

Village of Hyde Park, Vermont

**FINANCIAL STATEMENTS**

December 31, 2017

Village of Hyde Park, Vermont  
FINANCIAL STATEMENTS  
December 31, 2017

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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, and each major fund information of the Village of Hyde Park, Vermont, as of and for the year ended December 31, 2017, 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.

## 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, 2017, 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 37, schedule of proportionate share of the net pension liability on page 38 and schedule of contributions on page 39 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.



Kattell Braman



Sargent

St. Albans, Vermont  
April 3, 2018

Village of Hyde Park, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2017

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, 2017.

**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 2017 to note for further discussion, as follows:

Total net position as of December 31, 2017 decreased \$113,157 compared to an increase of \$86,454 in 2016.

- Net position of General Fund (governmental) activities decreased by \$53,513 compared to an increase of \$18,279 in 2016. The decrease for 2017 was primarily due to the sidewalk grant funds for Johnson Street Extension being relinquished to the Town of Hyde Park.
  - The Village property tax rate of \$.082 per \$100 of property value for 2017 generated revenue of \$34,956. The Village property tax rate of \$.08 per \$100 of property value in 2016 generated revenue of \$36,098. The market value of the grand list decreased to \$42,267,781 in 2017 from \$42,361,234 in 2016.
  - For the Walkways and Bikeways – Linking the Community sidewalk grant project, as of the years ended December 31, 2017 and 2016, we expended \$10,532 and \$0, which includes the 20% required matching contribution. The project was abandoned in 2017 and relinquished to the Town of Hyde Park.
- Net position of Electric Department, Water Department and Wastewater/Sewer Department (business-type enterprise activities) decreased \$59,645 for 2017, as compared to an increase of \$68,175 in 2016. Revenue generated by charges for electric services increased by \$33,242, while expenses increased \$153,336. For water and wastewater/sewer business-type activities, combined charges for services decreased \$2,520 from the prior year, while expenses increased by \$14,632.
  - 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  
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## **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.

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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 2017, VOHP combined net position decreased \$113,158 as compared to an increase of \$86,454 in 2016. See page 2.

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

	Governmental Activities	Business-type Activities	2017 Totals	2016 Totals	Increase (Decrease)
Cash and cash equivalents	\$ 111,604	\$ 584,828	\$ 696,432	\$ 547,604	\$ 148,828
Other assets	4,035	533,891	537,926	553,209	(15,283)
Restricted Assets	83,408	116,854	200,262	319,385	(119,123)
Investments	-	361,841	361,841	339,678	22,163
Capital assets, net	453,272	3,904,105	4,357,377	4,455,085	(97,708)
Deferred Outflows	1,279	126,647	127,926	79,032	48,894
<b>Total Assets and Deferred Outflows</b>	<u>653,598</u>	<u>5,628,166</u>	<u>6,281,764</u>	<u>6,293,993</u>	<u>(12,229)</u>
Debt	-	3,108,527	3,108,527	3,255,400	(146,873)
Other Liabilities	77,729	576,892	654,621	406,027	248,594
Unearned revenue	-	23,375	23,375	24,750	(1,375)
Deferred Inflows	20	1,951	1,971	1,389	582
<b>Total Liabilities and Deferred Inflows</b>	<u>77,749</u>	<u>3,710,745</u>	<u>3,788,494</u>	<u>3,687,566</u>	<u>100,928</u>
<b>Net Position</b>	<u>\$ 575,849</u>	<u>\$ 1,917,421</u>	<u>\$ 2,493,270</u>	<u>\$ 2,606,427</u>	<u>\$ (113,157)</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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2017

	<u>Governmental</u>	<u>Business-type</u>	<u>Total Activities</u>
Net Position - Beginning	\$ 629,362	\$ 1,977,066	\$ 2,606,427
Net Position - Ending	<u>575,849</u>	<u>1,917,421</u>	<u>2,493,270</u>
Change in Net Position	<u>\$ (53,513)</u>	<u>\$ (59,645)</u>	<u>\$ (113,157)</u>

VOHP's total revenue increased to \$2,582,124 in 2017 as compared to 2016 revenue of \$2,503,744 an increase of \$78,380. VOHP has covered most of its expenses and continues to meet its current liability obligations. The analysis below separately considers the operations of governmental and business-type activities.

**Governmental Activities Revenue and Expenses**

General revenues for VOHP's governmental activities decreased \$1,119, this year while total expenses decreased \$2,478. In 2017, the tax rate was assessed as \$.082 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 \$42,212 for 2017 as compared \$34,584 for 2016. 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 \$33,906. The cost was paid partially by other funds in the amount of \$41,048 for warehouse rental and other contributions.

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

**Governmental Activities**

<b>Governmental Activities</b>	<u>2017</u>	<u>2016</u>	<u>Change</u>
General government & administration	\$ 6,557	\$ 18,779	\$ (12,222)
Streets and sidewalk	18,518	9,876	8,642
Street lights	5,416	5,394	22
Village Services/Parks	<u>10,721</u>	<u>535</u>	<u>10,186</u>
<b>Total Governmental Activities</b>	<u>\$ 41,212</u>	<u>\$ 34,584</u>	<u>\$ 6,628</u>

**Business-Type Activities Revenue and Expenses**

Revenues of VOHP's business-type activities have increased over 2016 revenues by \$70,880, and overall expenses have increased by \$167,968, over the prior year. The factors driving these results include:

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Revenues**

Electric – charges for electric service increased \$33,239 from the prior year. Water and Wastewater/Sewer – For 2017, total water and sewer revenue decreased by approximately 2% over 2016 because of decreased usage.

**Expenses**

Expenses in the Electric department (“Hyde Park Electric”) (“HPE”) increased by \$153,336 to \$2,354,008 as compared to \$2,200,672 in 2016. Purchase power and transmission costs continue to be the largest expense of the VOHP’s business-type activities. These expenses increased to \$1,281,523 in 2017 from \$1,256,849 in 2016, a 2% increase. Expenses in the Water and Wastewater/Sewer departments increased to \$170,231 in 2017 from \$155,599 in 2016, a difference of \$14,632.

