

Village of Hyde Park, Vermont

FINANCIAL STATEMENTS

December 31, 2019

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December 31, 2019

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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, 2019, 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, 2019, 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 40, schedule of proportionate share of the net pension liability on page 41 and schedule of contributions on page 42 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.



St. Albans, Vermont  
April 20, 2020

Village of Hyde Park, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2019

## **INTRODUCTION**

The following Management's Discussion and Analysis (MD&A) serves as an introduction to the financial statements of the Village of Hyde Park (VOHP). It is intended to be an objective and easily understandable analysis of significant financial and operating activities and events for the fiscal year ended December 31, 2019 (FY 2019). This MD&A should be read in conjunction with the audited financial statements and accompanying notes that follow.

## **FINANCIAL HIGHLIGHTS**

This annual report consists of a series of financial statements. 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. 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 FY 2019 to note for further discussion, as follows:

Total net position as of December 31, 2019 decreased \$323,019 compared to a decrease of \$236,860 in FY 2018.

- Net position of General Fund (governmental) activities decreased by \$1,229 compared to a decrease of \$2,195 in FY 2018.
  - The Village property tax rate of \$.082 per \$100 of property value for FY 2019 generated revenue of \$33,413. The Village property tax rate of \$.082 per \$100 of property value in FY 2018 generated revenue of \$36,583.
  - The market value of the grand list increased to \$41,306,500 in FY 2019 from \$40,319,800 in FY 2018, a town wide reappraisal was completed for assessment year beginning April 1, 2018.
- Net position of Electric Department, Water Department and Wastewater Department (business-type enterprise activities) decreased \$321,790 for FY 2019, as compared to a decrease of \$234,665 in FY 2018.
- Revenue generated by charges for electric services increased by \$17,686, while expenses increased \$104,629.
- For water and wastewater business-type activities, combined charges for services increased \$979 from the prior year, while expenses increased by \$12,076.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to basic financial statements and 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. This report does not contain other supplementary information to the basic financial statements themselves.

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

This statement measures the activities for the year and can be used to determine whether taxes, rates, fees and other charges are adequate to recover expenses.

Our analysis of VOHP as a whole begins on page 1 of the basic financial statements. The Statement of Net Position and the Statement of Activities report information about VOHP as a whole. 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 net position and the changes in them. Over time, increases or decreases in net position are indicators of whether its financial health is improving or deteriorating and should take into consideration factors such as changes in property tax charges, property tax base, regulatory expense burdens, the condition of utility infrastructure and rates.

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

**Governmental Activities**

VOHP reports basic services as General Fund (governmental activities). These include general administration, grant management, land use and development ordinances, planning and zoning administration, sidewalk snow removal and maintenance, sidewalk repair and new construction, street lighting, parks, trash receptacles and trash removal. 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. Hyde Park Electric, Water and Wastewater departments 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 that comprise VOHP. 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** - Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed, short-term view of 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 government 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.

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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 FY 2019, VOHP combined net position decreased \$323,019 as compared to a decrease of \$236,860 in FY 2018. 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	2019 Totals	2018 Totals	Increase (Decrease)
Cash and cash equivalents	\$ 54,901	\$ 143,846	\$ 198,747	\$ 328,687	\$ (129,940)
Other assets	75,461	750,256	825,717	760,888	64,829
Restricted Assets	13,493	95,888	109,381	130,577	(21,196)
Investments	-	590,714	590,714	521,680	69,034
Capital assets, net	431,857	3,886,878	4,318,735	4,322,135	(3,400)
Deferred Outflows	<u>991</u>	<u>98,072</u>	<u>99,063</u>	<u>100,494</u>	<u>(1,431)</u>
<b>Total Assets and Deferred Outflows</b>	<u>576,703</u>	<u>5,565,654</u>	<u>6,142,357</u>	<u>6,164,461</u>	<u>(22,104)</u>
Debt	-	3,367,832	3,367,832	3,179,212	188,620
Other Liabilities	4,229	811,525	815,754	700,407	115,347
Unearned revenue	-	20,625	20,625	22,000	(1,375)
Deferred Inflows	<u>48</u>	<u>4,704</u>	<u>4,752</u>	<u>6,430</u>	<u>(1,678)</u>
<b>Total Liabilities and Deferred Inflows</b>	<u>4,277</u>	<u>4,204,686</u>	<u>4,208,963</u>	<u>3,908,049</u>	<u>300,914</u>
<b>Net Position</b>	<u>\$ 572,426</u>	<u>\$ 1,360,968</u>	<u>\$ 1,933,394</u>	<u>\$ 2,256,412</u>	<u>\$ (323,018)</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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	<u>Governmental</u>	<u>Business-type</u>	<u>Total Activities</u>
Net Position - Beginning	\$ 573,655	\$ 1,682,758	\$ 2,256,413
Net Position - Ending	<u>572,426</u>	<u>1,360,968</u>	<u>1,933,394</u>
Change in Net Position	<u>\$ (1,229)</u>	<u>\$ (321,790)</u>	<u>\$ (323,019)</u>

VOHP's total revenue increased to \$2,617,203 in FY 2019 as compared to FY 2018 revenue of \$2,585,871 an increase of \$31,332. 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 \$2,276, this year while total expenses decreased \$4,790. In FY 2019, 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 \$29,247 for FY 2019 as compared \$33,899 for FY 2018. 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 \$35,803. The cost was paid partially by other funds in the amount of \$22,603 for warehouse rental and other contributions.

