

Village of Hyde Park, Vermont

FINANCIAL STATEMENTS

December 31, 2016

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Kittell Branagan & Sargent

Certified Public Accountants

Vermont License # 167

INDEPENDENT AUDITOR'S REPORT

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

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, 2016, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinion

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 and each major fund of the Village of Hyde Park, Vermont, as of December 31, 2016, 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, budgetary comparison information on page 36, and schedule of proportionate share of the net pension liability on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Kittell Branagan & Sargent

St. Albans, Vermont
March 24, 2017

Sam Village of Hyde Park, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016

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, 2016.

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 1 and the Statement of Activities on page 2 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 3 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 2016 to note for further discussion, as follows:

Total net position as of December 31, 2016 increased \$86,454 compared to a decrease of \$76,667 in 2015 and an increase of \$169,642 in 2014.

- Net position of General Fund (governmental) activities increased by \$18,279 compared to a decrease of \$28,169 in 2015 and increase of \$176,100 in 2014. 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 2016 and 2015, generating revenue of \$36,098 in 2016 and \$34,368 in 2015. The market value of the grand list increased to \$42,361,234 in 2016 from \$42,620,774 in 2015.
 - For the Walkways and Bikeways – Linking the Community sidewalk grant project, as of the years ended December 31, 2016 and 2015, we expended \$0 and \$0, 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) increased \$68,175 for 2016, as compared to a decrease of \$48,498 in 2015 and a decrease of \$6,458 in 2014. Revenue generated by charges for electric services increased by \$1,185, while expenses decreased \$136,734. For water and wastewater/sewer business-type activities, combined charges for services decreased \$3,740 from the prior year, while expenses increased by \$567.
 - 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.

Village of Hyde Park, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016

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 1 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

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 3. 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.

Village of Hyde Park, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016

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 4 and 6 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.

FINANCIAL ANALYSIS - VOHP AS A WHOLE

For 2016, VOHP combined net position increased \$86,454 as compared to a decrease of \$76,667 in 2015. See page 2.

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>2016 Totals</u>	<u>2015 Totals</u>	<u>Increase (Decrease)</u>
Cash and cash equivalents	\$ 85,467	\$ 462,137	\$ 547,604	\$ 375,727	\$ 171,877
Other assets	2,985	889,902	892,887	665,762	227,125
Restricted assets	83,283	236,102	319,385	103,153	216,232
Investments	-	-	-	310,870	(310,870)
Capital assets, net	530,726	3,924,359	4,455,085	1,814,244	2,640,841
Deferred Outflows	<u>748</u>	<u>78,284</u>	<u>79,032</u>	<u>22,371</u>	<u>56,661</u>
Total Assets and Deferred Outflows	<u>703,209</u>	<u>5,590,784</u>	<u>6,293,993</u>	<u>3,292,127</u>	<u>3,001,866</u>
Debt	-	3,255,400	3,255,400	215,200	3,040,200
Other liabilities	73,833	332,194	406,027	485,986	(194,150)
Unearned revenue	-	24,750	24,750	26,125	(1,375)
Deferred Inflows	<u>14</u>	<u>1,375</u>	<u>1,389</u>	<u>44,843</u>	<u>(43,454)</u>
Total Liabilities and Deferred Inflows	<u>73,847</u>	<u>3,612,344</u>	<u>3,687,566</u>	<u>772,154</u>	<u>2,801,221</u>
Net Position	<u>\$ 629,362</u>	<u>\$ 1,977,065</u>	<u>\$ 2,606,427</u>	<u>\$ 2,519,973</u>	<u>\$ 86,454</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.

Village of Hyde Park, Vermont
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2016

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u> <u>Activities</u>
Net Position – Beginning	\$ 611,083	\$ 1,908,890	\$ 2,519,973
Net Position – Ending	<u>629,362</u>	<u>1,977,065</u>	<u>2,606,427</u>
Change in Net Position	<u>\$ 18,279</u>	<u>\$ 68,175</u>	<u>\$ 86,454</u>

VOHP's total revenue increased to \$2,503,744 in 2016 as compared to 2015 revenue of \$2,500,901 an increase of \$2,843. 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 increased \$22,139, this year while total expenses decreased \$4,772. In 2016, the tax rate remained unchanged from 2015 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 \$34,584 for 2016 as compared \$59,409 for 2015. 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 \$34,183. The cost was paid partially by other funds in the amount of \$45,115 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

<u>Governmental Activities</u>	<u>2016</u>	<u>2015</u>	<u>Change</u>
General government & administration	\$ 18,779	\$ 37,433	\$ (18,654)
Streets and sidewalk	9,876	15,242	(5,366)
Street lights	5,394	5,376	18
Village services	<u>535</u>	<u>1,358</u>	<u>(823)</u>
Total Governmental Activities	<u>\$ 34,584</u>	<u>\$ 59,409</u>	<u>\$ (24,825)</u>

Business-Type Activities Revenue and Expenses

Revenues of VOHP's business-type activities have decreased over 2015 revenues by \$28,297, and overall expenses have decreased by \$123,349, over the prior year. The factors driving these results include:

Revenues

Electric – charges for electric service increased \$1,185 from the prior year. Water and Wastewater/Sewer – For 2016, total water and sewer revenue increased by approximately 2% over 2015 because of increased usage.

Village of Hyde Park, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Expenses

Expenses in the Electric department (“Hyde Park Electric”) (“HPE”) decreased by \$136,734 to \$2,200,672 as compared to \$2,337,406 in 2015. Purchase power and transmission costs continue to be the largest expense of the VOHP’s business-type activities. These expenses decreased to \$1,256,849 in 2016 from \$1,421,717 in 2015, a 12% decrease. During this period, while transmission and capacity costs decreased, 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 increased to \$155,599 in 2016 from \$155,032 in 2015, a difference of \$567. 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 3) reports a combined fund balance of \$168,750, which is a decrease of \$2,674 over the 2015 fund balance of \$171,424. Of this fund balance, \$13,283 has been restricted for future sidewalk or crosswalk capital projects and \$70,000 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 4 and 6. In addition, these activities should be noted:

- It is anticipated that additional cash flow may 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 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. On July 15, 2016, at the request of the state, VOHP entered into Grant Agreement # CA0476 allowing continuance of this project.
- Wayfinding Signs and bike racks were funded by a \$23,000 grant received from the Northern Borders Regional Commission with the assistance of the Lamoille County Planning Commission.
- VOHP funded the purchase of four trash and recycle containers and routine pickup with a \$1,000 contribution from the Village of Hyde Park Improvement Association.
- VOHP continues to apply for grants to offset the cost of implementing enhancements within the village including sidewalks, crosswalks, signage and parks.

Proprietary Funds

The proprietary funds consist of the Electric, Water and Sewer Funds and the highlighted changes begin on page 7 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.