**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 \$195,012, which is an increase of \$26,262 over the 2016 fund balance of \$168,750. Of this fund balance, \$13,408 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:

- In 2017, VOHP applied for and received an approved amendment to VT Transportation Grant # CA0476, totaling \$289,128 described as “Construction of ADA compliant sidewalks and realignment of intersection at Johnson Street Extension and West Main Street to increase safety”. Subsequently, and at the request of the Town, VOHP relinquished this grant to the Town of Hyde Park for intersection improvements and to assist the Town of Hyde Park with Storm Water Management issues on Johnson Street Extension, the costs associated with planning the project were abandoned in 2017.
- 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 Wastewater/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  
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**Electric**

<b>Statement of Revenue, Expenditures and Changes in Net Position</b>	<u>2017</u>	<u>2016</u>	Increase (Decrease)
<b>Total Operating Revenues</b>	<u>\$2,157,684</u>	<u>\$2,124,445</u>	<u>\$ 33,239</u>
Expenses:			
Purchases power, transmission and distribution	1,478,389	1,424,629	53,760
Customer accounts	222,111	206,285	15,826
Administrative and general	332,397	296,678	35,719
Depreciation expenses	188,851	150,075	38,776
Taxes	<u>132,260</u>	<u>123,005</u>	<u>9,255</u>
<b>Total Operating Expenses</b>	<u>2,354,008</u>	<u>2,200,672</u>	<u>153,336</u>
Operating Income (Loss)	(196,324)	(76,227)	(120,097)
Non-operating income	<u>123,002</u>	<u>132,948</u>	<u>(9,946)</u>
<b>Change in net position</b>	<u>\$ (73,322)</u>	<u>\$ 56,721</u>	<u>\$ (130,043)</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.
- HPE service territory encompasses the Village as well as portions of the Towns and Johnson. About 90% of Hyde Park's customers reside within the village and town portions of Hyde Park. The area of the service territory is approximately 18 square miles. The system's largest electrical customer is Lamoille Union High School. Hyde Park connects to the transmission system of Green Mountain Power (GMP). Hyde Park Electric ("HPE") currently utilizes the power supply resources of the Vermont Public Power Supply Authority ("VPPSA").
- In 2017, HPE substation equipment testing and upgrades were accomplished to assure continued reliability until major replacements are accomplished.
- HPE substation is supplied at 34.5 kV via an approximately 19,000 foot overhead line from the Johnson substation owned by Green Mountain Power ("GMP"). A January 11, 2017 outage event at this substation affected multiple utilities serving East Fairfax, Lowell, and Morrisville. HPE commissioned professional engineering support in discussions with Green Mountain Power and VELCO to conduct a review of transmission protection and HPE load requirements. The analysis revealed and GMP agreed that the installation of a recloser, the greater cost option, was not technically feasible in this instance and fuses were installed to clear future line faults.

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- In 2017, HPE commissioned a professional engineering firm to perform a protection review and circuit analysis. HPE evaluates T&D circuits on an ongoing basis in order to identify the optimum economic and engineering configuration for each circuit. The evaluations include the review of the Rule 4.900 Outage Reports and data collected from load loggers. In addition, HPE periodically completes long term system planning studies to develop overall strategies for improving the performance of the T&D facilities.
- In 2017, striving to maintain system reliability, right-of-way clearing expenses were \$36,261. 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 6,823 out of a possible 11,650,800 total. Of the customer hours out, 7.7% related to incidents relating to trees, mostly due to severe weather patterns.

**Water**

<b>Statement of Revenue, Expenditures and Changes in Net Position</b>	<u>2017</u>	<u>2016</u>	Increase <u>(Decrease)</u>
<b>Total Operating Revenues</b>	\$ <u>88,451</u>	\$ <u>90,398</u>	\$ <u>(1,947)</u>
Expenses:			
Distribution	41,810	42,537	(727)
Customer accounts	13,719	13,044	675
Administrative and general	38,433	20,339	18,094
Depreciation expenses	13,397	13,034	363
Taxes	<u>5,068</u>	<u>4,408</u>	<u>660</u>
<b>Total Operating Expenses</b>	<u>112,427</u>	<u>93,362</u>	<u>19,065</u>
Operating Income (Loss)	(23,976)	(2,964)	21,012
Non-operating income	<u>20,098</u>	<u>566</u>	<u>19,532</u>
<b>Change in net position</b>	<u>\$ (3,878)</u>	<u>\$ (2,398)</u>	<u>\$ 1,480</u>

- 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 and expense of outage repairs is a serious concern which prompted engineering analysis that began in 2016 and continued in 2017. The Dufresne Group presented a Condition of Water Systems Asset Report as part of the 2016 Water Asset Management Grant as a first step in improvements and financing alternatives. In 2017, VOHP entered into a Drinking Water System Engineering Services Agreement with Dufresne Group.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Wastewater/Sewer**

<b>Statement of Revenue, Expenditures and Changes in Net Position</b>	<u>2017</u>	<u>2016</u>	Increase (Decrease)
<b>Total Operating Revenues</b>	\$ 75,095	\$ 75,668	\$ 573
Expenses:			
Distribution	20,786	24,702	(3,916)
Customer accounts	5,946	6,349	(403)
Administrative and general	13,402	13,107	295
Depreciation expenses	16,776	17,183	(407)
Taxes	<u>894</u>	<u>896</u>	<u>(2)</u>
<b>Total Operating Expenses</b>	<u>57,804</u>	<u>62,237</u>	<u>(4,433)</u>
Operating Income (Loss)	17,291	13,431	3,860
Non-operating income	<u>264</u>	<u>421</u>	<u>(157)</u>
<b>Change in net position</b>	<u>\$ 17,555</u>	<u>\$ 13,852</u>	<u>\$ 3,703</u>

- The wastewater system, installed in 1977-78, reached an age that necessitated an engineering inspection, analysis, design and financial planning in 2017. We project that this project will be accomplished in 2019. Sewer rates were increased in 2009. 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 2017 and 2016, VOHP has a net book value of \$4,357,377 and \$4,455,085 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. See Pages 18-20 of the Notes to Financial Statements for details.