The following presents the cost of each of the VOHP's major functions: street lighting, sidewalk maintenance, planning and 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>2019</u>	<u>2018</u>	<u>Change</u>
General government & administration	\$ 7,913	\$ 12,794	\$ (4,881)
Streets and sidewalk	16,857	16,208	649
Street lights	4,477	4,495	(18)
Village Services/Parks	<u>-</u>	<u>402</u>	<u>(402)</u>
<b>Total Governmental Activities</b>	<u>\$ 29,247</u>	<u>\$ 33,899</u>	<u>\$ (4,652)</u>

#### **Business-Type Activities Revenue and Expenses**

Revenues of VOHP's business-type activities have increased over FY 2018 revenues by \$11,801, and overall expenses have increased by \$116,705, over the prior year. The factors driving these results include:



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**Revenues**

Electric charges for electric service increased \$17,686 from the prior year. Water and Wastewater revenue decreased by approximately 1% over 2018 due to decreased usage.

**Expenses**

Electric expenses increased by \$104,629 to \$2,672,017 as compared to \$2,567,388 in FY 2018. Regulatory related consulting and legal fees associated with the July rate filing contributed to the increase. Purchase power and transmission costs continue to be the largest expense of the VOHP's business-type activities. These expenses decreased to \$1,359,537 in FY 2019 from \$1,369,196 in FY 2018, a 1% decrease. Water and Wastewater expenses increased to \$165,366 in FY 2019 from \$153,290 in FY 2018, a difference of \$12,076.

**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 \$141,006, which is an increase of \$19,577 over the FY 2018 fund balance of \$121,429. Of this fund balance, \$13,493 has been restricted for future sidewalk or crosswalk capital projects. 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:

**Proprietary Funds**

The proprietary funds consist of the Electric, Water and Wastewater 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.

**ELECTRIC DEPARTMENT**

<b>Statement of Revenue, Expenditures and Changes in Net Position</b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b>Increase <u>(Decrease)</u></b>
<b>Total Operating Revenues</b>	<b><u>\$2,210,904</u></b>	<b><u>\$2,193,218</u></b>	<b><u>\$ 17,686</u></b>
Expenses:			
Purchases power, transmission and distribution	1,577,935	1,582,595	(4,660)
Customer accounts	209,396	230,320	(20,924)
Administrative and general	531,736	422,685	109,051
Depreciation expenses	194,534	185,677	8,857
Taxes	<u>158,416</u>	<u>146,111</u>	<u>12,305</u>
<b>Total Operating Expenses</b>	<b><u>2,672,017</u></b>	<b><u>2,567,388</u></b>	<b><u>104,629</u></b>
Operating Income (Loss)	(461,113)	(374,170)	(86,943)
Non-operating income	<u>140,601</u>	<u>129,480</u>	<u>11,121</u>
<b>Change in net position</b>	<b><u>\$ (320,512)</u></b>	<b><u>\$ (244,690)</u></b>	<b><u>\$ (75,822)</u></b>

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- Hyde Park Electric (HPE) provides services to 1,398 retail customers, 1,184 (or 85%) are residential, and the balance small commercial, public facilities and street lighting.
- HPE service territory is about 18 square miles, encompassing the Village, extending to North Hyde Park and the National Guard facilities, as well as a portion of the Town of Johnson. HPE serves the Lamoille County Courthouse, Lamoille County Sheriff's Department, Hyde Park Elementary School, Town and Village facilities, Hyde Park Fire Department, Lanpher Memorial Library and the Opera House. The largest electric customer is Lamoille Union High School. HPE connects to the transmission system of Green Mountain Power (GMP).
- In FY 2019, striving to maintain system reliability, right-of-way clearing expenses were \$10,800. System reliability remains strong as demonstrated in the annual "Reliability Report" submitted to the Department of Public Service. The total number of "customer hours out" was approximately 1,056 out of a possible 12,036,240 total. Of the customer hours out, 68% related to incidents relating to trees, 76% of those outages related to severe weather patterns.
- The October 25, 2019, HPE Integrated Resource Plan was approved by the Department of Public Service and is available for review at [www.villageofhydepark.com](http://www.villageofhydepark.com).

#### WATER DEPARTMENT

<b>Statement of Revenue, Expenditures and Changes in Net Position</b>	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
<b>Total Operating Revenues</b>	<u>\$ 86,752</u>	<u>\$ 88,869</u>	<u>\$ (2,117)</u>
Expenses:			
Distribution	42,495	43,480	(985)
Customer accounts	12,263	12,439	(176)
Administrative and general	24,355	21,153	3,202
Depreciation expenses	13,874	13,352	522
Taxes	<u>4,911</u>	<u>5,140</u>	<u>(229)</u>
<b>Total Operating Expenses</b>	<u>97,898</u>	<u>95,564</u>	<u>2,334</u>
Operating Income (Loss)	(11,146)	(6,695)	(4,451)
Non-operating income	<u>568</u>	<u>484</u>	<u>84</u>
<b>Change in net position</b>	<u>\$ (10,578)</u>	<u>\$ (6,211)</u>	<u>\$ (4,367)</u>

- In 1910-11, VOHP installed an 8-inch water main through Main Street. In 1941-42, the Fitch Hill reservoir was constructed.
- In 2015, the state required a Preliminary Engineering Report on the Drinking Water System by July 1, 2016.
- In 2016, VOHP was awarded a \$20,000 Water Asset Management Grant – completed in 2017

