014.

Below is a list of the major additions for 2015. See notes to the financial statements for a breakdown of capital assets.

VOHP's 2015 major additions include:

- Waterhouse solar project
- Water system improvements

Of the \$168,971 total depreciation expense charged to 2015 expenses, \$25,755 was charged to the governmental activities. The remaining \$143,216 is charged to the business-type activities.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Village of Hyde Park elected and appointed officials considered many factors when setting fiscal year budgets, fees and charges for business-type activities.

In 2015, Hyde Park's real-time wholesale load requirement in the New England markets was 12,401,212 kWh. It reached a peak energy requirement of 2,426 kWh on February 15, 2015, at hour ending 19:00. Hyde Park Electric relies on the Vermont Public Power Supply Authority for wholesale power supply resources. Significant market contracts expire at end of 2017.

**VILLAGE OF HYDE PARK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Wholesale power delivered to the HPE substation is comprised of three cost components: energy, capacity and transmission. Capacity costs, which are essentially “rent” payments to generating plants to be constructed, operated, and maintained, are due to triple over the coming three years. Transmission costs have doubled since 2008 and are slated to increase annually for years to come. These two costs add to monthly fixed costs in the power market that are borne by HPE ratepayers. These projected increases will put forward pressure on all Vermont utilities to increase their rates. That cost burden is passed through to their customers as the cost of wholesale market power and services change.

In order to meet the proposed Vermont Renewable Energy Standard and to provide for cost effective “peak shave” which results in savings in energy, capacity, and transmission costs, construction work in process to design and build a solar facility began in 2015. By producing power via a direct tie to the HPE distribution system, we hope to mitigate the vagaries of the market while providing greater cost stability and savings to HPE ratepayers.

The Vermont Yankee nuclear plant closed in 2014 and historically provided a substantial portion of Vermont’s energy needs. Wholesale electric rates remain subject to volatile gas prices and trending upward due to the increasing cost of transmission services. The cost to deliver electricity over the transmission grid to the Hyde Park Electric substation has increased an average of 8.4% annually over the past five years. We continue to work to deliver least cost energy consistent with reliable service.

The Village of Hyde Park is a party to the Lamoille County Project (LCP) 115 kV uncontested settlement agreement between the Lamoille County Systems and VT Transco, LLC. Under the uncontested settlement agreement VOHP had commitments to acquire membership units totaling \$987,000 in 2009, with an annual specific facility charge of \$51,000 per year for a period of ten years. These membership units were acquired December 28, 2009, by Vermont Public Power Supply Authority on behalf of VOHP. The ownership of the LCP units will provide a rate of return that will be used to offset the interest costs of the associated debt service costs to acquire such LCP units. After the ten year period, those units are expected to be offered for buyback to other member utilities or VT Transco, LLC. The Board must be financially responsible in the ability to maintain HPE and that may result in increased future rates.

The electric distribution substation will require significant capital investments in the future to replace advanced age equipment.

In 2009, the Board of Trustees implemented a rate increase for water and sewer customers. VOHP will continue to need additional revenues to meet the needs of its customers, build reserves for future capital projects, and address capacity issues. The Board will continue to monitor these factors very closely while assessing VOHP’s financial position and future needs.

It is expected that additional cash flow will be needed to match the 20% for expenditures incurred for the capital project, “Walkways and Bikeways” – Linking the Community – the construction of sidewalks along Depot Street and Johnson Street Extension. In October 2013, a

**VILLAGE OF HYDE PARK, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Vermont Transportation Alternatives Grant Application filed, following an engineering review, projected that the total cost to complete the project increased to \$373,230. In 2011, VOHP received \$230,000 in grant funding, with a 20% matching contribution by the Village of \$57,500. At that time, the projected total cost of the project was \$287,500. In January 2014, the Village was awarded an additional \$69,000 from VTRAN to complete the project.

**CONTACTING VOHP'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of VOHP's finances and to show the Village's accountability for the money it receives for services rendered. If you have questions about this report or need additional financial information, contact the Village of Hyde Park at (802) 888-2310 or by writing to Village of Hyde Park, Board of Trustees, PO Box 400, Hyde Park, Vermont 05655.

**VILLAGE OF HYDE PARK, VERMONT**

**STATEMENT OF NET POSITION**

**December 31, 2015 and 2014**

	Governmental Activities	Business - type Activities	2015 Totals	2014 Totals
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 62,626	\$ 313,101	\$ 375,727	\$ 477,956
Accounts receivable	4,355	377,615	381,970	343,676
Unbilled revenue	-	57,868	57,868	54,194
Inventories	-	95,538	95,538	95,224
Prepaid expenses	-	35,937	35,937	32,304
Due from other funds	4,449	90,000	94,449	90,000
<b>Total current assets</b>	<u>71,430</u>	<u>970,059</u>	<u>1,041,489</u>	<u>1,093,354</u>
Non-Current Assets				
Restricted cash	103,153	-	103,153	9,368
Restricted accounts receivable	-	-	-	98,240
Building, equipment, infrastructure, and land net of accumulated depreciation	534,879	1,190,375	1,725,254	1,852,319
Construction work in progress	-	88,990	88,990	10,841
Investments in common stock	-	310,870	310,870	280,494
<b>Total non-current assets</b>	<u>638,032</u>	<u>1,590,235</u>	<u>2,228,267</u>	<u>2,251,262</u>
<b>Total assets</b>	<u>709,462</u>	<u>2,560,294</u>	<u>3,269,756</u>	<u>3,344,616</u>
<b>Deferred Outflows of Resources</b>				
Pensions - VMERS	279	22,089	22,368	-
<b>Total assets and deferred outflows of resources</b>	<u>709,741</u>	<u>2,582,383</u>	<u>3,292,124</u>	<u>3,344,616</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	6,905	324,653	331,558	295,309
Customer deposits	-	9,848	9,848	8,355
Accrued expenses and other liabilities	1,150	43,385	44,535	27,810
Due to other funds	90,000	4,449	94,449	90,000
Notes payable	-	215,200	215,200	269,000
Unearned revenue	-	26,125	26,125	27,500
<b>Total current liabilities</b>	<u>98,055</u>	<u>623,660</u>	<u>721,715</u>	<u>717,974</u>
Non-Current Liabilities				
Net pension liabilities	67	5,529	5,596	-
<b>Total liabilities</b>	<u>98,122</u>	<u>629,189</u>	<u>727,311</u>	<u>717,974</u>
<b>Deferred Inflows of Resources</b>				
Pensions - VMERS	538	44,305	44,843	-
<b>Total liabilities and deferred inflows of resources</b>	<u>98,660</u>	<u>673,494</u>	<u>772,154</u>	<u>717,974</u>
Net Position				
Net investment in capital assets	534,879	1,064,165	1,599,044	1,594,160
Restricted	103,153	-	103,153	107,608
Unrestricted	(26,951)	844,724	817,773	924,874
<b>Total net position</b>	<u>\$ 611,081</u>	<u>\$ 1,908,889</u>	<u>\$ 2,519,970</u>	<u>\$ 2,626,642</u>