Of the \$246,368 total depreciation expense charged to 2017 expenses, \$27,344 was charged to the governmental activities. The remaining \$219,024 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 2018. We are performing engineering studies, asset evaluations, and evaluation of funding alternatives to guide future actions toward infrastructure investments.

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In 2017, Hyde Park Electric (HPE) real-time wholesale load was 12,277,959 kWh, a decline from 12,343.117 kWh in 2016. HPE reached a peak energy requirement of 2,496 kW in December, an increase from 2,426 kW in 2016. 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.

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 outlook for the purchase power market appears stable for capacity charges. Transmission charges are projected to increase over the coming years. Improvements to the transmission grid are not within HPE control and we are required to pay a share of that increasing cost. 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.

Another cost beyond HPE control is Vermont's net metering program, which requires utilities to compensate producers at rates above retail prices and adds to HPE operating cost. VOHP's largest electrical customer is Lamoille Union High School. In 2017, the school entered into a net-metering contract with a private company who owns a 150 kW solar array in North Hyde Park. The solar provider provided estimates that show a net metering credit cost shift to HPE ratepayers of \$47,500 annually. HPE must recover this added expense through electric rates.

For wholesale power supply delivery, we currently 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, which will provide an interest subsidy of approximately \$1.34MM. 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 ("RES") 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. In 2017, HPE generated approximately 1.31MM kWh for HPE ratepayers and also "banked" or retained 1.31MM Renewable Energy Credits to offset future Alternative Compliance Payments as required by RES, or to sell in the market, depending on value and timing, in order to provide maximum financial value to HPE electric 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 residential community solar rider. A PUC 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. This grant will contribute to a large part of VOHP's investment in a new billing and accounting system that will allow cost effective billing of the Net Metering Tariff and other PUC approved rate initiatives. 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 began in 2017 and will be completed in November 2018.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2017

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/sewer infrastructure, increasing repair cost and capacity requirements in a prudent fashion, VOHP took the following actions.

- In 2016, VOHP received a \$20,000 Water 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. In 2017, VOHP entered into a Drinking Water System Engineering Services Agreement with Dufresne Group.
- In 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. In 2017, VOHP received the Preliminary Engineering Report and entered into a general obligation note with the Vermont Municipal Bond Bank in the amount of \$42,700, discounted by the amount of \$21,350, repayable with interest at the rate of 0.00% per annum, with a 0.00% administrative fee. The bond funds the engineering evaluation off the wastewater/sewer system and makes recommendations for future expansion, refurbishment and maintenance. The planning loan is rolled into a CWSRF construction loan in five years.

**CONTACTING VOHP's FINANCIAL MANAGEMENT**

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

Village of Hyde Park, Vermont  
VILLAGE-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION  
December 31, 2017

	Governmental Activities	Business-Type Activities	2017 Total
<b><u>ASSETS AND DEFERRED OUTFLOWS</u></b>			
<b>CURRENT ASSETS:</b>			
Cash	\$ 111,604	\$ 584,828	\$ 696,432
Investments	-	361,841	361,841
Accounts receivable, net	4,035	308,057	312,092
Unbilled revenues	-	57,206	57,206
Inventories	-	93,440	93,440
Due from other funds	-	75,188	75,188
TOTAL CURRENT ASSETS	115,639	1,480,560	1,596,199
CAPITAL ASSETS, net	453,272	3,904,105	4,357,377
RESTRICTED CASH	83,408	116,854	200,262
TOTAL ASSETS	652,319	5,501,519	6,153,838
DEFERRED OUTFLOWS OF RESOURCES	1,279	126,647	127,926
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 653,598	\$ 5,628,166	\$ 6,281,764
<b><u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u></b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 347	\$ 315,457	\$ 315,804
Customer deposits	-	7,826	7,826
Accrued expenses and other liabilities	194	30,861	31,055
Accrued interest	-	29,269	29,269
Due to other funds	75,188	-	75,188
Short-term note	-	138,288	138,288
Current portion bonds & notes payable	-	123,760	123,760
Unearned revenue	-	23,375	23,375
TOTAL CURRENT LIABILITIES	75,729	668,836	744,565
<b>LONG-TERM LIABILITIES</b>			
Net pension liability	2,000	193,479	195,479
Bonds & notes payable	-	2,846,479	2,846,479
TOTAL LONG-TERM LIABILITIES	2,000	3,039,958	3,041,958
TOTAL LIABILITIES	77,729	3,708,794	3,786,523
DEFERRED INFLOWS OF RESOURCES			
VMERS pension	20	1,951	1,971
<b>NET POSITION</b>			
Net investment in capital assets	453,272	933,866	1,387,138
Restricted	83,408	116,854	200,262
Unrestricted	39,169	866,701	905,870
TOTAL NET POSITION	575,849	1,917,421	2,493,270
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 653,598	\$ 5,628,166	\$ 6,281,764

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont  
VILLAGE-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017