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- In 2017, VOHP signed engineering services agreement with Dufresne Group
- In 2018, VOHP attained 2019 Priority List with the State Revolving Fund in the amount of \$4,267,000, with a \$1,067,000 loan forgiveness, zero interest and zero administrative fees.
  - April 2019, Public Meeting, Conditions and Needs of the Drinking Water System
  - May 2019, Public Meeting, Conditions and Needs of the Drinking Water System
  - June 2019, Public Meeting, Conditions and Needs of the Drinking Water System
  - July 2019, Public Information Hearing, Engineering Plans and Funding
  - August 2019, Two Public Meetings at the Fire Station for Fire Flow Information
  - August 2019, Public Information Hearing, Engineering Plans and Funding
  - Sept 2019, Tri-fold flyer mailed twice to all water customers, with the rate details
  - Sept 2019, Dufresne Group public informational hearing
- An Australian ballot was held on October 16, 2019, 91% of ballots cast approved the funding.

#### WASTEWATER DEPARTMENT

Statement of Revenue, Expenditures and Changes in Net Position	<u>2019</u>	<u>2018</u>	Increase (Decrease)
<b>Total Operating Revenues</b>	\$ 76,609	\$ 73,513	\$ 3,096
Expenses:			
Distribution	32,843	22,589	10,254
Customer accounts	6,694	6,255	439
Administrative and general	9,359	10,842	(1,483)
Depreciation expenses	16,890	16,890	-
Taxes	<u>1,682</u>	<u>1,150</u>	<u>532</u>
<b>Total Operating Expenses</b>	<u>67,468</u>	<u>57,726</u>	<u>9,742</u>
Operating Income (Loss)	9,141	15,787	(6,646)
Non-operating income	<u>159</u>	<u>449</u>	<u>(290)</u>
<b>Change in net position</b>	<u>\$ 9,300</u>	<u>\$ 16,236</u>	<u>\$ (6,936)</u>

- The wastewater system, installed in 1977-78, reached an age that necessitated an engineering inspection, analysis, design and financial planning in 2017.

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- In 2019, voters approved general obligation bonds or notes of the Village of Hyde Park in an amount not to exceed \$985,000, subject to reduction from the receipt of available state and federal grants-in-aid, be issued for the purpose of financing the cost of improving the wastewater collection, pumping and treatment systems. These improvements are expected to be completed in 2020.

### **CAPITAL ASSETS**

At the end of 2019, VOHP has a net book value of \$4,318,735 and \$4,352,135 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, a solar generating plant, 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 \$245,176 total depreciation expense charged to 2019 expenses, \$20,878 was charged to the governmental activities. The remaining \$225,298 is charged to the business-type activities.

### **MAJOR PROJECTS AND INITIATIVES**

#### **WATER DEPARTMENT**

- In 2018, we attained 2019 Priority Listing with the State Revolving Fund in the amount of \$4,267,000.
- In 2019, the Village received a revised water permit stating, *"The Secretary also finds that if the following compliance schedule is met, the continued operation of the Water System does not constitute a public health hazard or a significant public health risk: On or before December 1, 2020, the Permittee shall complete infrastructure improvements as authorized by the Construction Permit obtained per Section II.B.1.a of this Permit."*
- An Australian ballot was held on October 16, 2019 to approve funding in order to meet the state's compliance schedule. 91% voted yes to fund state approved water improvements in 2020-2021.

#### **WASTEWATER DEPARTMENT**

Force main lines were inspected to reveal both the condition of the lines and to establish a capital replacement plan and budget. At that time, a few sections were found that needed repairs as well as a plank extending into the main line from the Elementary School connection which occurred during school construction. Without video detection, this plank could have caused backup and resulted in costly damage and repairs. The plank was removed by the school.

In 2020, construction will serve to meet regulatory requirements, resolve capacity issues and aging infrastructure to improve reliability, operation and maintenance of the wastewater system.

- To provide treatment capacity for current users and future growth, the forty-year old Area II service area will be replaced.
- The Johnson Street Extension Pump Station is in failing condition and will be replaced along with connecting force main line.
- Area 1 will have effluent filters and a 1,000 gallon tank installed.

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## **ELECTRIC DEPARTMENT**

HPE received Public Utility Commission approval of a two-year Community Solar Rider pilot program to be in effect November 1, 2018 through October 31, 2020. The two-year pilot program will be offered to residential and rural rate customers who meet certain income limits and be limited to 10 participating customers in order to allow Hyde Park to gain experience with the mechanics of implementing the tariff. The goal is to develop a permanent Community Solar Rider program that would be supplied by new or dedicated renewable generation resources after the pilot period has ended. This ruling satisfied the requirements of the Clean Energy Development Grant and Vermont Public Service Department grant agreement of August 8, 2016 to provide funding to assist HPE to establish a pilot residential community solar rider.

## **ECONOMIC FACTORS AND RATES**

We have completed engineering studies and infrastructure evaluations to guide capital plans, budgets, operations and maintenance of the water, wastewater and electric utility systems. While these studies have been completed over the last few years, the process will be ongoing, in particular to the electric system. Solar arrays and battery installations impact our electric distribution grid requiring engineering analysis to determine system impacts and investments. The aged electric distribution substation and transmission will require engineering studies and financial analysis to determine the optimum capital investment within the next three years.