See notes to financial statements

**VILLAGE OF HYDE PARK, VERMONT**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2015**

Functions/Programs	Program Revenue				Net (Expense) Revenue	
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities
<b>Governmental activities</b>						
General government and administration	\$ 45,139	\$ 20,215	\$ -	\$ -	\$ (24,924)	\$ -
Streets and sidewalk	33,257	-	-	-	(33,257)	-
Recreation	1,358	1,406	-	-	48	-
Street lights	5,376	-	-	-	(5,376)	-
<b>Total governmental activities</b>	<b>85,130</b>	<b>21,621</b>	<b>-</b>	<b>-</b>	<b>(63,509)</b>	<b>-</b>
<b>Business-type activities</b>						
Electric utilities	2,337,406	2,123,260	-	-	-	(214,146)
Sewer utilities	54,054	75,595	-	-	-	21,541
Water utilities	100,978	86,731	-	-	-	(14,247)
<b>Total business-type activities</b>	<b>2,492,438</b>	<b>2,285,586</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(206,852)</b>
<b>Totals</b>	<b>\$ 2,577,568</b>	<b>\$ 2,307,207</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(63,509)</b>	<b>(206,852)</b>
<b>General Revenues</b>						
Village taxes					34,368	-
Interest, dividends, and penalty					672	144,622
Miscellaneous					300	13,732
<b>Total general revenues</b>					<b>35,340</b>	<b>158,354</b>
<b>Change in net position</b>					<b>(28,169)</b>	<b>(48,498)</b>
<b>Net Position - Beginning of Year, As Restated (see note 9)</b>					<b>639,250</b>	<b>1,957,387</b>
<b>Net Position - End of Year</b>					<b>\$ 611,081</b>	<b>\$ 1,908,889</b>

See notes to financial statements

**VILLAGE OF HYDE PARK, VERMONT**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2014**

Functions/Programs	Program Revenue				Net (Expense) Revenue	
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-type Activities
<b>Governmental activities</b>						
General government and administration	\$ 38,625	\$ 18,097	\$ 250	\$ -	\$ (20,278)	\$ -
Streets and sidewalk	23,959	-	-	188,725	164,765	-
Recreation	1,064	2,593	-	-	1,529	-
Street lights	5,363	-	-	-	(5,363)	-
<b>Total governmental activities</b>	<b>69,011</b>	<b>20,690</b>	<b>250</b>	<b>188,725</b>	<b>140,654</b>	<b>-</b>
<b>Business-type activities</b>						
Electric utilities	2,296,503	2,116,635	-	-	-	(179,868)
Sewer utilities	72,923	76,285	-	-	-	3,361
Water utilities	83,306	89,438	-	-	-	6,132
<b>Total business-type activities</b>	<b>2,452,732</b>	<b>2,282,358</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(170,374)</b>
<b>Totals</b>	<b>\$ 2,521,743</b>	<b>\$ 2,303,048</b>	<b>\$ 250</b>	<b>\$ 188,725</b>	<b>140,654</b>	<b>(170,374)</b>
<b>General Revenues</b>						
Village taxes					33,996	-
Interest, dividends, and penalty					1,150	137,826
Sale of asset					-	10,000
Miscellaneous					300	16,090
<b>Total general revenues</b>					<b>35,446</b>	<b>163,916</b>
<b>Change in net position</b>					<b>176,100</b>	<b>(6,458)</b>
<b>Net Position - Beginning of Year</b>					<b>463,510</b>	<b>1,993,490</b>
<b>Net Position - End of Year</b>					<b>\$ 639,610</b>	<b>\$ 1,987,032</b>

See notes to financial statements

**VILLAGE OF HYDE PARK, VERMONT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**December 31, 2015 and 2014**

	General Fund	
	2015	2014
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 62,626	\$ 68,474
Restricted	103,153	9,368
Due from other funds	4,449	-
Receivables:		
Other governments	-	98,240
Other	1,196	300
<b>Total assets</b>	<b>\$ 171,424</b>	<b>\$ 176,382</b>
 <b>LIABILITIES AND FUND EQUITY</b>		
Liabilities		
Accounts payable	\$ 6,905	\$ 7,743
Accrued expenses	1,150	1,063
Due to other funds	90,000	90,000
<b>Total liabilities</b>	<b>98,055</b>	<b>98,806</b>
Fund Equity		
Restricted	103,153	107,608
Unassigned	(29,784)	(30,032)
<b>Total fund equity</b>	<b>73,369</b>	<b>77,575</b>
<b>Total liabilities and fund equity</b>	<b>\$ 171,424</b>	<b>\$ 176,382</b>

See notes to financial statements

**VILLAGE OF HYDE PARK, VERMONT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**December 31, 2015 and 2014**

	2015	2014
Total Fund Balances - Governmental Funds	\$ 73,369	\$ 77,576
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental fund financial statements.	1,647,102	1,645,145
Accumulated depreciation has not been included in the governmental fund financial statements.	(1,112,223)	(1,086,468)
<p>Pension differences occur as a result of changes in the Village's proportion of the collective net pension asset/liability and differences between the contributions and its proportionate share of the total contributions to the system. The followings are the differences:</p>		
Deferred outflows of resources		
Pensions - VMERS	279	-
Deferred inflows of resources		
Pensions - VMERS	(538)	-
Net pension liability	(67)	-
Some property tax will not be collected for several months after the Village's fiscal year end, therefore is not considered available resources to meet current financial obligations	3,159	3,357
<b>Net Position of Governmental Activities</b>	<b>\$ 611,081</b>	<b>\$ 639,610</b>

See notes to financial statements

**VILLAGE OF HYDE PARK, VERMONT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**Governmental Funds**  
**Years Ended December 31, 2015 and 2014**

	General Fund	
	2015	2014
Revenues		
Taxes	\$ 34,566	\$ 38,305
Intergovernmental	-	188,975
Interest and penalties	672	1,150
Charges for services	21,621	20,690
Other income	300	300
<b>Total revenues</b>	<u>57,159</u>	<u>249,420</u>
Expenditures		
General government and administration	37,433	30,885
Streets and sidewalks	15,242	18,016
Street lights	5,376	5,363
Recreation	1,358	1,064
Capital outlays	1,957	199,627
<b>Total expenditures</b>	<u>61,366</u>	<u>254,955</u>
<b>Excess of expenditures over revenues</b>	(4,207)	(5,535)
Fund Balance, Beginning of Year	<u>77,576</u>	<u>83,111</u>
<b>Fund Balance, End of Year</b>	<u>\$ 73,369</u>	<u>\$ 77,576</u>

See notes to financial statements

**VILLAGE OF HYDE PARK, VERMONT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT**  
**OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**Years Ended December 31, 2015 and 2014**

	2015	2014
Total Net Change in Fund Balances - Governmental Funds	\$ (4,207)	\$ (5,535)
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 of current year capital outlay costs.	1,957	199,627
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of the current year's depreciation is to decrease net position.	(25,755)	(13,683)
Governmental funds report Village pension contribution as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employer contributions is reported as pension expense.	34	-
Some property tax will not be collected for several months after the Village's fiscal year end, these are not considered available revenues in the governmental funds. Amount reflects change amount from prior year balances.	(198)	(4,309)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (28,169)</b>	<b>\$ 176,100</b>

**VILLAGE OF HYDE PARK, VERMONT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**Year Ended December 31, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 33,885	\$ 34,566	\$ 681
Charges for services	21,147	21,621	474
Interest and penalties	2	672	670
Miscellaneous income	300	300	*
<b>Total revenues</b>	<u>55,334</u>	<u>57,159</u>	<u>1,825</u>
Expenditures			
General government and Administration	15,589	37,433	(21,844)
Streets & sidewalks	17,317	15,242	2,075
Street lights	5,400	5,376	24
Recreation	1,100	1,358	(258)
Capital outlays	-	1,957	(1,957)
<b>Total expenditures</b>	<u>39,406</u>	<u>61,366</u>	<u>(21,960)</u>
<b>Excess of expenditures (over)         under revenues</b>	15,928	(4,207)	(20,135)
Fund Balance, Beginning of Year	<u>77,576</u>	<u>77,576</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 93,504</u>	<u>\$ 73,369</u>	<u>\$ (20,135)</u>