					Net (Expense) Revenue and Changes in Net Assets		
Expenses	Charges for Services	Capital Grants	Operating Grants	Governmental Activities	Business-Type Activities	Total	
<b>Functions/Programs</b>							
Governmental activities:							
General government and administration	\$ 6,913	\$ 22,002	\$ -	\$ -	\$ 15,089	\$ -	\$ 15,089
Streets and sidewalks	45,862	-	18,426	-	(27,436)	-	(27,436)
Recreation	350	-	-	-	(350)	-	(350)
Street lights	5,416	-	-	-	(5,416)	-	(5,416)
Total government activities	<u>58,541</u>	<u>22,002</u>	<u>18,426</u>	<u>-</u>	<u>(18,113)</u>	<u>-</u>	<u>(18,113)</u>
Business-type activities:							
Electric utilities	2,354,008	2,157,684	20,161	-	-	(176,163)	(176,163)
Sewer utilities	57,804	75,095	-	-	-	17,291	17,291
Water utilities	112,427	88,451	-	20,000	-	(3,976)	(3,976)
Total business-type activities	<u>\$ 2,524,239</u>	<u>\$ 2,321,230</u>	<u>\$ 20,161</u>	<u>\$ 20,000</u>	<u>-</u>	<u>(162,848)</u>	<u>(162,848)</u>
General revenues and expenses:							
Property taxes					34,956	-	34,956
Interest income					310	144,729	145,039
Interest expense					-	(41,526)	(41,526)
Loss on abandonment of project					(70,976)	-	(70,976)
Miscellaneous income					310	-	310
Total general revenues and expenses					<u>(35,400)</u>	<u>103,203</u>	<u>67,803</u>
Change in Net Position					(53,513)	(59,645)	(113,158)
Net Position, beginning of year					<u>629,362</u>	<u>1,977,066</u>	<u>2,606,428</u>
Net Position, end of year					<u>\$ 575,849</u>	<u>\$ 1,917,421</u>	<u>\$ 2,493,270</u>

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 December 31, 2017

	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 111,604
Restricted Cash	<u>83,408</u>
TOTAL ASSETS	<u>\$ 195,012</u>
<u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES	
Accounts payable	\$ 3,851
Accrued expenses	1,878
Due to other funds	<u>70,000</u>
TOTAL LIABILITIES	<u>75,729</u>
FUND BALANCE	
Restricted	83,408
Unassigned	<u>35,875</u>
TOTAL FUND BALANCE	<u>119,283</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 195,012</u>

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont  
 FUND FINANCIAL STATEMENTS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 December 31, 2017

<b>Fund balances of government funds</b>	<b>\$ 119,283</b>
 <b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund	453,272
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	4,035
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	(2,000)
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.	1,279
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>(20)</u>
 <b>Net Position of Governmental Activities</b>	 <b><u>\$ 575,849</u></b>

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, 2017

	General Fund
REVENUES	
Property taxes	\$ 33,906
Interest and penalties	310
Charges for services	40,428
Other income	310
TOTAL REVENUES	74,954
EXPENDITURES	
General government and administration	6,557
Streets and sidewalks	18,518
Street lights	5,416
Recreation	10,721
Capital outlays	10,532
TOTAL EXPENDITURES	51,744
CHANGE IN FUND BALANCE	23,210
FUND BALANCE, BEGINNING OF YEAR	96,073
FUND BALANCE, END OF YEAR	\$ 119,283

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, 2017

**Net change in fund balances - governmental funds** \$ 23,210

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

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the statement of revenues, expenditures and change in fund balance

Increase in the accounts receivable 1,050

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. (6,478)

Loss on abandonment of project (70,977)

Pension expense (318)

**Change in Net Position of Governmental Activities** \$ (53,513)

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont  
 FUND FINANCIAL STATEMENTS  
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
 December 31, 2017

ASSETS AND DEFERRED OUTFLOWS

	Enterprise Funds			Totals
	Electric Fund	Water Fund	Wastewater Fund	
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash	\$ 392,087	\$ 37,363	\$ 155,378	\$ 584,828
Investments	361,841	-	-	361,841
Accounts Receivable	269,051	7,868	31,138	308,057
Unbilled Revenues	57,206	-	-	57,206
Inventories	61,241	32,199	-	93,440
Due from other funds	18,720	10,102	46,366	75,188
TOTAL CURRENT ASSETS	1,160,146	87,532	232,882	1,480,560
CAPITAL ASSETS, net	3,407,851	224,559	271,695	3,904,105
RESTRICTED CASH	116,854	-	-	116,854
TOTAL ASSETS	4,684,851	312,091	504,577	5,501,519
DEFERRED OUTFLOWS OF RESOURCES	115,133	7,676	3,838	126,647
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 4,799,984	\$ 319,767	\$ 508,415	\$ 5,628,166

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES:				
Accounts payable	\$ 313,228	\$ 1,476	\$ 753	\$ 315,457
Customer deposits	7,826	-	-	7,826
Accrued expenses and other liabilities	30,197	332	332	30,861
Accrued interest	29,269	-	-	29,269
Short term note	138,288	-	-	138,288
Current portion bonds & notes payable	123,760	-	-	123,760
Unearned revenue	23,375	-	-	23,375
TOTAL CURRENT LIABILITIES	665,943	1,808	1,085	668,836
LONG-TERM LIABILITIES				
Net pension liability	174,414	13,441	5,624	193,479
Bonds & notes payable	2,846,479	-	-	2,846,479
TOTAL LONG-TERM LIABILITIES	3,020,893	13,441	5,624	3,039,958
TOTAL LIABILITIES	3,686,836	15,249	6,709	3,708,794
DEFERRED INFLOWS OF RESOURCES				
VMERS pension	1,774	118	59	1,951
NET POSITION				
Net investment in capital assets	537,997	224,559	271,695	1,034,251
Restricted	116,854	-	-	116,854
Unrestricted	456,523	79,841	229,952	766,316
TOTAL NET POSITION	1,111,374	304,400	501,647	1,917,421
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 4,799,984	\$ 319,767	\$ 508,415	\$ 5,628,166