Village of Hyde Park, Vermont
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2016

Electric

<u>Statement of Revenue, Expenditures, and Changes in Net Position</u>	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Total Operating Revenues	<u>\$ 2,124,445</u>	<u>\$ 2,133,912</u>	<u>\$ (9,467)</u>
Expenses:			
Purchased power, transmission and distribution	1,424,629	1,588,800	(164,171)
Customer accounts	206,285	204,734	1,551
Administrative and general	296,678	307,104	(10,426)
Depreciation expenses	150,075	114,142	35,933
Taxes	123,005	120,903	2,102
Total Operating Expenses	<u>2,200,672</u>	<u>2,335,683</u>	<u>(144,478)</u>
Operating Income (Loss)	(76,227)	(201,771)	125,544
Non-operating income	132,948	141,627	(8,679)
Change in net position	<u>\$ 56,721</u>	<u>\$ (60,144)</u>	<u>\$ 116,835</u>

- Hyde Park Electric provides services to 1,339 retail customers. Of those, 1,191 (or 89%) are residential, 145 (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 for 2016 total \$9,057. The additional installation of cutouts will 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 433 out of a possible 11,650,800 total. Of the customer hours out, 41% related to incidents relating to trees, mostly due to severe weather patterns.

Water

<u>Statement of Revenue, Expenditures, and Changes in Net Position</u>	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Total Operating Revenues	<u>\$ 90,398</u>	<u>\$ 89,811</u>	<u>\$ 587</u>
Expenses:			
Distribution	42,537	60,116	(17,579)
Customer accounts	13,044	12,247	797
Administrative and general	20,339	11,424	8,915
Depreciation expenses	13,034	11,861	1,173
Taxes	4,408	5,330	(922)
Total Operating Expenses	<u>93,362</u>	<u>100,978</u>	<u>(7,616)</u>
Operating Income (Loss)	(2,964)	(11,167)	8,203
Non-operating income	566	698	(132)
Change in net position	<u>\$ (2,398)</u>	<u>\$ (14,819)</u>	<u>\$ 8,071</u>

Village of Hyde Park, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016

- In 1910-11, VOHP installed an 8-inch water main through Main Street. In 1941-42, the Fitch Hill reservoir was constructed. Although capacity is in abundance, the age of the water system is a serious concern. In 2016, we spent \$6,900 to repair water lines due to the aging system. Age, repair, replacement and maintenance related costs, as well as the costs associated with meeting state requirements require us to advancement toward replacements.

Sewer

<u>Statement of Revenue, Expenditures, and Changes in Net Position</u>	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
Total Operating Revenues	\$ 75,668	\$ 75,595	\$ 73
Expenses:			
Distribution	24,702	21,393	3,309
Customer accounts	6,349	5,864	485
Administrative and general	13,107	8,795	4,312
Depreciation expenses	17,183	17,213	(30)
Taxes	896	789	107
Total Operating Expenses	<u>62,237</u>	<u>54,054</u>	<u>8,183</u>
Operating Income (Loss)	13,431	21,541	(8,110)
Non-operating income	421	574	(153)
Change in net position	<u>\$ 13,852</u>	<u>\$ 21,115</u>	<u>\$ (8,263)</u>

1. 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 four 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. 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 2016 and 2015, VOHP has a net book value of \$4,455,085 and \$1,814,244 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 2016, capital assets in the Electric Fund increased by \$2,902,456, capital assets in the Water Fund increased by \$6,900, the Wastewater fund by \$6,800 and the General fund by \$22,010 Total capitalized items in 2016 were \$2,938,186 as compared to \$41,908 in 2015.

Below is a list of the major additions for 2016. See notes to the financial statements for a breakdown of capital assets.

Hyde Park Solar, Waterhouse Project – 1 MW (AC) 1.388 MW (DC)
Water Main Line Repairs
Way-Faring signs

Village of Hyde Park, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016

Of the \$206,455 total depreciation expense charged to 2016 expenses, \$26,163 was charged to the governmental activities. The remaining \$180,292 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. With normal operations combined with expected cash flows and expenses in all operational departments, we anticipate stable rates during 2017. We will continue to perform engineering studies, asset evaluations, and evaluation of funding alternatives to guide future actions toward infrastructure investments.

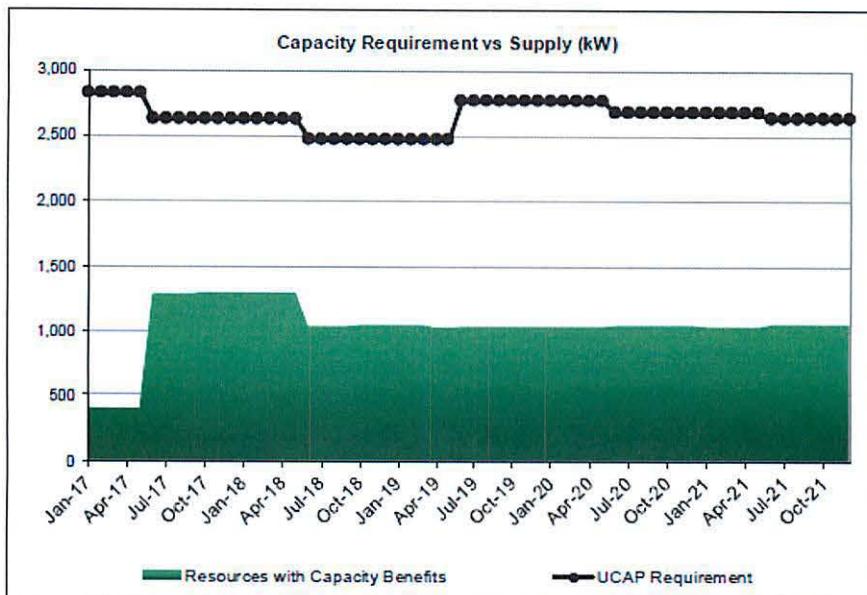
In 2016, Hyde Park Electric (HPE) real-time wholesale load requirement in the New England markets was 12,284,008 kWh, a decline from 12,401,212 kWh in 2015. HPE reached a peak energy requirement of requirement of 2,424 kW on December 19 at hour ending 19:00, a decline from 2,426 kW on February 15, 2015 at hour ending 19:00. The last HPE rate increase was 14.47%, effective July 1, 2010. The electric distribution substation and transmission will require capital investments and replacements within the next five years.

For wholesale power supply delivered to the HPE substation, we rely on the Vermont Public Power Supply Authority (VPPSA) and for its interactions with the Independent System Operator of New England (ISO-NE) and New England power markets. HPE power supply portfolio comprises generation resources, long and short-term contracts. Maintaining a diversified portfolio is a hedge for the cost of serving load at the Vermont Zone in the ISO-NE market system.