See notes to financial statements

**VILLAGE OF HYDE PARK, VERMONT**

**STATEMENT OF NET POSITION**

**ENTERPRISE FUNDS**

**December 31, 2015 and 2014**

	Electric Fund	Sewer Fund	Water Fund	2015 Totals	2014 Totals
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 192,432	\$ 106,161	\$ 14,508	\$ 313,101	\$ 409,482
Accounts receivable	340,163	28,475	8,977	377,615	340,019
Unbilled revenue	57,868	-	-	57,868	54,194
Due from other funds	-	70,000	20,000	90,000	92,279
Inventories	59,984	-	35,554	95,538	95,224
Prepaid expenses	35,937	-	-	35,937	32,304
<b>Total current assets</b>	<u>686,384</u>	<u>204,636</u>	<u>79,039</u>	<u>970,059</u>	<u>1,023,502</u>
<b>Non-Current Assets</b>					
Construction work in progress	88,990	-	-	88,990	10,841
Equipment, Infrastructure, and Improvement, net of accumulated depreciation	678,963	271,654	239,758	1,190,375	1,293,642
Investments on common stock	310,870	-	-	310,870	280,494
<b>Total non-current assets</b>	<u>1,078,823</u>	<u>271,654</u>	<u>239,758</u>	<u>1,590,235</u>	<u>1,584,977</u>
<b>Total Assets</b>	<u>1,765,207</u>	<u>476,290</u>	<u>318,797</u>	<u>2,560,294</u>	<u>2,608,479</u>
<b>Deferred Outflows of Resources</b>					
Pensions - VEMRS	18,924	1,044	2,121	22,089	-
<b>Total assets and deferred outflows of resources</b>	<u>1,784,131</u>	<u>477,334</u>	<u>320,918</u>	<u>2,582,383</u>	<u>2,608,479</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Notes payable	215,200	-	-	215,200	269,000
Accounts payable	317,068	3,966	3,619	324,653	287,566
Customer deposits	9,848	-	-	9,848	8,355
Accrued expenses and other liabilities	40,797	758	1,830	43,385	26,747
Due to other funds	4,449	-	-	4,449	2,279
Unearned revenue	26,125	-	-	26,125	27,500
<b>Total current liabilities</b>	<u>613,487</u>	<u>4,724</u>	<u>5,449</u>	<u>623,660</u>	<u>621,447</u>
<b>Non-Current Liabilities</b>					
Net pension liability	4,734	263	532	5,529	-
<b>Total liabilities</b>	<u>618,221</u>	<u>4,987</u>	<u>5,981</u>	<u>629,189</u>	<u>621,447</u>
<b>Deferred Inflows of Resources</b>					
Pensions - VEMRS	37,937	2,108	4,260	44,305	-
<b>Total liabilities and deferred inflows of resources</b>	<u>656,158</u>	<u>7,095</u>	<u>10,241</u>	<u>673,494</u>	<u>621,447</u>
<b>Net Position</b>					
Net investment in capital assets	552,753	271,654	239,758	1,064,165	1,035,483
Unrestricted	575,220	198,585	70,919	844,724	951,549
<b>Total net position</b>	<u>\$ 1,127,973</u>	<u>\$ 470,239</u>	<u>\$ 310,677</u>	<u>\$ 1,908,889</u>	<u>\$ 1,987,032</u>

See notes to financial statements

**VILLAGE OF HYDE PARK, VERMONT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**ENTERPRISE FUNDS**  
**Years Ended December 31, 2015 and 2014**

	Electric Fund	Sewer Fund	Water Fund	2015 Totals	2014 Totals
Operating Revenue					
Charges for services	\$2,033,138	\$ 75,595	\$ 86,536	\$2,195,269	\$ 2,256,788
Rental income	13,797	-	-	13,797	7,498
Sales of labor and material	76,325	-	195	76,520	18,072
Grant income	-	-	-	-	4,558
Other income	10,652	-	3,080	13,732	11,532
<b>Total operating revenue</b>	<u>2,133,912</u>	<u>75,595</u>	<u>89,811</u>	<u>2,299,318</u>	<u>2,298,448</u>
Operating Expenses					
Purchased power and transmission	1,421,717	-	-	1,421,717	1,532,931
Distribution	167,083	21,393	60,116	248,592	171,541
Customer accounts	204,734	5,864	12,247	222,845	198,817
Administrative and general	307,104	8,795	11,424	327,323	327,261
Depreciation expense	114,142	17,213	11,861	143,216	101,938
Taxes	120,903	789	5,330	127,022	120,149
<b>Total operating expenses</b>	<u>2,335,683</u>	<u>54,054</u>	<u>100,978</u>	<u>2,490,715</u>	<u>2,452,637</u>
<b>Operating income (loss)</b>	<u>(201,771)</u>	<u>21,541</u>	<u>(11,167)</u>	<u>(191,397)</u>	<u>(154,189)</u>
Non-Operating Revenues (Expenses)					
Gain on disposal of assets	-	-	-	-	10,000
Dividend income	137,270	-	-	137,270	126,824
Interest and penalties	6,080	574	698	7,352	11,002
Interest expense	(1,723)	-	-	(1,723)	(95)
<b>Total non-operating revenues (expenses)</b>	<u>141,627</u>	<u>574</u>	<u>698</u>	<u>142,899</u>	<u>147,731</u>
<b>Change in net position</b>	<u>(60,144)</u>	<u>22,115</u>	<u>(10,469)</u>	<u>(48,498)</u>	<u>(6,458)</u>
Total Net Position - Beginning of Year, as restated	<u>1,188,117</u>	<u>448,124</u>	<u>321,146</u>	<u>1,957,387</u>	<u>1,993,490</u>
<b>Total Net Position - End of Year</b>	<u><u>\$1,127,973</u></u>	<u><u>\$ 470,239</u></u>	<u><u>\$ 310,677</u></u>	<u><u>\$1,908,889</u></u>	<u><u>\$ 1,987,032</u></u>

See notes to financial statements

**VILLAGE OF HYDE PARK, VERMONT**  
**STATEMENTS OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
**Years Ended December 31, 2015 and 2014**

	Electric	Sewer	Water	2015 Total	2014 Total
<b>Cash Flows From Operating Activities</b>					
Cash receipts from customers	\$ 1,993,875	\$ 69,783	\$ 87,778	\$2,151,436	\$ 2,245,603
Cash receipts from other services and rental income	99,399	-	3,275	102,674	40,284
Cash payments from customer deposits	1,493	-	-	1,493	(683)
Cash payments for taxes	(121,754)	(789)	(5,330)	(127,873)	(119,641)
Cash payments to employees including benefits	(385,232)	(11,640)	(45,674)	(442,546)	(407,000)
Cash payments to suppliers	(1,665,996)	(22,525)	(36,921)	(1,725,442)	(1,825,718)
<b>Net cash provided by (used in) operating activities</b>	<u>(78,215)</u>	<u>34,829</u>	<u>3,128</u>	<u>(40,258)</u>	<u>(67,155)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Proceeds from short-term notes	-	-	-	-	269,000
Advances from/(to) other funds	6,728	-	(2,279)	4,449	(83,613)
Payments on notes payable	(53,800)	-	-	(53,800)	-
Purchases of capital assets	(87,410)	-	(30,690)	(118,100)	(296,194)
Interest payments	(2,918)	-	-	(2,918)	(95)
<b>Net cash used on capital and related financing activities</b>	<u>(137,400)</u>	<u>-</u>	<u>(32,969)</u>	<u>(170,369)</u>	<u>(110,902)</u>
<b>Cash Flows From Investing Activities</b>					
Receipts from dividends and interest	143,350	574	698	144,622	137,826
Purchase of common stock	(30,376)	-	-	(30,376)	(20,608)
<b>Net cash provided by investing activities</b>	<u>112,974</u>	<u>574</u>	<u>698</u>	<u>114,246</u>	<u>117,218</u>
<b>Increase (decrease) in cash</b>	(102,641)	35,403	(29,143)	(96,381)	(60,839)
Cash Balance, Beginning of Year	<u>295,073</u>	<u>70,758</u>	<u>43,651</u>	<u>409,482</u>	<u>470,321</u>
<b>Cash Balance, End of Year</b>	<u>\$ 192,432</u>	<u>\$ 106,161</u>	<u>\$ 14,508</u>	<u>\$ 313,101</u>	<u>\$ 409,482</u>