A cost beyond HPE's control is Vermont's net metering program which requires utilities to compensate producers at rates above the cost to purchase power or self-generate 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. In FY 2019, the total net metering compensation paid was \$67,854 -this is an annual cost burden. HPE must recover this added expense through electric rates. There will be forward pressure on all Vermont utilities.

In 2019, HPE's total energy requirements, both purchased power and self-generation, was 13,686,996 kWh, a year to year increase of .2%. HPE reached a peak energy requirement of 2.52 MW in January 2019, versus a 2.5 MW in January 2018.

Wholesale power delivered to the HPE substation is comprised of three cost components: Energy, Capacity and Transmission. The outlook looks stable for capacity charges. Transmission charges are projected to steadily increase year to year. 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.

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 2019, HPE generated approximately 1.3 MW for HPE ratepayers and generated 1.3 MW Renewable Energy Credits to offset 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.

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## **ELECTRICITY RATES**

During the three-year period from 2007 to 2010 rates increased by a total of 29.83%. Effective December 1, 2007 rates increased 6.98%, February 1, 2009, rates increased 8.38%, and July 1, 2010 rates increased 14.47%.

In July 2019, HPE filed Case No. 19-3020-TF requesting an overall rate increase of 15.69%, to take effect on a service rendered basis September 1, 2019 according to regulatory guidelines, which considered the 2018 audited financial reports and current projections of the wholesale energy markets.

Several factors impacted the PUC ORDER APPROVING UPDATED TARIFF SHEETS AND REFUND PLAN entered April 3, 2020. This order approved HPE plan to refund the difference between the funds collected using the 15.69% proposed rate increase and the funds implementing the 7.75% approved rate increase to individual ratepayers in its July 2020 bills. From the July 2019 filing, HPE worked with the DPS as forward energy prices reduced, REC values increased as follows:

- Energy New England ("ENE") provided the forward energy price projections in July, 2019, the filing month. The Department of Public Service ("DPS") updated forward prices in 2020 and the trend was lower than in July.
- HPE then secured a bilateral power contract to capture lower forward energy pricing, stabilize rates and reduce risk to further mitigate the rate increase. The Master Power Purchase and Sale Agreement by and between NextEra Energy Marketing, LLC and the Village of Hyde Park Electric Department allows HPE to purchase physical electric energy effective January 17, 2020 for 46% coverage in 2020, 51% coverage in 2021, and 27% coverage in 2022.
- Waterhouse Solar Renewable Energy Credits ("RECs") held a much higher market value in 2020. Higher REC pricing and lower forward energy pricing work to reduce the rate increase. The Public Service Department stated that the 2019 certified RECs generated by HPE's solar facility should be sold to reduce the rate increase. Waterhouse Solar RECs sold for \$47,700 and revenue received in FY 2020.
- The Public Service Department stated a preference for more frequent rate filings, noting the nine years since HPE's prior rate increase.
- HPE realizes a need to mitigate the cost burden on electric rate payers that comes with more frequent regulation. The PSD averaged certain expense categories over prior years 2014-2018, which reduced rate revenues and will result in more frequent rate filings and associated cost burdens.

The factors that apply the greatest upward pressure on rates are increasing transmission costs, net metering expense, regulatory burdens, increased cost to operate and taxes. Other impacts are related to weather, market-based energy expense and equipment failure.

Within the transmission category are various ancillary charges, the largest of those being the Regional Network Service (RNS). RNS is the service over the Pool Transmission Facilities, which the ISO provides to transmission customers to serve their loads. These are monthly charges based on HPE's regional network load value at VELCO's peak. The rates are steadily increasing, and therefore, HPE's resource and efficiency become a larger importance. If HPE can reduce consumption and do so at the critical coincident peak of VELCO, it could potentially save on its transmission charges to the ISO. Using the most recent forecasted rates and HPE's three-year monthly peaks, ENE created a forecast of HPE's transmission impact. With projected RNS costs totaling over 1 million a year, Hyde Park's desired portfolio will have a mix of load reduction resources and energy efficiency load savings.

Village of Hyde Park, Vermont  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2019

Under the Vermont Renewable Energy Standard, Waterhouse Renewable Energy Certificates RECs are projected to meet RES Tier 2 and Tier 3 requirements through 2028, eliminating alternative compliance payments while also producing sufficient RECs for sales revenue.

### **DRINKING WATER RATES**

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.

The water system has incurred numerous mainline breaks and leaks over the last few years that have drained cash reserves. The major impacts to upward water rates are infrastructure failures and the timing of infrastructure improvements and related bond repayments.

Village water rate structure requires revision in order to more equitably allocate costs and the Board of Trustees will provide such rate structure. The Board of Trustees acknowledges its duty to set rates that generate revenue to pay debt, operating expenses and capital reserves for additional improvements. The annual bond payment associated with water system improvements is \$106,000 annually. In addition, regulatory related expense and cost of operations are expected to increase. A water rate increase will be necessary in 2020.

### **WASTEWATER RATES**

Wastewater 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.

In 2021, a rate increase is required to generate sufficient revenue to pay the debt associated with system replacements, improvements, operating expenses and maintain capital reserves for future additional improvements.