Hyde Park Solar, Waterhouse Project, commissioned on August 5, 2016, is a 1 MW (AC) ground mounted solar facility, owned by the Village of Hyde Park, and financed by U.S. Treasury, Clean Renewable Energy Bonds. Waterhouse Project is not an ISO-NE registered generating facility, but is a resource directly connected to the Hyde Park Electric distribution system and used to serve the electric needs of all Hyde Park Electric customers. Waterhouse Project allows HPE to meet the early requirements of the Vermont Renewable Energy Standard and provides for cost effective "peak shave" which results in savings in energy, capacity, and transmission costs. By producing power via a direct tie to the HPE distribution system, we strive to mitigate the vagaries of the market while providing greater cost stability and savings to HPE ratepayers.

HPE and the Vermont Public Service Department entered into a grant agreement on August 8, 2016, with an award end date of November 1, 2018, to provide funding to assist HPE to establish a pilot community solar tariff with a sample of its solar customers. A PSB approved community solar tariff will allow HPE to offer the benefits of municipal-owned local community solar participation to ratepayers who are unable to participate in net metering. Moving forward with cost effective, municipal-owned renewable generation will allow HPE to maintain future compliance with the Renewable Energy Standard and further stabilization of power cost. VOHP requires a billing system capable of Net-Metering and other requirements. On December 30, 2016, HPE entered into a sales and computer software license and support agreement with Southeastern Data Cooperative Inc. (SEDC) to replace antiquated billing and accounting software and hardware. The transition period will begin in 2017 and completed in November 2018.

Village of Hyde Park, Vermont
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended December 31, 2016



Major Capacity Milestones

- Waterhouse Solar will provide capacity benefits beginning June 2017, reflecting reduced load in summer 2016.

Auction	Clearing Price
FCA #1 (2010-11)	\$4.50/kW-mo.
FCA #2 (2011-12)	\$3.60/kW-mo.
FCA #3 (2012-13)	\$2.95/kW-mo.
FCA #4 (2013-14)	\$2.95/kW-mo.
FCA #5 (2014-15)	\$2.21/kW-mo.
FCA #6 (2015-16)	\$3.43/kW-mo.
FCA #7 (2016-17)	\$3.15/kW-mo.
FCA #8 (2017-18)	\$7.03/kW-mo.
FCA #9 (2018-19)	\$9.55/kW-mo.
FCA #10 (2019-20)	\$7.03/kW-mo.
FCA #11 (2020-21)	\$5.30/kW-mo.

Wholesale power delivered to the HPE substation is comprised of three cost components: Energy, Capacity and Transmission. Energy is the largest cost component, with Capacity the second largest cost driver in a power costs.

The Forward Capacity Market (FCM) is a market designed to procure capacity for the region and began in June 2010. HPE capacity resources are credited the auction clearing price for the commitment period. Conversely, as a load serving entity, HPE will be charged based on its load obligation coincident to New England's peak (i.e. it's Capacity Load Obligation [CLO]). This chart summarizes clearing prices in the process.

The capacity market is currently in a period of uncertainty. New rules have been implemented resulting in the rate to be administratively set at a higher price due to insufficient competition. The Federal Energy Regulatory Commission has instructed ISO-NE to implement an auction process that removes administratively set prices using a preset demand curve.

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 charges.

Village of Hyde Park, Vermont
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2016

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.

To address aging and aged water and wastewater infrastructure, increasing repair cost and capacity requirements in a prudent fashion, VOHP took the following actions.

- In 2016, VOHP received a \$20,000 Asset Management Grant from the Vermont Department of Environmental Conservation, Drinking Water Capacity Development Program. Significant achievements attained by this grant are an engineering analysis of water asset condition, prioritized replacements, GIS mapping with edit capabilities and evaluation of funding alternatives.
- On September 28, 2016, VOHP entered into an Engineering Services Agreement with Dufresne Group for preparation of a Preliminary Engineering Report and filed a Priority List Application with the Clean Water State Revolving Fund (CWSRF) in order to qualify for federal subsidy funding for planning and design loans.

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, P.O. Box 400, Hyde Park, Vermont 05655.

Village of Hyde Park, Vermont
VILLAGE-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>2016 Total</u>
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
CURRENT ASSETS:			
Cash	\$ 85,467	\$ 462,137	\$ 547,604
Investments	-	339,678	339,678
Accounts receivable, net	2,985	283,151	286,136
Unbilled revenues	-	55,731	55,731
Inventories	-	94,708	94,708
Prepaid expenses	-	40,526	40,526
Due from other funds	-	76,108	76,108
TOTAL CURRENT ASSETS	88,452	1,352,039	1,440,491
CAPITAL ASSETS, net	530,726	3,924,359	4,455,085
RESTRICTED CASH	83,283	236,102	319,385
TOTAL ASSETS	702,461	5,512,500	6,214,961
DEFERRED OUTFLOWS OF RESOURCES	748	78,284	79,032
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 703,209	\$ 5,590,784	\$ 6,293,993
<u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	\$ -	\$ 147,732	\$ 147,732
Customer deposits	-	6,459	6,459
Accrued expenses and other liabilities	194	30,918	31,112
Accrued interest	-	29,269	29,269
Due to other funds	72,483	3,625	76,108
Short-term note	-	161,400	161,400
Current portion bonds & notes payable	-	123,760	123,760
Unearned revenue	-	24,750	24,750
TOTAL CURRENT LIABILITIES	72,677	527,913	600,590
LONG-TERM LIABILITIES			
Net pension liability	1,156	114,191	115,347
Bonds & notes payable	-	2,970,240	2,970,240
TOTAL LONG-TERM LIABILITIES	1,156	3,084,431	3,085,587
TOTAL LIABILITIES	73,833	3,612,344	3,686,177
DEFERRED INFLOWS OF RESOURCES			
VMERS pension	14	1,375	1,389
NET POSITION			
Net investment in capital assets	530,726	830,359	1,361,085
Restricted	83,283	236,102	319,385
Unrestricted	15,353	910,604	925,957
TOTAL NET POSITION	629,362	1,977,065	2,606,427
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 703,209	\$ 5,590,784	\$ 6,293,993