See notes to financial statements

**VILLAGE OF HYDE PARK, VERMONT**  
**STATEMENT OF RECONCILIATION OF OPERATING LOSS**  
**TO NET CASH PROVIDED BY OPERATING ACTIVITIES**  
**Years Ended December 31, 2015 and 2014**

	Electric Fund	Sewer Fund	Water Fund	2015 Totals	2014 Totals
Operating income (loss)	\$ (201,771)	\$ 21,541	\$ (11,167)	\$ (191,397)	\$ (154,189)
Adjustments to reconcile operating income (loss) to net cash from operating activities					
Depreciation	114,142	17,213	11,861	143,216	101,938
(Increase) decrease					
Accounts receivable	(35,590)	(4,636)	2,630	(37,596)	(11,677)
Inventories	(1,428)	-	1,114	(314)	(16,876)
Prepaid expense	(3,633)	-	-	(3,633)	(3,139)
Unbilled revenue	(3,673)	-	-	(3,673)	3,061
Increase (decrease)					
Accounts payable	37,521	876	(1,310)	37,087	1,600
Deferred revenue	(1,375)	-	-	(1,375)	(1,375)
Customer deposits	1,493	-	-	1,493	(683)
Accrued expenses	16,099	(165)	-	15,934	14,185
<b>Net cash flows from operating activities</b>	<b>\$ (78,215)</b>	<b>\$ 34,829</b>	<b>\$ 3,128</b>	<b>\$ (40,258)</b>	<b>\$ (67,155)</b>

See notes to financial statements

## VILLAGE OF HYDE PARK, VERMONT NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies

Village of Hyde Park, Vermont, (the Village) has adopted the accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board ("GASB"), the accepted standard setting body for establishing accounting and financial reporting principles for government units.

The Village was incorporated under the laws of the State of Vermont in 1894. The Village operates under a charter and all governmental authority rests with the citizens of the Village. The citizens elect officers and a Board of Trustees annually. The Board of Trustees is responsible for the operation of the Village. As authorized by its charter, the Village provides public safety, water, electric, sewer, public improvements, planning, zoning, real and personal property tax assessment, and general administrative services to the residences and businesses within the limits of Hyde Park, Vermont.

The Board of Trustees of the Village adopted the following policies which are consistently applied in the preparation of the financial statements. The following is a summary of the more significant policies.

Reporting Entity: The Village, for financial reporting purposes, includes all of the funds relevant to the operations of the Village of Hyde Park, Vermont. The financial statements presented herein do not include entities which have been formed under applicable state laws or separate and distinct units of government apart from the Village of Hyde Park, Vermont.

The Village of Hyde Park Board of Trustees ("Board") is the basic level of government, which has oversight responsibility and control over all activities related to the Village. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since Board members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The financial statements of the Village do not include those of separately administered entities that are not controlled by or dependent on the Village. Such control or dependence ("oversight responsibility") is determined on the basis of five basic characteristics; financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Based upon the foregoing criteria, the financial statements of the following entity is excluded from the accompanying financial statements:

#### Bliss Library Fund

This entity is not part of the Village's reporting entity because the Village exercises no oversight responsibility and has no accountability for fiscal matters. The significant factors for exclusion

## VILLAGE OF HYDE PARK, VERMONT NOTES TO FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies (continued)

are: the Village cannot significantly influence the entity's operations; the entity has sole budgetary authority; the entity controls surpluses and deficits; and the Village is not responsible for fiscal management.

Government-Wide and Fund Financial Statements: The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information of the Village as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Village general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines, and forfeitures, and other charges to users of the Village's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and proprietary funds remain as due to/due from on the government-wide Statement of Net Position.

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns. The Village does not have fiduciary type funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation: The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Village departments. Proprietary funds also report using this same focus and 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 tax revenues are recognized in the year they are assessed. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the grantor have been met.

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies (continued)**

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers all revenues available if they are collected within sixty (60) days after year end except those receivables related to reimbursements for costs incurred under contracts and grants. The time period for these receivables is based on the terms of the agreements.

Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are reported only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Property taxes, electric usage fees, sewer usage fees, and water usage fees are recognized under the susceptible to accrual concept in accordance with Governmental Accounting Standards Board ("GASB") pronouncements. Revenues received from the State of Vermont are also recognized when susceptible to accrual. Miscellaneous revenues and fees are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available. Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant.

Net Position and Fund Balance:

Government-Wide Financial Statements

Net position on the Statement of Net Position include the following:

Net investment in capital assets - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.

Restricted net position - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grants, or laws and regulations of other governments or 2) law through constitutional provisions or enabling legislation.

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies (continued)**

Unrestricted - The difference between the assets and liabilities that is not reported in net position invested in capital assets or restricted net position.

Governmental Fund Financial Statements

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance: This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board, which is the Village's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes voter approved reservations and contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance: This classification reflects the amounts constrained by the Board's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances on other governmental funds.

When both restricted and unrestricted fund balances are available for use, it is the Village's policy to use restricted funds first, then unrestricted funds. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies (continued)**

Basis of Presentation: The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Governmental Funds

These funds are used to account for the programs and activities of the governmental functions of the Village.

General Fund – The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds

Enterprise Funds – Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Electric, Sewer, and Water Funds are reported as enterprise funds.

Capital Assets: The Village’s property, plant, equipment, and infrastructure with useful lives of more than three years are stated at historical cost and comprehensively reported in the government-wide financial statements. The Village maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated.

The Village generally capitalizes assets with a cost of \$1,000 or more and have an estimated useful life of three (3) years for materials, goods, and services as purchase and construction outlays occur. Infrastructure improvements will be evaluated by whether or not they are for maintenance, replacement, or new assets, as maintenance will not be considered capital. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and improvements	25-50
Sidewalks and crosswalks	15
Equipment	5-20
Vehicles	5-30
Sewer and water lines	15-30
Electric utility plant	10-40

**VILLAGE OF HYDE PARK, VERMONT**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies (continued)**

Delinquent Property Taxes Receivable: Delinquent taxes receivable represent property taxes outstanding as of December 31, 2015. The Village has the legal right to force sale of the property to recover these taxes and the value of the properties exceed the amount of delinquent taxes; therefore, no allowance for doubtful accounts has been recognized.

Accounts Receivable Electric Usage Fees, Sewer Usage Fees, and Water Usage Fees: These balances represent electric fees, sewer fees, and water fees outstanding as of December 31, 2015. The Village has the legal right to force sale of the property to recover the electric, sewer, and water fees. The value of the properties exceed the amount of delinquent fees; therefore, no allowance for doubtful accounts has been recognized.

Unbilled Revenues: The Village records electric revenues related to unbilled amounts based upon usage from the last reading date of the last month of the calendar year to the end of the accounting period. Consumption usage for unbilled revenue for electric is recorded to the corresponding revenue accounts in the accounting period of usage. Unbilled revenue for water and sewer for the last month of the calendar year is recorded in the following month.

Inventories: Supplies and materials are expensed as the items are acquired except for the enterprise funds. The Sewer, Electric, and Water Funds record inventories valued at moving average cost and is recorded as expenditures at the time items are consumed.

Investments: Investments are shares of stock of Velco and Vermont Transco, LLC. The investments are reported at cost because they are not publicly traded and market values are not readily determinable.

Due To/From Other Funds: Generally, outstanding balances between funds reported as “due to/from other funds” include outstanding charges by one fund to another for services or goods and other miscellaneous receivables/payables between funds. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are also described as “due to/from other funds.”