### **CONTACTING VILLAGE OF HYDE PARK FINANCIAL MANAGEMENT**

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

Village of Hyde Park, Vermont  
VILLAGE-WIDE FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION  
December 31, 2019

	Governmental Activities	Business-Type Activities	2019 Total
<u>ASSETS AND DEFERRED OUTFLOWS</u>			
CURRENT ASSETS:			
Cash	\$ 54,901	\$ 143,846	\$ 198,747
Investments	-	590,714	590,714
Accounts receivable, net	2,891	383,460	386,351
Unbilled revenues	-	65,058	65,058
Inventories	-	94,152	94,152
Prepaid expenses	-	6,961	6,961
Due from other funds	72,570	200,625	273,195
TOTAL CURRENT ASSETS	130,362	1,484,816	1,615,178
CAPITAL ASSETS, net	431,857	3,886,878	4,318,735
RESTRICTED CASH	13,493	95,888	109,381
TOTAL ASSETS	575,712	5,467,582	6,043,294
DEFERRED OUTFLOWS OF RESOURCES	991	98,072	99,063
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 576,703</u>	<u>\$ 5,565,654</u>	<u>\$ 6,142,357</u>
<u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 1,891	\$ 174,955	\$ 176,846
Customer deposits	-	8,510	8,510
Accrued expenses and other liabilities	194	119,635	119,829
Accrued interest	-	25,953	25,953
Due to other funds	-	273,195	273,195
Short-term note	-	500,453	500,453
Current portion bonds & notes payable	-	123,760	123,760
Unearned revenue	-	20,625	20,625
TOTAL CURRENT LIABILITIES	2,085	1,247,086	1,249,171
LONG-TERM LIABILITIES			
Net pension liability	2,144	209,277	211,421
Bonds & notes payable	-	2,743,619	2,743,619
TOTAL LONG-TERM LIABILITIES	2,144	2,952,896	2,955,040
TOTAL LIABILITIES	4,229	4,199,982	4,204,211
DEFERRED INFLOWS OF RESOURCES			
VMERS pension	48	4,704	4,752
NET POSITION			
Net investment in capital assets	431,857	1,019,499	1,451,356
Restricted	13,493	95,888	109,381
Unrestricted	127,076	245,581	372,657
TOTAL NET POSITION	572,426	1,360,968	1,933,394
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 576,703</u>	<u>\$ 5,565,654</u>	<u>\$ 6,142,357</u>

See Accompanying Notes to Financial Statements.



Village of Hyde Park, Vermont  
VILLAGE-WIDE FINANCIAL STATEMENTS  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2019

	Expenses	Charges for Services	Capital Grants	Operating Grants	Net (Expense) Revenue and Changes in Net Assets		Total
					Governmental Activities	Business-Type Activities	
<u>Functions/Programs</u>							
Governmental activities:							
General government and administration	\$ 7,742	\$ 21,883	\$ -	\$ -	\$ 14,141	\$ -	\$ 14,141
Streets and sidewalks	45,235	-	-	-	(45,235)	-	(45,235)
Recreation	467	-	-	-	(467)	-	(467)
Street lights	4,477	-	-	-	(4,477)	-	(4,477)
Total government activities	<u>57,921</u>	<u>21,883</u>	<u>-</u>	<u>-</u>	<u>(36,038)</u>	<u>-</u>	<u>(36,038)</u>
Business-type activities:							
Electric utilities	2,672,017	2,210,904	8,428	-	-	(452,685)	(452,685)
Sewer utilities	67,468	76,609	-	-	-	9,141	9,141
Water utilities	97,898	86,752	-	-	-	(11,146)	(11,146)
Total business-type activities	<u>\$ 2,837,383</u>	<u>\$ 2,374,265</u>	<u>\$ 8,428</u>	<u>\$ -</u>	<u>-</u>	<u>(454,690)</u>	<u>(454,690)</u>
General revenues and expenses:							
Property taxes					33,413	-	33,413
Interest income					782	177,818	178,600
Interest expense					-	(44,918)	(44,918)
Miscellaneous income					614	-	614
Total general revenues and expenses					<u>34,809</u>	<u>132,900</u>	<u>167,709</u>
Change in Net Position					(1,229)	(321,790)	(323,019)
Net Position, beginning of year					<u>573,655</u>	<u>1,682,758</u>	<u>2,256,413</u>
Net Position, end of year					<u>\$ 572,426</u>	<u>\$ 1,360,968</u>	<u>\$ 1,933,394</u>

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont  
FUND FINANCIAL STATEMENTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2019

	<u>General Fund</u>
<u>ASSETS</u>	
Cash	\$ 54,901
Due to other funds	72,570
Restricted Cash	<u>13,493</u>
 TOTAL ASSETS	 <u>\$ 140,964</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
 LIABILITIES	
Accounts payable	\$ 1,910
Accrued expenses	<u>174</u>
 TOTAL LIABILITIES	 <u>2,084</u>
 FUND BALANCE	
Restricted	13,493
Unassigned	<u>125,387</u>
 TOTAL FUND BALANCE	 <u>138,880</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 140,964</u>

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont  
FUND FINANCIAL STATEMENTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2019

<b>Fund balances of government funds</b>	<b>\$ 138,880</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	431,857
Some property tax will not be collected for several months after the Village's fiscal year end, therefore is not considered available resources to meet current financial obligations	2,890
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	(2,144)
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.	991
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>(48)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 572,426</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, 2019

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 35,803
Interest and penalties	106
Charges for services	21,883
Grants	314
Other income	<u>300</u>
TOTAL REVENUES	<u>58,406</u>
EXPENDITURES	
General government and administration	7,913
Streets and sidewalks	16,857
Street lights	4,477
Capital outlays	<u>7,500</u>
TOTAL EXPENDITURES	<u>36,747</u>
CHANGE IN FUND BALANCE	21,659
FUND BALANCE, BEGINNING OF YEAR	<u>117,221</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 138,880</u></u>

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont  
FUND FINANCIAL STATEMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2019

<b>Net change in fund balances - governmental funds</b>	<b>\$ 21,659</b>
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**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

Decrease in the accounts receivable	(1,724)
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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.