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont
VILLAGE-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	Expenses	Charges for Services	Net (Expense) Revenue and Changes in Net Assets		
			Governmental Activities	Business-Type Activities	Total
Functions/Programs					
Governmental activities:					
General government and administration	\$ 17,512	\$ 23,463	\$ 5,951	\$ -	\$ 5,951
Streets and sidewalks	36,041	-	(36,041)	-	-
Recreation	2,072	-	(2,072)	-	-
Street lights	5,394	-	(5,394)	(5,394)	(10,788)
Total government activities	<u>61,019</u>	<u>23,463</u>	<u>(37,556)</u>	<u>(5,394)</u>	<u>(4,837)</u>
Business-type activities:					
Electric utilities	2,200,672	2,124,445	-	(76,227)	(76,227)
Sewer utilities	62,237	75,668	-	13,431	13,431
Water utilities	93,362	90,398	-	(2,964)	(2,964)
Total business-type activities	<u>\$ 2,356,271</u>	<u>\$ 2,290,511</u>	<u>-</u>	<u>(65,760)</u>	<u>(65,760)</u>
General revenues and expenses:					
Property taxes		34,183	-	-	34,183
Interest income		1,212	146,753	147,965	
Interest expense		-	(12,818)	(12,818)	
Grant Revenue		19,140	-	-	19,140
Miscellaneous income		1,300	-	-	1,300
Total general revenues and expenses		<u>55,835</u>	<u>133,935</u>	<u>-</u>	<u>189,770</u>
Change in Net Position		18,279	68,175	86,454	
Net Position, beginning of year		<u>611,083</u>	<u>1,908,890</u>	<u>2,519,973</u>	
Net Position, end of year		<u>\$ 629,362</u>	<u>\$ 1,977,065</u>	<u>\$ 2,606,427</u>	

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2016

	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 85,467
Restricted Cash	<u>83,283</u>
 TOTAL ASSETS	 <u>\$ 168,750</u>
<u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES	
Accounts payable	\$ 799
Accrued expenses	1,878
Due to other funds	<u>70,000</u>
 TOTAL LIABILITIES	 <u>72,677</u>
FUND BALANCE	
Restricted	83,283
Unassigned	<u>12,790</u>
 TOTAL FUND BALANCE	 <u>96,073</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 168,750</u>

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont
FUND FINANCIAL STATEMENTS
BALANCE SHEET - GOVERNMENTAL FUNDS
 December 31, 2016

Fund balances of government funds	\$ 96,073
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund	530,726
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	2,985
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds:	
Net pension liability	(1,156)
Deferred outflows of resources represent the consumption of net assets that is applicable to a future reporting period and therefore not reported as assets in the funds.	748
Deferred inflows of resources represent the acquisition of net assets applicable to a future reporting period and therefore are not reported as liabilities in the funds	<u>(14)</u>
Net Position of Governmental Activities	<u>\$ 629,362</u>

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 34,183
Interest and penalties	1,212
Charges for services	43,603
Other income	<u>300</u>
TOTAL REVENUES	<u>79,298</u>
EXPENDITURES	
General government and administration	18,779
Streets and sidewalks	9,876
Street lights	5,394
Recreation	535
Capital outlays	<u>22,010</u>
TOTAL EXPENDITURES	<u>56,594</u>
CHANGE IN FUND BALANCE	22,704
FUND BALANCE, BEGINNING OF YEAR	<u>73,369</u>
FUND BALANCE, END OF YEAR	<u>\$ 96,073</u>

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2016

Net change in fund balances - governmental funds \$ 22,704

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded capital outlays in the current period.

(4,153)

Pension expense (272)

Change in Net Position of Governmental Activities \$ 18,279

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 December 31, 2016

ASSETS AND DEFERRED OUTFLOWS

	Enterprise Funds			
	Electric Fund	Water Fund	Wastewater Fund	Totals
ASSETS				
CURRENT ASSETS:				
Cash	\$ 290,967	\$ 43,196	\$ 127,974	\$ 462,137
Investments	339,678	-	-	339,678
Accounts Receivable	249,674	5,995	27,482	283,151
Unbilled Revenues	55,731	-	-	55,731
Inventories	61,334	33,374	-	94,708
Prepaid expenses	40,526	-	-	40,526
Due from other funds	7,522	-	68,586	76,108
TOTAL CURRENT ASSETS	1,045,432	82,565	224,042	1,352,039
CAPITAL ASSETS, net	3,429,443	233,645	261,271	3,924,359
RESTRICTED CASH	236,102	-	-	236,102
TOTAL ASSETS	4,710,977	316,210	485,313	5,512,500
DEFERRED OUTFLOWS OF RESOURCES	71,289	4,027	2,968	78,284
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 4,782,266	\$ 320,237	\$ 488,281	\$ 5,590,784

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES:				
Accounts payable	\$ 147,732	\$ -	\$ -	\$ 147,732
Customer deposits	6,459	-	-	6,459
Accrued expenses and other liabilities	30,254	332	332	30,918
Accrued interest	29,269	-	-	29,269
Due to other funds	-	3,625	-	3,625
Short term note	161,400	-	-	161,400
Current portion bonds & notes payable	123,760	-	-	123,760
Unearned revenue	24,750	-	-	24,750
TOTAL CURRENT LIABILITIES	523,624	3,957	332	527,913
LONG-TERM LIABILITIES				
Net pension liability	102,457	7,918	3,816	114,191
Bonds & notes payable	2,970,240	-	-	2,970,240
TOTAL LONG-TERM LIABILITIES	3,072,697	7,918	3,816	3,084,431
TOTAL LIABILITIES	3,596,321	11,875	4,148	3,612,344
DEFERRED INFLOWS OF RESOURCES				
VMERS pension	1,250	83	42	1,375
NET POSITION				
Net investment in capital assets	434,453	233,645	261,271	929,369
Restricted	236,102	-	-	236,102
Unrestricted	514,140	74,634	222,820	811,594
TOTAL NET POSITION	1,184,695	308,279	484,091	1,977,065
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 4,782,266	\$ 320,237	\$ 488,281	\$ 5,590,784

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
 For the Year Ended December 31, 2016

	Enterprise Funds			
	Electric	Water	Wastewater	Total
OPERATING REVENUE				
Charges for services	\$ 2,061,456	\$ 89,833	\$ 75,668	\$ 2,226,957
Rental income	10,137	-	-	10,137
Sales of labor and material	38,011	-	-	38,011
Other operating revenue	<u>14,841</u>	<u>565</u>	<u>-</u>	<u>15,406</u>
TOTAL OPERATING REVENUE	<u>2,124,445</u>	<u>90,398</u>	<u>75,668</u>	<u>2,290,511</u>
OPERATING EXPENSES				
Purchased power and transmission	1,256,849	-	-	1,256,849
Distribution	167,780	42,537	24,702	235,019
Customer account expenses	206,285	13,044	6,349	225,678
Administrative & general	296,678	20,339	13,107	330,124
Depreciation expense	150,075	13,034	17,183	180,292
Taxes	<u>123,005</u>	<u>4,408</u>	<u>896</u>	<u>128,309</u>
TOTAL OPERATING EXPENSES	<u>2,200,672</u>	<u>93,362</u>	<u>62,237</u>	<u>2,356,271</u>
INCOME (LOSS) FROM OPERATIONS	<u>(76,227)</u>	<u>(2,964)</u>	<u>13,431</u>	<u>(65,760)</u>
NON-OPERATING REVENUE (EXPENSE)				
Dividend Income	138,779	-	-	138,779
Interest and penalties	6,987	566	421	7,974
Interest Expense	<u>(12,818)</u>	<u>-</u>	<u>-</u>	<u>(12,818)</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>132,948</u>	<u>566</u>	<u>421</u>	<u>133,935</u>
INCREASE (DECREASE) IN NET POSITION	<u>56,721</u>	<u>(2,398)</u>	<u>13,852</u>	<u>68,175</u>
NET POSITION, BEGINNING OF YEAR	<u>1,127,974</u>	<u>310,677</u>	<u>470,239</u>	<u>1,908,890</u>
NET POSITION, END OF YEAR	<u>\$ 1,184,695</u>	<u>\$ 308,279</u>	<u>\$ 484,091</u>	<u>\$ 1,977,065</u>