Regulatory Accounting: The Village utility operations, including accounting records, rates, operations and certain other practices of its electric utility business are subject to the regulatory authority of the Federal Energy Regulatory Commission (FERC) and Vermont Public Service Board (VPSB). The Vermont Department of Public Service (DPS) is the public advocate for utility customers. The accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to rate-regulated enterprises in accordance with ASC Topic 980, “Regulated Operation.” Under ASC 980, the Village accounts for certain transactions in accordance with permitted regulatory treatment. As such, regulators may permit incurred costs or benefits, typically treated as expenses or income by unregulated entities, to be deferred and expensed or benefited in future periods. Costs are deferred as regulatory assets when the Village concludes that future revenue will be provided to permit recovery of the

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies (continued)**

previously incurred cost. Revenue may also be deferred as regulatory liabilities that would be returned to customers by reducing future revenue requirements. The Village analyzes the evidence supporting deferral, including provisions for recovery in regulatory orders, past regulatory precedent, other regulatory correspondence, and legal representations.

Customer Deposits: The Electric Fund collects a deposit from each customer at the time service is executed. This deposit with accrued interest is held in escrow until one year elapses and is then returned to the customer by being applied to the customer's account, providing they have maintained an adequate credit rating. Interest is recognized at a constant rate for each calendar year and is equal to the prime lending rate as reported by the Federal Reserve Bank of New York on November 1, of the proceeding calendar year minus 2%.

Pension plan:

Vermont Municipal Employee's Retirement System (VMERS):

**Information required under GASB Statement No. 68**

Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, requires employers participating in a cost-sharing, multiple-employer defined benefit pension plan to recognize their proportional share of total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The schedules below have been prepared to show the Village's proportional share of the overall amounts of the VMERS plan. The Village's portion been allocated based on the Village's proportional share of employer contributions to the total contributions to VMERS during the fiscal year.

**Schedule A – Employer Allocations as of June 30, 2013, and June 30, 2014:**

Fiscal Year Ended June 30, 2013					
<u>Reported Contributions</u>	<u>Employer Proportion</u>	<u>Net Pension Liability</u>			
\$16,669	0.1389%	\$50,558			
Fiscal Year Ended June 30, 2014					
<u>Reported Contributions</u>	<u>Employer Proportion</u>	<u>Proportionate Share of Total Contributions</u>	<u>Net Pension Liability</u>	<u>Net Pension Liability 1% Decrease</u>	<u>Net Pension Liability 1% Increase</u>
\$20,554	0.1593%	\$20,554	\$14,542	\$122,512	(\$76,040)

**Schedule B – Allocations of Pension Amounts as June 30, 2014:**

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies (continued)**

**Deferred Outflows of Resources**

<u>Employer Proportion</u>	<u>Net Pension Liability</u>	<u>Difference Between Expected and Actual Experience</u>	<u>Changes in Assumptions</u>	<u>Changes in Benefits</u>	<u>Difference Between Projected and Actual Investment Earnings</u>	<u>Changes In Proportional Share of Contributions</u>
0.1593%	\$14,542	\$0	\$0	\$0	\$0	\$5,965

**Deferred Inflows of Resources**

<u>Difference Between Expected and Actual Experience</u>	<u>Changes in Assumptions</u>	<u>Changes in Benefits</u>	<u>Difference Between Projected and Actual Investment Earnings</u>	<u>Changes In Proportional Share of Contributions</u>	<u>Difference Between Employer Contributions and Proportionate Share of Total Contributions</u>
\$0	\$0	\$0	(\$44,843)	\$0	\$0

**Pension Expense Recognized**

<u>Proportionate Share of Pension Plan Expense</u>	<u>Change in Proportional Share of Contributions</u>	<u>Total</u>
\$21,926	\$1,491	\$23,417

**Schedule C – Employers’ Proportionate Share of June 30, 2014, Deferred Outflows/Inflows:**

<b>Fiscal Year Ending</b>					
<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>	<u>Thereafter</u>	<u>Total</u>
(\$8,279)	(\$8,279)	(\$8,279)	\$0	\$0	(\$24,837)

The full report containing the schedules of all employers in the VMERS plan will be available on the State of Vermont Treasurer’s website once it is issued.

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the Vermont Municipal Employees’ Retirement System or its participating employers. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont’s Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State’s Department of Finance & Management website at:

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies (continued)**

[http://finance.vermont.gov/reports\\_and\\_publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr)

**Plan Description**

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

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

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

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

**Summary of System Provisions**

Membership	Full time employees of participating municipalities. Municipality elects coverage under Groups A, B, C or D provisions.
Creditable Service	Service as a member plus purchased service.
Average Final Compensation (AFC)	Group A – average annual compensation during highest 5 consecutive years. Groups B and C – average annual compensation during highest 3 consecutive years. Group D – average annual compensation during highest 2 consecutive years.
Service Retirement Allowance	

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies (continued)**

Eligibility	<p>Group A – The earlier of age 65 with 5 years of service or age 55 with 35 years of service.</p> <p>Group B – The earlier of age 62 with 5 years of service or age 55 with 30 years of service.</p> <p>Groups C and D – Age 55 with 5 years of service.</p>
Amount	<p>Group A – 1.4% of AFC x service.</p> <p>Group B – 1.7% of AFC x service as Group B member plus percentage earned as Group A member x AFC.</p> <p>Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC.</p> <p>Group D – 2.5% of AFC x service as a Group D member plus percentage earned as a Group A, B, or C member x AFC.</p> <p>Maximum benefit is 60% of AFC for Groups A and B and 50% of AFC for Groups C and D. The above amounts include the portion of the allowance provided by member contributions.</p>
<b>Early Retirement Allowance</b>	
Eligibility	Age 55 with 5 years of service for Groups A and B; age 50 with 20 years of service for Group D.
Amount	Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Group A and B members, and payable without reduction to Group D members.
<b>Vested Retirement Allowance</b>	
Eligibility	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” described below.
<b>Disability Retirement Allowance</b>	
Eligibility	5 years of service and disability as determined by Retirement Board.
Amount	Immediate allowance based on AFC and service to date of disability; children’s benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies (continued)**

Death Benefit	
Eligibility	Death after 5 years of service.
Amount	For Groups A, B, and C, 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. For Group D, 70% of the unreduced accrued benefit plus children's benefit.
Optional Benefit and Death After Retirement	For Groups A, B, and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.
Refund of Contribution	Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded.
Post-Retirement Adjustments	Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but not more than 2% for Group A and 3% for Groups B, C, and D.
Member Contributions	Group A – 2.5% effective July 1, 2000, (reduced from 3.0%). Group B – 4.75% effective July 1, 2014, (increased from 4.625%). Group C – 9.62% effective July 1, 2014, and 9.75% effective January 1, 2015, (increased from 9.5%). Group D – 11.25% effective July 1, 2014, (increased from 11.25%).
Employer Contributions	Group A – 4.0%. Group B – 5.375% (changed from 5.125%) effective July 1, 2014. Group C – 6.875% effective July 1, 2014, to December 31, 2014, (changed from 6.625% and then 7.0% effective January 1, 2015). Group D – 9.75% effective July 1, 2014, (increased from 9.625%).
Retirement Stipend	\$25 per month payable at the option of the Board of Retirees.

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies (continued)**

**Significant Actuarial Assumptions and Methods**

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

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

**Salary 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.

Disable retirees – RP-2000 Disabled Life Tables.

Beneficiaries – 1995 Buck Mortality Tables for males and females.

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

**Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants:**

Assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C, and D.

**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. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%.

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies (continued)**

**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 System 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 forecast 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.

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 above expected long-term real rates and the expected long-term inflation rate of 3.0%.

**Discount Rate**

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

The following presents the Village'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%):

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies (continued)**

<u>1% Decrease (7.23%)</u>	<u>Discount Rate (8.23%)</u>	<u>1% Increase (9.23%)</u>
<u>\$122,512</u>	<u>\$14,542</u>	<u>(\$76,040)</u>

For the year ended December 31, 2015, the Village recognized pension expense of \$22,368 for payments to the Vermont Municipal Employee Retirement System. These contributions will be recognized as a reduction of the net pension liability for year end December 31, 2016.