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, 2017

	Enterprise Funds			
	Electric	Water	Wastewater	Total
<b>OPERATING REVENUE</b>				
Charges for services	\$ 2,057,357	\$ 88,451	\$ 75,095	\$ 2,220,903
Rental income	12,473	-	-	12,473
Sales of labor and material	37,776	-	-	37,776
Other operating revenue	50,078	-	-	50,078
<b>TOTAL OPERATING REVENUE</b>	<u>2,157,684</u>	<u>88,451</u>	<u>75,095</u>	<u>2,321,230</u>
<b>OPERATING EXPENSES</b>				
Purchased power and transmission	1,283,257	-	-	1,283,257
Distribution	195,132	41,810	20,786	257,728
Customer account expenses	222,111	13,719	5,946	241,776
Administrative & general	332,397	38,433	13,402	384,232
Depreciation expense	188,851	13,397	16,776	219,024
Taxes	132,260	5,068	894	138,222
<b>TOTAL OPERATING EXPENSES</b>	<u>2,354,008</u>	<u>112,427</u>	<u>57,804</u>	<u>2,524,239</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>(196,324)</u>	<u>(23,976)</u>	<u>17,291</u>	<u>(203,009)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>				
Dividend Income	138,932	-	-	138,932
Interest and penalties	5,435	98	264	5,797
Grant income	20,161	20,000	-	40,161
Interest Expense	(41,526)	-	-	(41,526)
<b>TOTAL NON-OPERATING REVENUE (EXPENSE)</b>	<u>123,002</u>	<u>20,098</u>	<u>264</u>	<u>143,364</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>(73,322)</u>	<u>(3,878)</u>	<u>17,555</u>	<u>(59,645)</u>
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>1,184,696</u>	<u>308,278</u>	<u>484,092</u>	<u>1,977,066</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 1,111,374</u>	<u>\$ 304,400</u>	<u>\$ 501,647</u>	<u>\$ 1,917,421</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, 2017

	Business-Type Activities			Total
	Electric	Water	Wastewater	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,168,669	\$ 75,501	\$ 94,413	\$ 2,338,583
Cash receipts from other services and rental income	100,327	-	-	100,327
Cash payments from customer deposits	(222,111)	(13,719)	(5,946)	(241,776)
Cash payments for taxes	(132,260)	(5,068)	(894)	(138,222)
Cash payments to employees including benefits	(263,234)	(36,524)	(12,447)	(312,205)
Cash payments to suppliers	(1,478,389)	(41,810)	(20,786)	(1,540,985)
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>173,002</u>	<u>(21,620)</u>	<u>54,340</u>	<u>205,722</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisitions and construction of capital projects	(167,259)	(4,311)	(27,200)	(198,770)
Proceeds from long-term notes	(123,761)	-	-	(123,761)
Principal payments on long-term debt	(23,112)	-	-	(23,112)
Interest paid	(41,526)	-	-	(41,526)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(355,658)</u>	<u>(4,311)</u>	<u>(27,200)</u>	<u>(387,169)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipt of interest and dividends	144,367	98	264	144,729
Receipt of grant revenue	20,161	20,000	-	40,161
Restricted cash	119,248	-	-	119,248
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>283,776</u>	<u>20,098</u>	<u>264</u>	<u>304,138</u>
NET INCREASE (DECREASE) IN CASH	101,120	(5,833)	27,404	122,691
CASH - BEGINNING OF YEAR	<u>290,967</u>	<u>43,196</u>	<u>127,974</u>	<u>462,137</u>
CASH - END OF YEAR	<u>\$ 392,087</u>	<u>\$ 37,363</u>	<u>\$ 155,378</u>	<u>\$ 584,828</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, 2017

	Business-Type Activities			Total
	Electric	Water	Wastewater	
Reconciliation of operating income (loss) to net cash Provided (used) by operating activities				
Operating income (loss)	\$ (196,324)	\$ (23,976)	\$ 17,291	\$ (203,009)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	188,851	13,397	16,776	219,024
(Increase)Decrease in:				
Accounts receivable, net	(19,377)	(1,873)	(3,655)	(24,905)
Unbilled revenues	(1,475)	-	-	(1,475)
Investments	(22,163)	-	-	(22,163)
Inventories	93	1,174	-	1,267
Prepaid expenses	40,526	-	-	40,526
Deferred outflows	(43,844)	(3,649)	(870)	(48,363)
Increase(Decrease) in:				
Accounts payable	165,497	1,476	753	167,726
Customer deposits	1,367	-	-	1,367
Accrued expenses and other liabilities	(57)	-	-	(57)
Due to other funds	(11,198)	(13,727)	22,220	(2,705)
Deferred inflows	524	35	17	576
Net Pension Liability	71,957	5,523	1,808	79,288
Unearned revenue	(1,375)	-	-	(1,375)
Net cash provided/(used) by operating activities	<u>\$ 173,002</u>	<u>\$ (21,620)</u>	<u>\$ 54,340</u>	<u>\$ 205,722</u>

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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, 2017

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.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Net Position and Fund Balance:

Government-Wide Financial Statements

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

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

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

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.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds

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

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

The Village generally capitalizes assets with a cost of \$1,000 or more and have an estimated useful life of three (3) years for materials, goods, and services as purchase and construction outlays occur. Infrastructure improvements will be evaluated by whether or not they are for maintenance, replacement, or new assets, as maintenance will not be considered capital. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. 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

During the year ended, December 31, 2017, depreciation expense was \$188,851 in the Electric Fund, \$27,344 in the General Fund, \$13,397 in the Water Fund and \$16,776 in the Wastewater Fund.

Delinquent Property Taxes Receivable: Delinquent taxes receivable represent property taxes outstanding as of December 31, 2017. 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, 2017. 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.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2017, the carrying amount of the Village's deposits, including certificates of deposit, was \$896,694, and the bank balance was \$888,101. 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, 2017, the Village's deposits were covered by federal deposit insurance or offset by debt.

At December 31, 2017, the Village had \$83,408 in restricted cash balances for the sidewalk project.