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 For the Year Ended December 31, 2016

	Business-Type Activities			
	Electric	Water	Wastewater	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,956,579	\$ 113,503	\$ 74,441	\$ 2,144,523
Cash receipts from other services and rental income	62,989	565	-	63,554
Cash payments from customer deposits	(206,285)	(13,044)	(6,349)	(225,678)
Cash payments for taxes	(123,005)	(4,408)	(896)	(128,309)
Cash payments to employees including benefits	(292,596)	(19,036)	(13,544)	(325,176)
Cash payments to suppliers	(1,424,629)	(42,537)	(24,702)	(1,491,868)
 NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	 <u>(26,947)</u>	 <u>35,043</u>	 <u>28,950</u>	 <u>37,046</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisitions and construction of capital projects	(2,811,564)	(6,921)	(6,800)	(2,825,285)
Proceeds from long-term notes	3,094,000	-	-	3,094,000
Principal payments on long-term debt	(53,800)	-	-	(53,800)
Interest paid	(12,818)	-	(758)	(13,576)
 NET CASH PROVIDED/(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	 <u>215,818</u>	 <u>(6,921)</u>	 <u>(7,558)</u>	 <u>201,339</u>
 CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of interest and dividends	145,766	566	421	146,753
Restricted cash	(236,102)	-	-	(236,102)
 NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES	 <u>(90,336)</u>	 <u>566</u>	 <u>421</u>	 <u>(89,349)</u>
 NET INCREASE IN CASH	 <u>98,535</u>	 <u>28,688</u>	 <u>21,813</u>	 <u>149,036</u>
 CASH - BEGINNING OF YEAR	 <u>192,432</u>	 <u>14,508</u>	 <u>106,161</u>	 <u>313,101</u>
 CASH - END OF YEAR	 <u>\$ 290,967</u>	 <u>\$ 43,196</u>	 <u>\$ 127,974</u>	 <u>\$ 462,137</u>

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 For the Year Ended December 31, 2016

	Business-Type Activities			
	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash				
Provided (used) by operating activities				
Operating income (loss)	\$ (76,227)	\$ (2,964)	\$ 13,431	\$ (65,760)
Adjustments to reconcile operating income to net cash				
provided (used) by operating activities:				
Depreciation	150,075	13,034	17,183	180,292
(AIncrease)Decrease in:				
Accounts receivable, net	90,489	2,982	993	94,464
Unbilled revenues	2,137	-	-	2,137
Investments	(28,808)	-	-	(28,808)
Inventories	(1,350)	2,180	-	830
Prepaid expenses	(4,589)	-	-	(4,589)
Deferred outflows	(52,365)	(1,906)	(1,924)	(56,195)
Increase(Decrease) in:				
Accounts payable	(169,336)	(3,619)	(3,966)	(176,921)
Customer deposits	(3,389)	(1,498)	-	(4,887)
Accrued expenses and other liabilities	18,726	-	332	19,058
Due to other funds	(11,971)	23,625	1,414	13,068
Deferred inflows	(36,687)	(4,177)	(2,066)	(42,930)
Net Pension Liability	97,723	7,386	3,553	108,662
Unearned revenue	<u>(1,375)</u>	<u>-</u>	<u>-</u>	<u>(1,375)</u>
Net cash provided/(used) by operating activities	<u>\$ (26,947)</u>	<u>\$ 35,043</u>	<u>\$ 28,950</u>	<u>\$ 37,046</u>

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 and 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 are 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 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.

Village of Hyde Park, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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/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 the 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.

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.

Village of Hyde Park, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Village of Hyde Park, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Village of Hyde Park, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The Village uses a class of service procedure for all assets within an asset type. 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

Delinquent Property Taxes Receivable: Delinquent taxes receivable represent property taxes outstanding as of December 31, 2016. 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, 2016. 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.

Village of Hyde Park, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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%.

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 \$42,361,234 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. The Village Clerk/Treasurer 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. The Board of Trustees presents their approved budget according to Charter and Statute requirements. The budget is enacted by the approval of voters at the annual meeting held in May. The VOHP Clerk/Treasurer is authorized to transfer budget amounts between line items within the General Fund; however, the Board of Trustees must approve any revisions that alter the total expenditures of the General Fund.

Village of Hyde Park, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 2

CASH AND CASH EQUIVALENTS

For financial statement reporting purposes, cash equivalents are defined as all bank deposits 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, 2016, the carrying amount of the Village's deposits, including certificates of deposit, was \$866,989, and the bank balance was \$982,295. Federal Depository Insurance covers the bank balances to the limit of \$250,000 for interest bearing accounts and \$250,000 for non-interest bearing accounts per bank. As of December 31, 2016, the Village's deposits were covered by federal deposit insurance or offset by debt.

At December 31, 2016, the Village had \$83,283 in restricted cash balances for the sidewalk project.

At December 31, 2016, the Village had \$236,102 in restricted cash balances for the solar project. Not all of the money from the bond has been expended; this money is in escrow used only for the solar project. The Village has a three-year time limit from the date at which bond funds were available (February 1, 2016). The Village has to receive approval from Union Bank for withdrawals of these funds, as they are the authorizing agent.

NOTE 3

RESTRICTED NET POSITION

Restricted net position at December 31, 2016 are as follows:

General Fund:	
Sidewalk Project	<u>\$ 83,283</u>

Electric Fund	
Solar Project	<u>\$ 236,102</u>

When both restricted and unrestricted amounts of net position are available for use for expenditures incurred, it is the Village of Hyde Park, Vermont's policy to use restricted amounts first and unrestricted amounts as they are needed.