For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources, and pension expense of the Vermont Municipal Employees' Retirement System (VMERS) was determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the District reported a total liability of \$5,596 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a projection to the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participation municipalities, actuarially determined. At June 30, 2014, the Village's proportion was .1593%, which was an increase of .0204% from its proportion measured as of June 30, 2013.

For the year ended December 31, 2015, the Village recognized total pension revenue of \$1,933. At December 31, 2015, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ -	\$ -
Changes in assumptions	-	-
Differences between projected and actual investment earnings	-	44,843
Change in proportional share of contributions	-	-
Village's contribution subsequent to the measurement date	<u>22,368</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 22,368</u></b>	<b><u>\$ 44,843</u></b>

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies (continued)**

The allocation of the above amounts based, on the percentage of pension expense incurred by each fund to the total pension expense for the year 2015, is as follows:

	<u>Pension Revenue</u>	<u>Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
General Fund	\$ 34	\$ 67	\$ 279	\$ 538
Electric Fund	1,637	4,734	18,924	37,937
Sewer Fund	83	263	1,044	2,108
Water Fund	<u>179</u>	<u>532</u>	<u>2,121</u>	<u>4,260</u>
Total	<u>\$ 1,933</u>	<u>\$ 5,596</u>	<u>\$ 22,368</u>	<u>\$ 44,843</u>

Revenue Recognition - Property Taxes: The Village is responsible for assessing, collecting, and distributing property taxes in accordance with state statutes. Property taxes are billed in one installment based on the assessed value of property.

Property taxes are assessed based on the appraised value of the property as of April 1. Taxes were levied at a rate of \$.08 per \$100 of assessed value on a total grand list of \$42,620,774 on July 1 and were due and payable on August 30. All unpaid taxes assessed become delinquent August 31.

Property tax revenues are recognized when they are levied because they are considered to be both measurable and available. Available includes those property tax receivables expected to be collected within sixty (60) days after year-end.

Budgetary Accounting: The Village Charter establishes the fiscal year as the twelve-month period ending December 31. In December prior to the ensuing year, the Village Clerk submits to the Board of Trustees a budget of estimated expenditures and revenues for the General Fund prior to the Village annual meeting held in May of each year. Upon receipt of the estimated budget, the Board of Trustees preliminarily votes on and approves the proposed budget. In May of the ensuing year, the Board of Trustees holds a public hearing on the proposed budget. Information about the Village ordinance and proposed budget is posted for public hearing. In May, at the annual Village meeting, the budget is enacted by the approval of the voters. The Village Clerk is authorized to transfer budgeted amounts between line items and departments within any fund; however, the Board of Trustees must approve any revisions that alter the total expenditures of any fund.

Compensated Absences: Full-time employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Village. Employees must use all vacation time during the calendar year; however, if employees are unable to use all vacation available to them during the calendar year they may be eligible to be paid 75% of the hours remaining. Eligibility for the cash payment of excess vacation hours requires an employee to use a minimum of two weeks of vacation time during the calendar year. Employees will only be paid for hours in excess of the two week period. If employees fail to take the two week minimum vacation, the hours for that period of time are forfeited.

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies (continued)**

Upon termination or retirement, employees will be paid all remaining accrued vacation time. Also upon retirement, an employee, who will or is receiving benefits under the Village's retirement plan, shall be entitled to 25% of the accumulated sick leave. Sick leave accrues for full-time employees to a maximum of sixty (60) days.

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

**Note 2. Cash and Cash Equivalents**

For financial statement reporting purposes, cash equivalents are defined as all bank deposits with original maturities of three (3) months or less. The Village invests funds according to Vermont State Statutes and has not adopted a formal deposit policy.

At December 31, 2015, the carrying amount of the Village's deposits, including certificates of deposit, was \$481,304, including \$2,825 in the Bliss Library Fund under the Village's name, and the bank balance was \$475,029. The bank balances are covered by Federal Depository Insurance to the limit of \$250,000 for interest bearing accounts and \$250,000 for non-interest bearing accounts per bank. As of December 31, 2015, the Village's deposits exceeded the Federal Depository Insurance coverage by \$222,204. However, at December 31, 2015, the Village had a collateral agreement with Union Bank covering \$357,000 of the excess funds. Therefore, at December 31, 2015, all deposits were covered.

At December 31, 2014, the carrying amount of the Village's deposits was \$489,749, and the bank balance was \$661,218. At December 31, 2014, the Village had \$411,218 of the bank balance that exceeded FDIC coverage. However, the excess deposits were covered by a collateral agreement and outstanding notes payable to Union Bank.

At December 31, 2015, the Village had \$103,153 in restricted cash balances for the sidewalk project.

**Note 3. Depreciable Lives - Enterprise Funds**

The amounts and depreciable lives of the various utility plants in service categories are as follows at December 31, 2015 and 2014:

	Depreciable Lives	<u>2015</u>	<u>2014</u>
<u>Electric Fund:</u>			
Distribution plant	33 Years	\$ 1,661,673	\$ 1,656,741
General plant	3-10 Years	1,076,496	1,072,168

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 3. Depreciable Lives - Enterprise Funds (continued)**

	Depreciable Lives	2015	2014
Transmission plant	33 Years	<u>147,814</u>	<u>147,814</u>
		2,885,983	2,876,723
Less accumulated depreciation		<u>(2,207,020)</u>	<u>(2,092,878)</u>
<b>Net Electric Fund utility plant in service</b>		<u>678,963</u>	<u>783,845</u>
<u>Water Fund:</u>			
Buildings and improvements	50 Years	175,867	175,867
Pipelines and services	25-50 Years	277,289	246,600
Equipment	10 Years	18,590	18,590
Meters	10 Years	<u>41,318</u>	<u>41,318</u>
		513,064	482,375
Less accumulated depreciation		<u>(273,306)</u>	<u>(261,445)</u>
<b>Net Water Fund utility plant in service</b>		<u>239,758</u>	<u>220,930</u>
<u>Sewer Fund:</u>			
Land		34,500	34,500
Utility plant-collection system	50 Years	794,569	794,569
Utility plant-treatment system	50 Years	16,728	16,728
Utility plant-disposal system	25 Years	25,092	25,092
Utility plant-pumps	10 Years	16,868	16,868
Equipment	6-50 Years	<u>20,325</u>	<u>20,325</u>
		908,082	908,082
Less accumulated depreciation		<u>(636,428)</u>	<u>(619,215)</u>
<b>Net Sewer Fund utility plant in service</b>		<u>271,654</u>	<u>288,867</u>
<b>Total net utility plant in service</b>		<u>\$ 1,190,375</u>	<u>\$ 1,293,642</u>

Depreciation expense for the year ended December 31, 2015 and 2014, consists of the following:

	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total</u>
2015	<u>\$114,142</u>	<u>\$17,213</u>	<u>\$11,861</u>	<u>\$143,216</u>
2014	<u>\$ 72,864</u>	<u>\$17,213</u>	<u>\$11,861</u>	<u>\$101,938</u>

**Note 4. Capital Assets Activity**

Capital asset activity in the Village for the year ended December 31, 2015, is as follows:

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 4. Capital Assets Activity (continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
General government:				
Land	\$ 6,500	\$ -	\$ -	\$ 6,500
Building	1,206,088	-	-	1,206,088
Sidewalks	124,470	-	-	124,470
Crosswalks	4,248	-	-	4,248
Equipment	-	1,957	-	1,957
Sidewalk enhancement	<u>303,839</u>	<u>-</u>	<u>-</u>	<u>303,839</u>
Total at Historic Cost	<u>1,645,145</u>	<u>1,957</u>	<u>-</u>	<u>1,647,102</u>
<b>Less Accumulated Depreciation for:</b>				
General government:				
Building	958,019	7,740	-	965,759
Sidewalks	120,881	1,226	-	122,107
Crosswalks	3,136	285	-	3,421
Equipment	-	196	-	196
Sidewalk enhancement	<u>4,432</u>	<u>16,308</u>	<u>-</u>	<u>20,740</u>
<b>Total Accumulated Depreciation</b>	<u>1,086,468</u>	<u>25,755</u>	<u>-</u>	<u>1,112,223</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 558,677</u>	<u>\$ (23,798)</u>	<u>\$ -</u>	<u>\$ 534,879</u>