	(20,878)
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Pension expense	<u>(286)</u>
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<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (1,229)</u></b>
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See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont  
FUND FINANCIAL STATEMENTS  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
December 31, 2019

ASSETS AND DEFERRED OUTFLOWS

	Enterprise Funds			
	Electric Fund	Water Fund	Wastewater Fund	Totals
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash	\$ 70,982	\$ 496	\$ 72,368	\$ 143,846
Investments	590,714	-	-	590,714
Accounts Receivable	353,526	20,647	9,287	383,460
Unbilled Revenues	65,058	-	-	65,058
Inventories	62,302	31,850	-	94,152
Prepaid expenses	6,961	-	-	6,961
Due from other funds	-	-	200,625	200,625
TOTAL CURRENT ASSETS	1,149,543	52,993	282,280	1,484,816
CAPITAL ASSETS, net	3,152,662	380,433	353,783	3,886,878
RESTRICTED CASH	95,888	-	-	95,888
TOTAL ASSETS	4,398,093	433,426	636,063	5,467,582
DEFERRED OUTFLOWS OF RESOURCES	89,156	5,944	2,972	98,072
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 4,487,249	\$ 439,370	\$ 639,035	\$ 5,565,654

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

CURRENT LIABILITIES:				
Accounts payable	\$ 138,871	\$ 34,426	\$ 1,658	\$ 174,955
Customer deposits	8,510	-	-	8,510
Accrued expenses and other liabilities	118,971	332	332	119,635
Accrued interest	25,953	-	-	25,953
Due to other funds	211,784	61,411	-	273,195
Short term note	500,453	-	-	500,453
Current portion bonds & notes payable	123,760	-	-	123,760
Unearned revenue	20,625	-	-	20,625
TOTAL CURRENT LIABILITIES	1,148,927	96,169	1,990	1,247,086
LONG-TERM LIABILITIES				
Net pension liability	188,915	14,306	6,056	209,277
Bonds & notes payable	2,598,959	41,000	103,660	2,743,619
TOTAL LONG-TERM LIABILITIES	2,787,874	55,306	109,716	2,952,896
TOTAL LIABILITIES	3,936,801	151,475	111,706	4,199,982
DEFERRED INFLOWS OF RESOURCES				
VMERS pension	4,276	285	143	4,704
NET POSITION				
Net investment in capital assets	533,078	339,433	250,123	1,122,634
Restricted	95,888	-	-	95,888
Unrestricted	(82,794)	(51,823)	277,063	142,446
TOTAL NET POSITION	546,172	287,610	527,186	1,360,968
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 4,487,249	\$ 439,370	\$ 639,035	\$ 5,565,654

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, 2019

	Enterprise Funds			
	Electric	Water	Wastewater	Total
OPERATING REVENUE				
Charges for services	\$ 2,163,247	\$ 86,752	\$ 76,609	\$ 2,326,608
Rental income	6,277	-	-	6,277
Sales of labor and material	14,817	-	-	14,817
Other operating revenue	<u>26,563</u>	<u>-</u>	<u>-</u>	<u>26,563</u>
 TOTAL OPERATING REVENUE	 <u>2,210,904</u>	 <u>86,752</u>	 <u>76,609</u>	 <u>2,374,265</u>
OPERATING EXPENSES				
Purchased power and transmission	1,359,537	-	-	1,359,537
Distribution	218,398	42,495	32,843	293,736
Customer account expenses	209,396	12,263	6,694	228,353
Administrative & general	531,736	24,355	9,359	565,450
Depreciation expense	194,534	13,874	16,890	225,298
Taxes	<u>158,416</u>	<u>4,911</u>	<u>1,682</u>	<u>165,009</u>
 TOTAL OPERATING EXPENSES	 <u>2,672,017</u>	 <u>97,898</u>	 <u>67,468</u>	 <u>2,837,383</u>
INCOME (LOSS) FROM OPERATIONS	<u>(461,113)</u>	<u>(11,146)</u>	<u>9,141</u>	<u>(463,118)</u>
NON-OPERATING REVENUE (EXPENSE)				
Dividend Income	168,535	-	-	168,535
Interest and penalties	8,556	568	159	9,283
Grant income	8,428	-	-	8,428
Interest Expense	<u>(44,918)</u>	<u>-</u>	<u>-</u>	<u>(44,918)</u>
 TOTAL NON-OPERATING REVENUE (EXPENSE)	 <u>140,601</u>	 <u>568</u>	 <u>159</u>	 <u>141,328</u>
INCREASE (DECREASE) IN NET POSITION	(320,512)	(10,578)	9,300	(321,790)
NET POSITION, BEGINNING OF YEAR	<u>866,684</u>	<u>298,188</u>	<u>517,886</u>	<u>1,682,758</u>
NET POSITION, END OF YEAR	<u>\$ 546,172</u>	<u>\$ 287,610</u>	<u>\$ 527,186</u>	<u>\$ 1,360,968</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, 2019