Village of Hyde Park, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 is as follows:

Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Electric Fund:				
Capital assets, not being depreciated				
Land and land rights	\$ 21,676	\$ -	\$ -	\$ 21,676
Construction in progress	<u>88,990</u>	<u>2,792,118</u>	<u>(2,881,108)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>110,666</u>	<u>2,792,118</u>	<u>(2,881,108)</u>	<u>21,676</u>
Capital assets, being depreciated				
Transmission plant	126,138	-	-	126,138
Solar panels	-	2,881,108	-	2,881,108
Distribution plant	1,661,673	21,348	-	1,683,021
General plant	<u>1,076,496</u>	<u>-</u>	<u>(1,901)</u>	<u>1,074,595</u>
Total capital assets, being depreciated	2,864,307	2,902,456	(1,901)	5,764,862
Accumulated depreciation for capital assets	<u>(2,207,020)</u>	<u>(150,075)</u>	<u>-</u>	<u>(2,357,095)</u>
Total capital assets, being depreciated, net	<u>657,287</u>	<u>2,752,381</u>	<u>(1,901)</u>	<u>3,407,767</u>
Electric fund, capital assets, net	<u>767,953</u>	<u>5,544,499</u>	<u>(2,883,009)</u>	<u>3,429,443</u>
Water Fund:				
Capital assets, being depreciated				
Buildings and improvements	175,867	-	-	175,867
Pipelines and services	277,289	6,920	-	284,209
Equipment	18,590	-	-	18,590
Meters	<u>41,318</u>	<u>-</u>	<u>-</u>	<u>41,318</u>
Total capital assets, being depreciated	<u>513,064</u>	<u>6,920</u>	<u>-</u>	<u>519,984</u>
Accumulated depreciation for capital assets	<u>(273,305)</u>	<u>(13,034)</u>	<u>-</u>	<u>(286,339)</u>
Water fund, capital assets, net	<u>239,759</u>	<u>(6,114)</u>	<u>-</u>	<u>233,645</u>

Village of Hyde Park, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 4 CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Wastewater Fund:				
Capital assets, not being depreciated				
Land	34,500	-	-	34,500
Construction in progress	-	6,800	-	6,800
Total capital assets, not being depreciated	<u>34,500</u>	<u>6,800</u>	<u>-</u>	<u>41,300</u>
Capital assets, being depreciated				
Utility plant- collection system	794,569	-	-	794,569
Utility plant- treatment system	16,728	-	-	16,728
Utility plant- disposal system	25,092	-	-	25,092
Utility plant - pumps	16,868	-	-	16,868
Equipment	20,325	-	-	20,325
Total capital assets, being depreciated	<u>873,582</u>	<u>-</u>	<u>-</u>	<u>873,582</u>
Accumulated depreciation for capital assets	(636,428)	(17,183)	-	(653,611)
Total capital assets, being depreciated, net	<u>237,154</u>	<u>(17,183)</u>	<u>-</u>	<u>219,971</u>
Wastewater fund, capital assets, net	<u>271,654</u>	<u>(10,383)</u>	<u>-</u>	<u>261,271</u>
Business-type Activities, Capital Assets, Net	<u>\$ 1,279,366</u>	<u>\$ 5,528,002</u>	<u>\$ (2,883,009)</u>	<u>\$ 3,924,359</u>
Governmental activities:				
General Fund:				
Capital assets, not being depreciated				
Land and land rights	\$ 6,500	\$ -	\$ -	\$ 6,500
Total capital assets, not being depreciated	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>6,500</u>

Village of Hyde Park, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 4 CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Building	1,206,088	-	-	1,206,088
Sidewalks	124,470	-	-	124,470
Sidewalk enhancement	303,839			303,839
Crosswalks	4,248	-		4,248
Other structures	-	19,435		19,435
Equipment	<u>1,957</u>	<u>2,575</u>	-	<u>4,532</u>
Total capital assets, being depreciated	1,640,602	22,010	-	1,662,612
Accumulated depreciation for capital assets				
Building	(965,759)	(7,740)	-	(973,499)
Sidewalks	(122,107)	(1,226)	-	(123,333)
Sidewalk enhancement	(20,740)	(16,308)	-	(37,048)
Crosswalks	(3,421)	(285)	-	(3,706)
Equipment	<u>(196)</u>	<u>(604)</u>	-	<u>(800)</u>
Total accumulated depreciation	(1,112,223)	(26,163)	-	(1,138,386)
Total capital assets, being depreciated, net	<u>528,379</u>	<u>(4,153)</u>	-	<u>524,226</u>
General fund, capital assets, net	<u>\$ 534,879</u>	<u>\$ (4,153)</u>	<u>\$ -</u>	<u>\$ 530,726</u>

NOTE 5 NOTE PAYABLE – SHORT-TERM

During 2016, 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, 2017, interest at 1.05%, secured by equipment	<u>\$ 161,400</u>
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Village of Hyde Park, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 5 NOTE PAYABLE – SHORT-TERM (continued)

Short-term notes payable activity for the year ended December 31, 2016, is as follows:

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Principal</u> <u>Repayments</u>
Highway equipment note	<u>\$ 215,200</u>	<u>\$ _____ -</u>	<u>\$ (53,800)</u>

NOTE 6 NOTES PAYABLE – LONG TERM

Business-type activities:	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Principal</u> <u>Repayments</u>	<u>Balance</u> <u>12/31/16</u>	<u>Current</u> <u>Portion</u>
Electric Fund:					
4.23% Union Bank, annual principal payments of \$123,760 to include interest, paid on February 1st through 2041	<u>\$ _____ -</u>	<u>\$ 3,094,000</u>	<u>\$ _____ -</u>	<u>\$ 3,094,000</u>	<u>\$ 123,760</u>
TOTAL ELECTRIC FUND					
LONG-TERM DEBT	<u>\$ _____ -</u>	<u>\$ 3,094,000</u>	<u>\$ _____ -</u>	<u>\$ 3,094,000</u>	<u>\$ 123,760</u>

Schedule maturities of note payable for the electric fund are as follows at December 31, 2016:

	<u>Notes</u> <u>Payable</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 123,760</u>	<u>\$ 31,984</u>	<u>\$ 155,744</u>
2018	<u>123,760</u>	<u>30,705</u>	<u>154,465</u>
2019	<u>123,760</u>	<u>29,425</u>	<u>153,185</u>
2020	<u>123,760</u>	<u>28,146</u>	<u>151,906</u>
2021	<u>123,760</u>	<u>26,867</u>	<u>150,627</u>
2022-2026	<u>618,800</u>	<u>115,143</u>	<u>733,943</u>
2027-2031	<u>618,800</u>	<u>83,159</u>	<u>701,959</u>
2032-2036	<u>618,800</u>	<u>51,175</u>	<u>669,975</u>
2037-2041	<u>618,800</u>	<u>19,190</u>	<u>637,990</u>
	<u>\$ 3,094,000</u>	<u>\$ 415,794</u>	<u>\$ 3,509,794</u>

Village of Hyde Park, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7

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.

NOTE 8

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”), 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, 2016, follows:

Hyde Park’s entitlement for the existing HQ/VJO contract expired in 2015. In 2010, a statewide Hydro Quebec contract was negotiated and executed. Energy deliveries have begun and will continue to phase in over time. Energy under this contract is delivered 7 days a week, during the 16 peak hours of the day (0700-2300). Hyde Park’s entitlement under the new contract is as follows:

Time Period	Entitlement (kW)
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 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 (aka St. Lawrence.) The contract for St. Lawrence extends through April 30, 2017, and contract negotiations are in the final stages for an extension through 2032. 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.