Capital asset activity in the Village for the year ended December 31, 2014, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
General government:				
Land	\$ 6,500	\$ -	\$ -	\$ 6,500
Building	1,206,088	-	-	1,206,088
Sidewalks	124,470	-	-	124,470
Crosswalks	4,248	-	-	4,248
Sidewalk enhancement	<u>104,212</u>	<u>199,627</u>	<u>-</u>	<u>303,839</u>
Total at Historic Cost	<u>1,445,518</u>	<u>199,627</u>	<u>-</u>	<u>1,645,145</u>

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 4. Capital Assets Activity (continued)**

**Less Accumulated Depreciation for:**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
General government:				
Building	950,279	7,740	-	958,019
Sidewalks	119,655	1,226	-	120,881
Crosswalks	2,851	285	-	3,136
Sidewalk enhancement	-	4,432	-	4,432
<b>Total Accumulated   Depreciation</b>	<u>1,072,785</u>	<u>13,683</u>	<u>-</u>	<u>1,086,468</u>
<b>Governmental Activities Capital   Assets, Net</b>	<u>\$ 372,733</u>	<u>\$ 185,944</u>	<u>\$ -</u>	<u>\$ 558,677</u>

Depreciation expense was charged to governmental functions as follows:

	<u>2015</u>	<u>2014</u>
General government and administration	\$ 7,740	\$ 7,740
Streets and sidewalks	<u>18,015</u>	<u>5,943</u>
Total depreciation expense	<u>\$25,755</u>	<u>\$13,683</u>

**Note 5. Notes Payable – Short-term**

During 2014, the Village issued a highway equipment note to purchase a tractor and bucket truck in the Electric Fund.

Note payable, Union Bank,  
due May 14, 2016, interest at  
.97%, secured by equipment

\$ 215,200

Short-term notes payable activity for the year ended December 31, 2015, is as follows:

	<u>Balance 1/1/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/15</u>
Highway equipment note	<u>\$269,000</u>	<u>\$ -</u>	<u>\$ 53,800</u>	<u>\$215,200</u>

**Note 6. Commitments and Contingencies**

Risk Management: The Village of Hyde Park, Vermont, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village of Hyde Park, Vermont, maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village of Hyde Park, Vermont.

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 6. Commitments and Contingencies (continued)**

Electric Power Sources and Commitments

The Village of Hyde Park Electric Department (Electric Department) is a member of the Vermont Public Power Supply Authority (VPPSA) and pays its proportionate share of VPPSA's operating costs and holds a seat on the VPPSA Board of Directors.

The Electric Department has entered into a Central Dispatch Agreement (CDA) with VPPSA for the economic dispatch of its generating sources. Under the CDA, the Electric Department authorizes VPPSA to act as its billing agent with regard to its generating sources and transmission providers. VPPSA continues to provide dispatch services to the Electric Department under the terms of the CDA between the Electric Department and VPPSA dated 9/25/2006.

In addition, the Electric Department is a participant in the Highgate Converter Project through which they receive transmission services. The Electric Department's annual commitment for its participating share of the Highgate Converter Project is included in the Electric Department's purchased power costs.

The energy sold through the Electric Department is obtained from a combination of sources. A summary of the major power agreements as of December 31, 2015, follows:

The Electric Department's entitlement in Hydro Quebec/Vermont Joint Owners (HQ/VJO) contract from January through October 2015 was 391 kW. More specifically, the Electric Department's entitlements are summarized as follows:

<u>HQ Schedule</u>	<u>Entitlement (kW)</u>	<u>End Date</u>
B	390	2015
C3	1	2015

HQ's annual energy deliveries are set at a 75% capacity factor starting in the contract year November 1, 2007, and will stay at that level for the remainder of the contract. Under the terms of the contract, monthly capacity factors can range from 25% to 95%. However, in order to comply with ISO New England, Inc.'s Standard Market Design rules, the monthly capacity factor, for practical purposes, cannot be less than 47%, on average.

In addition, a new Hydro Quebec (HQUS) contract was negotiated and executed in 2010. In 2012, energy deliveries began to phase in slowly as existing schedules expired. Hyde Park entitlement under the new contract is as follows:

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 6. Commitments and Contingencies (continued)**

<u>Time Period</u>	<u>Entitlement (kW)</u>
Nov 1, 2012 – Oct 31, 2015	7
Nov 1, 2015 – Oct 31, 2016	88
Nov 1, 2016 – Oct 31, 2020	104
Nov 1, 2020 – Oct 31, 2030	104
Nov 1, 2030 – Oct 31, 2035	107
Nov 1, 2035 – Oct 31, 2038	26

The New York Power Authority (NYPA) provides power to the utilities in Vermont under two contracts. The Electric Department's share of the first contract is a 3 kW entitlement to the Robert Moses Project (a.k.a St. Lawrence). The contract for St. Lawrence extends through April 30, 2017. The Electric Department's share of the second contract has been a 176 kW entitlement to the Niagara Project. Effective September 1, 2007, the Niagara contract was renewed through September 1, 2025.

The Electric Department is required to purchase power from small power producers through the Vermont Electric Power Producers, Inc. (VEPPI), in accordance with PSB Rule #4.100. The Electric Department's share of VEPPI power in 2015 was 0.21%. Contracts between VEPPI and its constituent power producers began to terminate in 2008 while the last VEPPI contract is scheduled to end in 2020.

The Electric Department is required to purchase power from small power producers through the Vermont Sustainably Priced Energy Development Standard Offer Program, in accordance with PSB Rule #4.300. The Electric Department's share of Standard Offer power in 2015 was 0.21%.

In addition to the above resources, the Electric Department purchases system power from various other entities under short-term (5 year or less) agreements.

The percentage of energy (MWH) acquired from the above sources for the year ended December 31, 2015, was as follows:

<u>Resource</u>	<u>MWH</u>	<u>Percent</u>	<u>Expiration</u>
Planned Purchase 6	6,218	52.15%	09/30/2015
Planned Purchase 8	1,566	13.14%	12/31/2017
Monthly Market Contracts	(47)	-0.39%	12/31/2015
HQ Schedule B	2,124	17.81%	10/31/2015
HQ Schedule C3	5	0.05%	10/31/2015
HQ US	120	1.01%	10/31/2038
NYPA – Niagara	1,156	9.69%	09/01/2025
NYPA – St. Lawrence	28	0.23%	04/30/2017
Seabrook	0	0%	12/31/2034
Ryegate	327	2.74%	10/31/2021

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 6. Commitments and Contingencies (continued)**

Standard Offer	181	1.51%	Varies
VEPPI	<u>244</u>	<u>2.05%</u>	Varies
Total Resources Available	<u>11,922</u>	<u>99.99%</u>	
Purchased from Pool	479		
Used to Serve Load	12,401		

The cost of power from all power vendor sources for the year ended December 31, 2015, was as follows:

**Total Supply Costs:**

Planned Purchase 6	\$ 432,574
Planned Purchase 8	92,114
Monthly Market Contracts	(5,203)
HQ Schedule B	140,726
HQ Schedule C3	373
HQ US	7,012
NYPA – Niagara	36,989
NYPA – St. Lawrence	901
Seabrook	56,066
Ryegate	34,167
Standard Offer	41,323
VEPPI	<u>28,959</u>
Subtotal power supply	<u>866,001</u>

**Transmission Costs:**

GMP Transmission	63,229
Highgate PTF Credit	(11,168)
Highgate Transmission	12,378
LCSF Fixed Charge	51,000
LCSF Equity Overbuy Return	61,766
Nepool/ISO Transmission	189,261
Velco '91	<u>50,289</u>
Subtotal transmission	<u>416,755</u>

**VPPSA and Other Costs:**

Resource Settlement Credits	(598,478)
Load Settlement Charges	572,910
Other Load and Market Charges/(credits)	130,569
HQ Participant Charges	13
ISO Sched I, II, III	16,950
Renewable Energy Credits	(1,898)
VELCO Services	274

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 6. Commitments and Contingencies (continued)**

ISO Misc	739
Misc Resettlements	(592)
VPPSA CDA Fee	<u>18,474</u>
Subtotal VPPSA & other	<u>138,961</u>
<b>Total power supply and transmission:</b>	<b><u>\$1,421,717</u></b>

The Electric Department also elected to participate in the purchase of energy through Planned Purchase 10 for delivery beginning January 2017 for 2,900 MWH over the course of the year.