At December 31, 2017, the Village had \$116,854 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.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 3 RESTRICTED NET POSITION

Restricted net position at December 31, 2017 are as follows:

General Fund:	
Sidewalk Project	<u>\$ 83,408</u>
Electric Fund	
Solar Project	<u>\$ 116,854</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.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 is as follows:

<b>Business-type activities:</b>	<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>-</u>	<u>22,842</u>	<u>-</u>	<u>22,842</u>
Total capital assets, not being depreciated	<u>21,676</u>	<u>22,842</u>	<u>-</u>	<u>44,518</u>
Capital assets, being depreciated				
Transmission plant	126,138	5,221	-	131,359
Solar panels	2,881,108	103,175	-	2,984,283
Distribution plant	1,683,021	1,000		1,684,021
General plant	<u>1,074,595</u>	<u>35,021</u>	<u>(25,808)</u>	<u>1,083,808</u>
Total capital assets, being depreciated	5,764,862	144,417	(25,808)	5,883,471
Accumulated depreciation for capital assets	<u>(2,357,095)</u>	<u>(188,851)</u>	<u>25,808</u>	<u>(2,520,138)</u>
Total capital assets, being depreciated, net	<u>3,407,767</u>	<u>(44,434)</u>	<u>-</u>	<u>3,363,333</u>
Electric fund, capital assets, net	<u>3,429,443</u>	<u>(21,592)</u>	<u>-</u>	<u>3,407,851</u>

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 4 CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Fund:				
Capital assets, being depreciated				
Buildings and improvements	175,867	-	-	175,867
Pipelines and services	284,209	4,311	-	288,520
Equipment	18,590	-	-	18,590
Meters	<u>41,318</u>	<u>-</u>	<u>-</u>	<u>41,318</u>
Total capital assets, being depreciated	<u>519,984</u>	<u>4,311</u>	<u>-</u>	<u>524,295</u>
Accumulated depreciation for capital assets	<u>(286,339)</u>	<u>(13,397)</u>	<u>-</u>	<u>(299,736)</u>
Water fund, capital assets, net	<u>233,645</u>	<u>(9,086)</u>	<u>-</u>	<u>224,559</u>
Wastewater Fund:				
Capital assets, not being depreciated				
Land	34,500	-	-	34,500
Construction in progress	<u>6,800</u>	<u>27,200</u>	<u>-</u>	<u>34,000</u>
Total capital assets, not being depreciated	<u>41,300</u>	<u>27,200</u>	<u>-</u>	<u>68,500</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	<u>20,325</u>	<u>-</u>	<u>-</u>	<u>20,325</u>
Total capital assets, being depreciated	<u>873,582</u>	<u>-</u>	<u>-</u>	<u>873,582</u>
Accumulated depreciation for capital assets	<u>(653,611)</u>	<u>(16,776)</u>	<u>-</u>	<u>(670,387)</u>
Total capital assets, being depreciated, net	<u>219,971</u>	<u>(16,776)</u>	<u>-</u>	<u>203,195</u>
Wastewater fund, capital assets, net	<u>261,271</u>	<u>10,424</u>	<u>-</u>	<u>271,695</u>
<b>Business-type Activities, Capital Assets, Net</b>	<u><b>\$ 3,924,359</b></u>	<u><b>\$ (20,254)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 3,904,105</b></u>

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 4 CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
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>
Capital assets, being depreciated				
Building	1,206,088	-	-	1,206,088
Sidewalks	124,470	-	-	124,470
Sidewalk enhancement	303,839	10,532	(70,976)	243,395
Crosswalks	4,248	-	-	4,248
Other structures	19,435	10,334	-	29,769
Equipment	<u>4,532</u>	<u>-</u>	<u>-</u>	<u>4,532</u>
Total capital assets, being depreciated	<u>1,662,612</u>	<u>20,866</u>	<u>(70,976)</u>	<u>1,612,502</u>
Accumulated depreciation for capital assets				
Building	(973,499)	(7,855)	-	(981,354)
Sidewalks	(123,333)	(1,141)	-	(124,474)
Sidewalk enhancement	(37,048)	(16,308)	-	(53,356)
Crosswalks	(3,706)	(285)	-	(3,991)
Equipment	<u>(800)</u>	<u>(1,755)</u>	<u>-</u>	<u>(2,555)</u>
Total accumulated depreciation	<u>(1,138,386)</u>	<u>(27,344)</u>	<u>-</u>	<u>(1,165,730)</u>
Total capital assets, being depreciated, net	<u>524,226</u>	<u>(6,478)</u>	<u>(70,976)</u>	<u>446,772</u>
General fund, capital assets, net	<u>\$ 530,726</u>	<u>\$ (6,478)</u>	<u>\$ (70,976)</u>	<u>\$ 453,272</u>

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 5 NOTE PAYABLE – SHORT-TERM

The following is a summary of changes in short-term debt for the year ended December 31, 2017.

	<u>Balance 12/31/16</u>	<u>Additions</u>	<u>Principal Repayments</u>	<u>Balance 12/31/17</u>
Note payable, Union Bank due May 14, 2017, interest at 1.05%, secured by equipment	\$ 161,400	\$ -	\$ (161,400)	\$ -
Note payable, Union Bank due May 14, 2018, interest at 1.35%, secured by equipment	\$ -	\$ 107,600	\$ -	\$ 107,600
Note payable, Union Bank due October 6, 2018, interest at 1.27%, secured by equipment	<u>-</u>	<u>30,688</u>	<u>-</u>	<u>30,688</u>
	<u>\$ 161,400</u>	<u>\$ 138,288</u>	<u>\$ (161,400)</u>	<u>\$ 138,288</u>

NOTE 6 NOTES PAYABLE – LONG TERM

<b>Business-type activities:</b>	<u>Balance 12/31/16</u>	<u>Additions</u>	<u>Principal Repayments</u>	<u>Balance 12/31/17</u>	<u>Current Portion</u>
Electric Fund:					
4.23% Union Bank, annual principal payments of \$123,760 to include interest, paid on February 1st through 2041	<u>\$ 3,094,000</u>	<u>\$ -</u>	<u>\$ (123,761)</u>	<u>\$ 2,970,239</u>	<u>\$ 123,760</u>
<b>TOTAL ELECTRIC FUND LONG-TERM DEBT</b>	<u>\$ 3,094,000</u>	<u>\$ -</u>	<u>\$ (123,761)</u>	<u>\$ 2,970,239</u>	<u>\$ 123,760</u>