	Business-Type Activities			
	Electric	Water	Wastewater	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 2,130,493	\$ 152,841	\$ 60,476	\$ 2,343,810
Cash receipts from other services and rental income	47,657	-	-	47,657
Cash payments from customer deposits	(209,396)	(12,263)	(6,694)	(228,353)
Cash payments for taxes	(158,416)	(4,911)	(1,682)	(165,009)
Cash payments to employees including benefits	(512,990)	(22,641)	(8,501)	(544,132)
Cash payments to suppliers	(1,577,935)	(42,495)	(32,843)	(1,653,273)
 NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	 (280,587)	 70,531	 10,756	 (199,300)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisitions and construction of capital projects	(19,463)	(135,528)	(87,785)	(242,776)
Proceeds from long-term notes	167,720	41,000	103,660	312,380
Principal payments on long-term debt	(123,760)	-	-	(123,760)
Interest paid	(44,918)	-	-	(44,918)
 NET CASH PROVIDED/(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	 (20,421)	 (94,528)	 15,875	 (99,074)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipt of interest and dividends	177,091	568	159	177,818
Receipt of grant revenue	8,428	-	-	8,428
Restricted cash	21,216	-	-	21,216
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 206,735	 568	 159	 207,462
 NET INCREASE (DECREASE) IN CASH	 (94,273)	 (23,429)	 26,790	 (90,912)
 CASH - BEGINNING OF YEAR	 165,255	 23,925	 45,578	 234,758
 CASH - END OF YEAR	 <u>\$ 70,982</u>	 <u>\$ 496</u>	 <u>\$ 72,368</u>	 <u>\$ 143,846</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, 2019

	Business-Type Activities			
	Electric	Water	Wastewater	Total
Reconciliation of operating income (loss) to net cash Provided (used) by operating activities				
Operating income (loss)	\$ (461,113)	\$ (11,146)	\$ 9,141	\$ (463,118)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	194,534	13,874	16,890	225,298
(Increase)Decrease in:				
Accounts receivable, net	(3,519)	(14,371)	25,435	7,545
Prepaid expenses	(6,961)	-	-	(6,961)
Unbilled revenues	13,203	-	-	13,203
Investments	(69,034)	-	-	(69,034)
Inventories	2,640	(701)	-	1,939
Deferred outflows	1,288	86	43	1,417
Increase(Decrease) in:				
Accounts payable	6,664	22,792	(18,844)	10,612
Customer deposits	(1,024)	-	-	(1,024)
Accrued expenses and other liabilities	(4,217)	-	-	(4,217)
Due to other funds	23,908	58,369	(22,724)	59,553
Deferred inflows	(1,511)	(101)	(50)	(1,662)
Net Pension Liability	25,930	1,729	865	28,524
Unearned revenue	(1,375)	-	-	(1,375)
Net cash provided/(used) by operating activities	<u>\$ (280,587)</u>	<u>\$ 70,531</u>	<u>\$ 10,756</u>	<u>\$ (199,300)</u>

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019, depreciation expense was \$194,534 in the Electric Fund, \$28,378 in the General Fund, \$13,874 in the Water Fund and \$16,890 in the Wastewater Fund.

Delinquent Property Taxes Receivable: Delinquent taxes receivable represent property taxes outstanding as of December 31, 2019. 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, 2019. 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 exceeds 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, 2019

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, 2019

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 \$.082 per \$100 of assessed value on a total grand list of \$41,306,500 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, 2019, the carrying amount of the Village's deposits, including certificates of deposit, was \$304,155, and the bank balance was \$470,976. 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, 2019, the Village's deposits were covered by federal deposit insurance or offset by debt.

At December 31, 2019, the Village had \$13,493 in restricted cash balances for the sidewalk project.

At December 31, 2019, the Village had \$95,888 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 received approval from Union Bank to leave the money in a sinking fund until such time as the final expenses for the solar fund are presented.



Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 3      RESTRICTED NET POSITION

Restricted net position at December 31, 2019 are as follows:

General Fund:	
Sidewalk Project	<u>\$ 13,493</u>

Electric Fund	
Solar Project	<u>\$ 95,888</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, 2019 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Electric Fund:				
Capital assets, not being depreciated				
Land and land rights	\$ 21,676	\$ -	\$ -	\$ 21,676
Construction in progress	<u>8,003</u>	<u>12,011</u>	<u>-</u>	<u>20,014</u>
Total capital assets, not being depreciated	<u>29,679</u>	<u>12,011</u>	<u>-</u>	<u>41,690</u>
Capital assets, being depreciated				
Transmission plant	131,359	-	-	131,359
Solar panels	2,984,283	-	-	2,984,283
Distribution plant	1,684,195	7,452	-	1,691,647
General plant	<u>1,168,132</u>	<u>-</u>	<u>-</u>	<u>1,168,132</u>
Total capital assets, being depreciated	5,967,969	7,452	-	5,975,421
Accumulated depreciation for capital assets	<u>(2,669,915)</u>	<u>(194,534)</u>	<u>-</u>	<u>(2,864,449)</u>
Total capital assets, being depreciated, net	<u>3,298,054</u>	<u>(187,082)</u>	<u>-</u>	<u>3,110,972</u>
Electric fund, capital assets, net	<u>3,327,733</u>	<u>(175,071)</u>	<u>-</u>	<u>3,152,662</u>