Village of Hyde Park, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 8

ELECTRIC POWER SOURCES AND COMMITMENTS (continued)

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 2016 was 0.21%. Contracts between VEPPI and its constituent power producers began to terminate in 2008, with the last VEPPI contract scheduled to expire 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 2016 was 0.22%.

In another State mandated contract, Hyde Park receives power from the Ryegate biomass facility. VEPPI assigns power to all Vermont utilities based on a pro-rate share of electric sales, which is updated annually.

In the summer of 2016, Hyde Park completed the construction of a 1 MW (AC) ground mounted solar facility in Hyde Park. The facility began commercial operation on 8/5/2016. The resource is connected directly to the Electric Company's distribution system and is used to serve the electric needs of Hyde Park Electric customers. In 2016, the facility generated 485 MWh of electricity.

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, 2016, was as follows:

<u>Resource</u>	<u>mWh</u>	<u>Percent</u>	<u>Expiration</u>
Planned Purchase 8	6,353	59.93	12/31/2017
Monthly Market Contracts	1,189	11.22	Varies
HQ US	531	5.01	10/31/2038
NYPA - Niagara	1,229	11.60	9/1/2025
NYPA - St. Lawrence	25	0.23	4/30/2017
Ryegate	337	3.18	10/31/2021
Standard Offer	211	1.99	Varies
VEPPI	241	2.27	Varies
	10,116	95.43	
Waterhouse Solar	485	4.57 %	owned
 Subtotal Resources	 10,601	 100.00 %	
Purchased from Pool	2,168		
Used to Serve Load	12,769		

Village of Hyde Park, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 8

ELECTRIC POWER SOURCES AND COMMITMENTS (continued)

The cost of power from all power vendor sources for the year ended December 31, 2016 was as follows:

TOTAL SUPPLY COSTS

Planned Purchase 8	\$ 373,282
Planned Purchase 12	254
Market Purchases	39,872
HQ US	29,452
NYPA - Niagara	30,561
NYPA - St. Lawrence	658
Ryegate	33,853
Seabrook	92,399
Standard Offer	47,877
VEPPI	<u>27,482</u>
Subtotal Power Supply	<u>675,690</u>

TRANSMISSION COSTS

GMP Transmission	\$ 66,261
Highgate PTF Credit	(11,479)
Highgate Transmission	12,771
LCSF Fixed Charge	51,000
LCSF Equity Overbuy Return	61,766
Nepool/ISO Transmission	215,005
Velco '91	<u>47,809</u>
Subtotal Transmission	<u>443,133</u>

VPPSA AND OTHER COSTS

Resource Settlement Credits	\$ (411,768)
Load Settlement Charges	390,837
Other Load and Market Charges/(Credits)	117,782
ISO Sched I,II,III	19,249
Renewable Energy Credits	(2,907)
VELCO Services	224
ISO Misc	720
Misc Resettlements	(380)
Winter Fuel Program	3,967
VPPSA CDA Fee	<u>20,294</u>
Subtotal VPPSA and Other	<u>138,018</u>

TOTAL POWER SUPPLY AND TRANSMISSION	\$ 1,256,841
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Village of Hyde Park, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8

ELECTRIC POWER SOURCES AND COMMITMENTS (continued)

Hyde Park also elected to participate the purchase of energy through Planned Purchase 10 for delivery beginning January 2017 for 2,900 MWh over the course of the year.

For many years, VELCO offered stock to the Vermont distribution companies when it undertook a financing. The distribution companies were encouraged to acquire VELCO stock for several reasons. First, the FERC-approved dividend rate substantially exceeds the cost of money used to purchase the stock. Second, as shareholders of VELCO, the municipalities have a voice in the operation of VELCO through the "municipal representative" director who has historically been elected to the VELCO Board. Finally, if each of VELCO's Vermont customers own its' load ratio share of stock, then VELCO and its customers can avoid disputes at FERC over the rate of return on equity of VELCO. In 2006, VELCO created VT. Transco, a Limited Liability Company. Whereas VELCO previously offered stock, all future financings would be funded by the offer of membership units in Vt. Transco, LLC.

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 Trans co, 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 (TRANS CO), a limited liability company whose primary activity is the operation of the State of Vermont's electric transmission infrastructure. VELCO acts as manager of TRANS CO. VELCO offers membership units in TRANS CO directly to the distribution utilities in Vermont to meet its equity needs. As an alternative to purchasing the TRANS CO 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 TRANS CO Operating Agreement.

Village of Hyde Park, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 8

ELECTRIC POWER SOURCES AND COMMITMENTS (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.

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 9

INVESTMENTS

The Village of Hyde Park, Vermont has two types of investments in VELCO and, VT Transco, LLC, those it owns directly and those owned by Vermont Public Power Supply Authority (VPPSA) on its behalf. Under the Federal Energy Regulatory Commission (FERC) order, income from investments owned directly by Village of Hyde Park, Vermont is accounted for as distribution income. Income from investments owned by VPPSA on Village of Hyde Park, Vermont's behalf is accounted for as investment by others, in compliance with the PSB accounting order.

Village of Hyde Park, Vermont accounts for investments in VELCO and VT Transco, LLC at costs, with returns of capital recorded as a reduction in costs of common stock.

At December 31, 2016, the following investment amounts were owned by Village of Hyde Park, Vermont:

VELCO - Class B Common Stock Shares - 3	\$ 300
VELCO - Class B Common Stock Shares - 400	40,000
VELCO - Class B Common Stock Shares - 9	900
VELCO - Class C Common Stock Shares - 210	21,000
VELCO - Class C Common Stock Shares -11	1,100
VELCO - Class C Common Stock Shares -14	1,400
VT Transco, LLC - Class A - Membership Units 5,955	59,550
VT Transco, LLC - Class A - Membership Units 7,578	<u>75,780</u>
Total units owned and held by the Village	200,030
VT Transco, LLC Units owned by VPPSA on the Village's behalf	<u>139,648</u>
 TOTAL INVESTMENTS	 <u>\$ 339,678</u>

Village of Hyde Park, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 10 PENSION PLAN

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 provide Village of Hyde Park, Vermont's proportional share of the overall amounts of the VMERS plan. Village of Hyde Park, Vermont's portion has been allocated based on Village of Hyde Park, Vermont's proportional share of employer contributions to the total contributions to VMERS during the fiscal year.

Reporting Date, Measurement Date, and Valuation Date

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the Village of Hyde Park, Vermont's reporting date December 31, 2016 and for the Village of Hyde Park, Vermont's reporting period (the year ended December 31, 2016). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of December 31, 2016, the State has chosen to use the end of the prior fiscal year (June 30, 2015) as the measurement date, and the year ended June 30, 2015 as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2015, to the measurement date of June 30, 2016.