Lamoille County – 115KV Transmission Line Project: On December 6, 2004, a joint petition was filed by Vermont Electric Power Company Inc. (VELCO), Green Mountain Power (GMP), and Stowe Electric Department (SED), another local municipality, with the Vermont Public Service Board for a Certificate of Public Good to construct a 115KV transmission line from a tap on VELCO's 115 kV system in Duxbury, Vermont, to a new 115/34.5 kV VELCO substation in Stowe to which SED and GMP would be interconnected – the Lamoille County Project (LCP). The LCP was proposed as the most efficient and cost effective solution to the electric reliability problems of the utility systems serving Lamoille County, based on a study conducted by VELCO during 2002-2003.

In January 2008, an agreement in principle was reached between VELCO and the Lamoille County utilities and other various parties to resolve the disputes being raised in the litigation before the FERC. In April 2008, the FERC certified that an uncontested settlement had been filed and reached covering all issues in the complaints.

The settlement provided the Village with a fixed cap on its share of the specific facility project cost. The settlement required the Village to purchase by December 29, 2009, and to hold for ten years, \$987,000 of VT Transco, LLC LCP membership units. The ownership intent is to eliminate the Village from any risk on the dividends to be paid on the equity which are to be applied to pay the debt service on the loan incurred to purchase the equity. Dividends in excess of the debt service requirements on the equity loan will be contributed to the project cost. The settlement agreement requires the equity to be repurchased from the Village, at par, in ten years by VT Transco, LLC. The fixed annual charge to the Village for the specific facility cost will \$51,000 each year for a period of ten years.

Investment in VT Transco, LLC Membership Units Through VPPSA: Vermont Electric Power Company, (VELCO) created VT Transco, LLC (TRANSCO), a limited liability company whose primary activity is the operation of the State of Vermont's electric transmission infrastructure. VELCO acts as manager of TRANSCO. VELCO offers membership units in TRANSCO directly to the distribution utilities in Vermont to meet its equity needs. As an alternative to purchasing the TRANSCO membership units directly, the Village has the option to assign its subscription right for the purchase of membership units to the Vermont Public Power Supply Authority (VPPSA), as allowed by the TRANSCO Operating Agreement.

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 6. Commitments and Contingencies (continued)**

The membership units and assignment of rights to all distribution income from ownership of the units serve as collateral for the financing obtained by VPPSA to acquire the membership units. The distribution income VPPSA receives from the membership units is used to make the payments on the related financing for the acquisition of the units. Any distribution income received by VPPSA that is in excess of what is necessary to cover the financing payments is allocated back to the Village in the form of offsets to monthly electric cost invoices.

State of Vermont Grant: On August 2005, the Village received a grant from the State of Vermont Agency of Transportation for the enhancement of sidewalks in the Village with two subsequent amendments to the grant. The grant is for \$463,200 with a matching requirement of \$115,000. The grant must be used by December 31, 2020. At December 31, 2015, the Village had expended \$303,839 on the project. The estimated cost of the project is \$343,361.

On January 23, 2014, the Village received a \$69,000 grant from the State of Vermont Agency of Transportation to enhance the sidewalks on the Johnson St Extension.

VELCO Membership Units: On October 8, 2014, the Village Trustees authorized the purchase of additional membership units at an estimated cost of \$72,300 and the refinancing of all units at an estimated cost of \$243,260.

Federal and State Grants: In the normal course of operations, the Village receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority; the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**Note 7. Concentration of Credit Risk**

During the year 2015, the Village's Electric Fund had 14% of the total electric fees billed to three customers. At December 31, 2015, 19.8% of the outstanding electric fees receivable were due from these customers. The following are the major customers:

<u>Customer</u>	<u>Percent of Fees</u>	<u>Percent of outstanding fees Receivable</u>
Lamoille Union High School	10.6%	17.2%
Lanphear, LLC	2.0%	1.3%
House of Troy	<u>1.4%</u>	<u>1.3%</u>
Total	<u>14.0%</u>	<u>19.8%</u>

**Note 8. Subsequent Events**

Management has evaluated subsequent events through June 17, 2016, the date that the financial statements were available to be issued.

**VILLAGE OF HYDE PARK, VERMONT  
NOTES TO FINANCIAL STATEMENTS**

**Note 8. Subsequent Events (continued)**

The Village received \$3,094,000 in Clean Renewable Energy Bonds February 2016 for the Hyde Park Solar Waterhouse Project, which will be energized August 2016. The Village incurred \$88,990 in costs on the project in 2015.

Hyde Park has authorized the purchase of energy for delivery from January 2015 to December 2019 with multiple market counterparties. The contracts which have not begun delivery by December 31, 2015, and are not reflected in the 2015 power supply audit note are summarized in the table below:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Baseload kWh	916,751	882,326	866,701	1,742,689
# of suppliers	1	1	1	2
On-Peak kWh	3,311,398	4,619,595	606,659	606,659
# of suppliers	2	2	1	1
Off-Peak kWh	3,570,681	3,009,608	-	-
# of suppliers	<u>1</u>	<u>2</u>	<u>-</u>	<u>-</u>
<b>Total kWh</b>	<u>7,798,830</u>	<u>8,511,529</u>	<u>1,473,360</u>	<u>2,349,348</u>

**Note 9. Prior Period Adjustment**

For the year ended December 31, 2015, the Village implemented GASB No. 68 Accounting and Financial Reporting for Pensions – Amendment to GASB No 27. The Implementation of Statement No. 68 resulted in the reporting of a deferred outflow of resources, a liability, and deferred inflow of resources related to the Village’s participation in the Vermont Municipal Employee’s Retirement System.

The Village’s net position has been restated as follows:

	<u>General Fund</u>	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Water Fund</u>
Net position beginning of year, as previously stated	<u>\$ 639,610</u>	<u>\$1,213,501</u>	<u>\$ 449,534</u>	<u>\$ 323,996</u>
GASB Statement No 68 implementation:				
Beginning net pension liability	(606)	(42,773)	(2,376)	(4,803)
Beginning deferred outflows of resources for contributions subsequent to the measurement date of June 30, 2013	<u>246</u>	<u>17,389</u>	<u>966</u>	<u>1,953</u>
	<u>(360)</u>	<u>(25,384)</u>	<u>(1,410)</u>	<u>(2,850)</u>
Net position beginning of year, as restated	<u>\$ 639,250</u>	<u>\$1,188,117</u>	<u>\$ 448,124</u>	<u>\$ 321,146</u>

# GENE A. BESAW & ASSOCIATES, P.C.

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## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Village of Hyde Park  
Hyde Park, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Hyde Park, Vermont, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Village of Hyde Park, Vermont's, basic financial statements, and have issued our report thereon dated June 17, 2016.

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

In planning and performing our audit of the financial statements, we considered the Village of Hyde Park, Vermont's, internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Hyde Park, Vermont's, internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Hyde Park, Vermont's, internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in cursive script that reads "The A Besant + Associates, P.C.".

Newport, Vermont  
June 17, 2016  
92-0000568