Village of Hyde Park, Vermont  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 6 NOTES PAYABLE – LONG TERM (continued)

Schedule maturities of note payable for the electric fund are as follows at December 31, 2017:

	Notes Payable	Interest	Total
2018	\$ 123,760	\$ 30,705	\$ 154,465
2019	123,760	29,425	153,185
2020	123,760	28,146	151,906
2021	123,760	26,867	150,627
2022	123,760	25,587	149,347
2023-2027	618,800	108,747	727,547
2028-2032	618,800	76,762	695,562
2033-2037	618,800	44,778	663,578
2038-2041	495,039	12,793	507,832
	\$ 2,970,239	\$ 383,810	\$ 3,354,049

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. In 2017, Hyde Park’s share of the Highgate Converter Project was sold.

Village of Hyde Park, Vermont  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 8 ELECTRIC POWER SOURCES AND COMMITMENTS (continued)

The energy sold through the Electric Department is obtained from a variety of sources. A summary of the major power agreements as of December 31, 2017, follows:

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, 2032. The Electric Department's share of the second contract is a 176 kW entitlement to the Niagara Project. Effective September 1, 2007, the Niagara contract was renewed through September 1, 2025.

The Electric Department is required to purchase power from small power producers through the Vermont Electric Power Producers, Inc. ("VEPPI"), in accordance with PSB Rule #4.100. The Electric Department's share of VEPPI power in 2017 was 0.20%. 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. Some of the Standard Offer resources are configured as load-reducers and are not settled in the wholesale markets. This configuration results in lower reported loads for Hyde Park. The Electric Department's share of Standard Offer power in 2017 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. The Electric Department's average share of the 20.5 WM plant in 2017 was 0.21%.

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. The generator is configured as a load-reducer, meaning it is not settled in the ISO-NE marketplace. Instead, it helps to reduce loads, which offsets energy, capacity, and transmission costs for ratepayers. In 2017, the facility generated 1,301 MWh of electricity.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 8 ELECTRIC POWER SOURCES AND COMMITMENTS (continued)

Hyde Park has also elected to participate the purchase of energy, capacity and associated attributes from Seabrook Nuclear Power Plant in Vermont statewide negotiated contract. Capacity under this contract began in June 2015; energy deliveries will began in January 2019. The 20-year contract includes varying amounts of energy and capacity over the life of the contract. In 2019, 876 MWh is expected to be delivered.

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, 2017, was as follows:

<u>Resource</u>	<u>mWh</u>	<u>Percent</u>	<u>Expiration</u>
HQ US	607	5.24	10/31/2038
Market Purchases	427	3.68	Varies
NYPA - Niagara	1,316	11.37	9/1/2025
NYPA - St. Lawrence	28	0.25	4/30/2032
Planned Purchase 10	2,890	24.96	12/31/2017
Planned Purchase 8	4,133	35.69	12/31/2017
Ryegate	357	3.08	10/31/2021
Standard Offer	22	0.19	Varies
Standard Offer Loan Reducers	206	1.78	Varies
VEPPI	293	2.53	Varies
	10,279	88.77	
Waterhouse Solar	1,301	11.23 %	owned
Subtotal Resources	<u>11,580</u>	<u>100.00 %</u>	
Purchased from Pool	1,111		
Used to Serve Load	12,691		

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 8 ELECTRIC POWER SOURCES AND COMMITMENTS (continued)

The cost of power from all power vendor sources for the year ended December 31, 2017 was as follows:

**TOTAL SUPPLY COSTS**

HQ US	\$ 31,048
Market Purchases	16,588
NYPA - Niagara	32,312
NYPA - St. Lawrence	732
Planned Puchase 10	150,542
Planned Puchase 8	245,230
Ryegate	35,562
Standard Offer	4,161
Standard Offer Load Reducers	45,381
VEPPI	31,684
Seabrook	38,433
Subtotal Power Supply	631,673

**TRANSMISSION COSTS**

GMP Transmission	\$ 81,133
Highgate PTF Credit	(4,698)
Highgate Transmission	5,205
LCSF Fixed Charge	51,000
LCSF Equity Overbuy Return	61,766
Nepool/ISO Transmission	222,436
Velco '91	41,909
Subtotal Transmission	458,751

**VPPSA AND OTHER COSTS**

Resource Settlement Credits	\$ (398,820)
Load Settlement Charges	414,597
Other Load and Market Charges/(Credits)	143,963
ISO Sched I,II,III	17,505
Renewable Energy Credits	(7,022)
RES Requirements	1,735
VELCO Services	244
ISO Misc	(312)
Misc Resettlements	24
VPPSA CDA Fee	20,919
Subtotal VPPSA and Other	192,833

<b>TOTAL POWER SUPPLY AND TRANSMISSION</b>	<b>\$ 1,283,257</b>
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Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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

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

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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, 2017, 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		75,780
Total units owned and held by the Village		200,030
VT Transco, LLC Units owned by VPPSA on the Village's behalf		161,811
TOTAL INVESTMENTS	\$	361,841

Village of Hyde Park, Vermont  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

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, 2017 and for the Village of Hyde Park, Vermont's reporting period (the year ended December 31, 2017). 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, 2017, the State has chosen to use the end of the prior fiscal year (June 30, 2016) as the measurement date, and the year ended June 30, 2016 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, 2016, to the measurement date of June 30, 2017.