Schedule A – Employer Allocation as of June 30, 2014 and June 30, 2015

Fiscal Year Ended June 30, 2014

Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 20,554	0.1593%	\$ 866,262	\$ 851,719	\$ 14,542

Fiscal Year Ended June 30, 2014

Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (7.15% Discount Rate)	Net Pension Liability 1% Increase (9.15% Discount Rate)
\$ 5,965	\$ (44,843)	\$ 122,512	\$ (76,040)

Village of Hyde Park, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 10 PENSION PLAN (continued)

Schedule B – Employers’ Allocation as of June 30, 2015

Fiscal Year Ended June 30, 2015				
Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 21,622	0.1547%	\$ 948,197	\$ 828,944	\$ 119,253

Fiscal Year Ended June 30, 2015			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Discount Rate)	Net Pension Liability 1% Increase (8.95% Discount Rate)
\$ 55,031	\$ (1,389)	\$ 238,200	\$ 19,541

Schedule C – Employers’ Allocation as of June 30, 2015

Deferred Outflows of Resources							
Employer Proportion	Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Changes in Proportional Share of Contributions	Total Deferred Outflows
0.15468%	\$ 119,253	\$ 3,770	\$ 23,749	\$ -	\$ 23,039	\$ 4,474	\$ 55,031

Deferred Inflows of Resources					
Difference Between Expected and Actual Experience	Changes in Assumptions	Changes in Benefits	Difference Between Projected and Actual Investment Earnings	Difference Between Employer Contributions and Proportionate Share of Total Contributions	Total Deferred Inflows
\$ -	\$ -	\$ -	\$ -	\$ (1,389)	\$ (1,389)

Village of Hyde Park, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 10 PENSION PLAN (continued)

Pension Expense Recognized		
Proportionate Share of Pension Plan Expense	Change in Proportional Share of Contributions	Total
\$ 32,669	\$ 1,144	\$ 33,812

Schedule D – Employers’ Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2015

Fiscal Year					
2016	2017	2018	2019	2020	Thereafter
\$ 11,063	\$ 11,063	\$ 11,063	\$ 20,454	\$ -	\$ -

Schedule E – Contribution History for Fiscal Years 2013-2015

FY 2015	FY 2014	FY 2013
\$ 21,622	\$ 20,554	\$ 16,669

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 (VMERS) 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:

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 institution’s operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2015, the retirement system consisted of 437 participating employers.

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

Village of Hyde Park, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 10 PENSION PLAN (continued)

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	
Eligibility	Group A – The earlier of age 65 with 5 years of service or age 55 with 35 years of service. Group B – The earlier of age 62 with 5 years of service or age 55 with 30 years of service. Groups C and D – Age 55 with 5 years of service.
Amount	Group A – 1.4% of AFC x service Group B – 1.7% of AFC x service as Group B member plus percentage earned as Group A member x AFC 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

Village of Hyde Park, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 10 PENSION PLAN (continued)

	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
	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.
Early Retirement Allowance	
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 member, and payable without reduction to Group D members.
Vested Retirement Allowance	
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.
Disability Retirement Allowance	
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.
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 a date of death. For Group D, 70% of the unreduced accrued benefit plus children’s benefit.

Village of Hyde Park, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 10 PENSION PLAN (continued)

Optional Benefit and Death after Retirement	For Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint or 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 – 9.625% 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% from 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
December 31, 2016

NOTE 10 PENSION PLAN (continued)

Significant Actuarial Assumptions and Methods

Interest Rate: 7.95% per annum. Through July 1, 2014, a select-and-ultimate rate set was used, as specified below. The interest rate set was 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

Disabled retirees – RP-2000 Disabled Life Tables

Beneficiaries – 1995 Buck Mortality Tables for males and females

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

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.5% 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 (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%.

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.

Village of Hyde Park, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 10 PENSION PLAN (continued)

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

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:

Asset Class	Long-Term Expected Real Rate of Return
Equity	8.61%
Fixed Income	1.91%
Alternatives	6.93%
Multi-strategy	4.88%

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 entity's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

1% Decrease (6.95%)	Discount Rate (7.95%)	1% Increase (8.95%)
\$ 238,200	\$ 119,253	\$ 19,541

Village of Hyde Park, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE 11 INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Balances at December 31, 2016, were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ -	\$ 72,483
Electric Fund	7,522	-
Water Fund	-	3,625
Wastewater Fund	<u>68,586</u>	-
 TOTAL	 \$ 76,108	 \$ 76,108

All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) repayments between funds are made.

NOTE 12 OPERATING LEASE

During the year ended, December 31, 2016, the Village began leasing land for \$14,775 per year. The lease commenced May 21, 2015 and continues until May 21, 2040. The lease expense as of December 31, 2016 was \$14,775. The future minimum lease payments are as follows:

2017	\$ 14,775
2018	14,775
2019	14,775
2020	14,775
2021	14,775
2022-2026	73,875
2027-2031	73,875
2032-2036	73,875
2037-2040	<u>59,100</u>
 Total	 <u>\$ 354,600</u>

NOTE 13 SUBSEQUENT EVENTS

In accordance with professional account standards, the Village has evaluated subsequent events through March 24, 2017, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2016, have been incorporated in these financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Hyde Park, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 33,885	\$ 33,885	\$ 34,183	\$ 298
Charges for service	21,472	21,472	43,603	22,131
Miscellaneous	300	300	300	-
Interest	2	2	1,212	1,210
TOTAL REVENUES	<u>55,659</u>	<u>55,659</u>	<u>79,298</u>	<u>23,639</u>
EXPENDITURES				
General government and administrative	38,550	38,550	18,779	19,771
Streets and sidewalks	17,150	17,150	9,876	7,274
Street lights	5,370	5,370	5,394	(24)
Recreation	1,100	1,100	535	565
Capital outlays	-	-	22,010	(22,010)
TOTAL EXPENDITURES	<u>62,170</u>	<u>62,170</u>	<u>56,594</u>	<u>5,576</u>
NET CHANGE IN FUND BALANCE	<u>\$ (6,511)</u>	<u>\$ (6,511)</u>	<u>\$ 22,704</u>	<u>\$ 18,063</u>

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 For the Year Ended December 31, 2016

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Village's proportion of the net pension liability (asset)	1.0134%	0.1593%	0.1547%
Village's proportionate share of the net pension liability (asset)	<u>\$ 50,558</u>	<u>\$ 14,542</u>	<u>\$ 119,253</u>
Village's covered-employee payroll	<u>\$ 287,351</u>	<u>\$ 304,035</u>	<u>\$ 316,714</u>
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	17.59%	4.78%	37.65%
Plan fiduciary net position as a percentage of the total pension liability	92.71%	98.32%	87.42%

Significant Actuarial Assumptions and methods are described in Note 8 to the financial statements. There were no changes in methods or assumptions during the year ended December 31, 2016.

See Accompanying Notes to Financial Statements.