Schedule A – Employer Allocation as of June 30, 2015 and June 30, 2016

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 (7.15% Discount Rate)	Net Pension Liability 1% Increase (9.15% Discount Rate)
\$ 55,031	\$ (1,389)	\$ 238,200	\$ 19,541

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 10 PENSION PLAN (continued)

Schedule B – Employers’ Allocation as of June 30, 2016

Fiscal Year Ended June 30, 2016				
Employer Contributions	Employer Proportion	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
\$ 23,085	0.1519%	\$ 1,023,350	\$ 830,871	\$ 195,479

Fiscal Year Ended June 30, 2016			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Discount Rate)	Net Pension Liability 1% Increase (8.95% Discount Rate)
\$ 101,775	\$ (1,971)	\$ 324,514	\$ 87,438

Schedule C – Employers’ Allocation as of June 30, 2016

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
0.15189%	\$ 195,479	\$ 4,016	\$ 31,393	\$ -	\$ 63,384	\$ 2,982	\$ 101,775

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
\$ -	\$ -	\$ -	\$ -	\$ (1,971)	\$ (1,971)

Village of Hyde Park, Vermont  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 10 PENSION PLAN (continued)

Pension Expense Recognized		
Proportionate Share of Pension Plan Expense	Change in Proportional Share of Contributions	Total
\$ 52,315	\$ 834	\$ 53,149

Schedule D – Employers’ Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2016

Fiscal Year					
2017	2018	2019	2020	2021	Thereafter
\$ 26,557	\$ 26,557	\$ 35,753	\$ 10,936	\$ -	\$ -

Schedule E – Contribution History for Fiscal Years 2014-2016

FY 2016	FY 2015	FY 2014
\$ 23,085	\$ 21,622	\$ 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](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, 2017

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.
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Creditable service	Service as a member plus purchased service.
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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, 2017

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.

Village of Hyde Park, Vermont  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 10 PENSION PLAN (continued)

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.
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% Group B – 4.875% Group C – 10.00% Group D – 11.35%
Employer Contributions	Group A – 4.0% Group B – 5.5% Group C – 7.25% Group D – 9.85%
Retirement Stipend	\$25 per month payable at the option of the Board of retirees.

Significant Actuarial Assumptions and Methods

Interest Rate: 7.95% per annum.

Salary Increases: 5% per year

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 10 PENSION PLAN (continued)

Deaths:

Groups A,B and C : RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 60% Blue Collar and 40% White Collar adjustment.

Group D: RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 100% Blue Collar adjustment.

The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

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 – Projected benefit cost method, The unfunded accrued liability is amortized in installments increasing by 5% per year.

Asset Valuation Method (for funding purposes): Invested assets are reported at fair value. 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% per year.

Long-term expected rate of return: The long-term expected rate of return on System investments was determined using best- estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that 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, 2016 are summarized in the following table:

Village of Hyde Park, Vermont  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 10 PENSION PLAN (continued)

Asset Class	Long-Term Expected Real Rate of Return
Equity	8.54%
Fixed Income	2.36%
Alternatives	8.35%
Multi-strategy	4.91%

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 7.95%. 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%)
\$ 324,514	\$ 195,479	\$ 87,438

NOTE 11 INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Balances at December 31, 2017, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 75,188
Electric Fund	18,720	-
Water Fund	10,102	-
Wastewater Fund	<u>46,366</u>	<u>-</u>
TOTAL	<u>\$ 75,188</u>	<u>\$ 75,188</u>

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.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 12 OPERATING LEASE

During the year ended, December 31, 2017, 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, 2017 was \$14,775. The future minimum lease payments are as follows:

2018	\$ 14,775
2019	14,775
2020	14,775
2021	14,775
2022	14,775
2023-2027	73,875
2028-2032	73,875
2033-2037	73,875
2038-2040	<u>44,325</u>
Total	<u>\$ 339,825</u>

NOTE 13 SUBSEQUENT EVENTS

In accordance with professional account standards, the Village has evaluated subsequent events through April 3, 2018, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2017, 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, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Property taxes	\$ 35,033	\$ 35,033	\$ 33,906	\$ (1,127)
Charges for service	23,048	23,048	40,428	17,380
Miscellaneous	300	300	310	10
Interest	2	2	310	308
TOTAL REVENUES	58,383	58,383	74,954	16,571
<b>EXPENDITURES</b>				
General government and administrative	35,464	35,464	6,557	28,907
Streets and sidewalks	16,000	16,000	18,518	(2,518)
Street lights	5,400	5,400	5,416	(16)
Recreation	1,519	1,519	10,721	(9,202)
Capital outlays	-	-	10,532	(10,532)
TOTAL EXPENDITURES	58,383	58,383	51,744	6,639
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ 23,210	\$ 9,932

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, 2017

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Village's proportion of the net pension liability (asset)	1.0134%	0.1593%	0.1547%	0.1519%
Village's proportionate share of the net pension liability (asset)	<u>\$ 50,558</u>	<u>\$ 14,542</u>	<u>\$ 119,253</u>	<u>\$ 195,479</u>
Village's covered-employee payroll	<u>\$ 287,351</u>	<u>\$ 304,035</u>	<u>\$ 316,714</u>	<u>\$ 331,051</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%	59.05%
Plan fiduciary net position as a percentage of the total pension liability	92.71%	98.32%	87.42%	80.95%

*Significant Actuarial Assumptions and methods are described in Note 10 to the financial statements. There were no changes in methods or assumptions during the year ended December 31, 2017.*

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 For the Year Ended December 31, 2017

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually Required Contributions (Actuarially Determined)	\$ 16,669	\$ 20,554	\$ 21,622	\$ 23,085
Contributions in Relation to the Actuarially Determined Contributions	<u>16,669</u>	<u>20,554</u>	<u>21,622</u>	<u>23,085</u>
Covered Employee Payroll	<u>\$ 287,351</u>	<u>\$ 304,035</u>	<u>\$ 316,714</u>	<u>\$ 331,051</u>
Contributions as a Percentage of Covered Employee Payroll	5.80%	6.76%	6.83%	6.97%

*Significant Actuarial Assumptions and methods are described in Note 10 to the financial statements. There were no changes in methods or assumptions during the year ended December 31, 2017.*

See Accompanying Notes to Financial Statements.