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 4      CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Water Fund:				
Capital assets, not being depreciated				
Construction in progress	41,000	129,041	-	170,041
Capital assets, being depreciated				
Buildings and improvements	175,867	-	-	175,867
Pipelines and services	295,092	6,487	-	301,579
Equipment	18,590	-	-	18,590
Meters	41,318	-	-	41,318
Total capital assets, being depreciated	530,867	6,487	-	537,354
Accumulated depreciation for capital assets	(313,088)	(13,874)	-	(326,962)
Total capital assets, being depreciated, net	217,779	(7,387)	-	210,392
Water fund, capital assets, net	258,779	121,654	-	380,433
Wastewater Fund:				
Capital assets, not being depreciated				
Land	34,500	-	-	34,500
Construction in progress	56,379	87,785	-	144,164
Total capital assets, not being depreciated	90,879	87,785	-	178,664
Capital assets, being depreciated				
Utility plant- collection system	800,273	-	-	800,273
Utility plant- treatment system	16,728	-	-	16,728
Utility plant- disposal system	25,092	-	-	25,092
Utility plant - pumps	16,868	-	-	16,868
Equipment	20,325	-	-	20,325
Total capital assets, being depreciated	879,286	-	-	879,286

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 4 CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Accumulated depreciation for capital assets	<u>(687,277)</u>	<u>(16,890)</u>	<u>-</u>	<u>(704,167)</u>
Total capital assets, being depreciated, net	<u>192,009</u>	<u>(16,890)</u>	<u>-</u>	<u>175,119</u>
Wastewater fund, capital assets, net	<u>282,888</u>	<u>70,895</u>	<u>-</u>	<u>353,783</u>
<b>Business-type Activities, Capital Assets, Net</b>	<u><b>\$ 3,869,400</b></u>	<u><b>\$ 17,478</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 3,886,878</b></u>
<b>Governmental activities:</b>				
General Fund:				
Capital assets, not being depreciated				
Land and land rights	<u>\$ 6,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,500</u>
Capital assets, being depreciated				
Building	1,206,088	7,500	-	1,213,588
Sidewalks	124,470	-	-	124,470
Sidewalk enhancement	243,395	-	-	243,395
Crosswalks	4,248	-	-	4,248
Other structures	57,868	-	-	57,868
Equipment	<u>4,532</u>	<u>-</u>	<u>-</u>	<u>4,532</u>
Total capital assets, being depreciated	<u>1,640,601</u>	<u>7,500</u>	<u>-</u>	<u>1,648,101</u>
Accumulated depreciation for capital assets				
Building	(989,094)	(7,740)	-	(996,834)
Sidewalks	(124,474)	-	-	(124,474)
Sidewalk enhancement	(73,540)	(20,184)	-	(93,724)
Crosswalks	(4,250)	(258)	-	(4,508)
Equipment	<u>(3,008)</u>	<u>(196)</u>	<u>-</u>	<u>(3,204)</u>
Total accumulated depreciation	<u>(1,194,366)</u>	<u>(28,378)</u>	<u>-</u>	<u>(1,222,744)</u>
Total capital assets, being depreciated, net	<u>446,235</u>	<u>(20,878)</u>	<u>-</u>	<u>425,357</u>
General fund, capital assets, net	<u><b>\$ 452,735</b></u>	<u><b>\$ (20,878)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 431,857</b></u>

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 5      NOTE PAYABLE – SHORT-TERM

The following is a summary of changes in short-term debt for the year ended December 31, 2019.

<b>Business-type activities:</b>	<u>Balance 12/31/18</u>	<u>Additions</u>	<u>Principal Repayments</u>	<u>Balance 12/31/19</u>
Electric Fund:				
Note payable, Union Bank due May 14, 2019, interest at 1.70%, secured by equipment	\$ 53,800	\$ -	\$ (53,800)	\$ -
Note payable, Union Bank due October 6, 2019, interest at 1.98%, secured by equipment	23,165	-	(23,165)	-
Note payable, Union Bank due October 6, 2020, interest at 1.98%, secured by equipment	-	15,605	-	15,605
Line of Credit, Union Bank due February 19, 2021 interest at 2.08%	225,000	235,000	-	460,000
Note payable, Union Bank due August 9, 2019, interest at 1.99%, secured by equipment	30,768	-	(30,768)	-
Note payable, Union Bank due August 9, 2020, interest at 2.14%, secured by equipment	<u>-</u>	<u>24,848</u>	<u>-</u>	<u>24,848</u>
	<u>\$ 332,733</u>	<u>\$ 275,453</u>	<u>\$ (107,733)</u>	<u>\$ 500,453</u>

NOTE 6      NOTES PAYABLE – LONG TERM

<b>Business-type activities:</b>	<u>Balance 12/31/18</u>	<u>Additions</u>	<u>Principal Repayments</u>	<u>Balance 12/31/19</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>\$ 2,846,479</u>	<u>\$ -</u>	<u>\$ (123,760)</u>	<u>\$ 2,722,719</u>	<u>\$ 123,760</u>
<b>TOTAL ELECTRIC FUND LONG-TERM DEBT</b>	<u>2,846,479</u>	<u>-</u>	<u>(123,760)</u>	<u>2,722,719</u>	<u>123,760</u>

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 6      NOTES PAYABLE – LONG TERM (continued)

	<u>Balance 12/31/18</u>	<u>Additions</u>	<u>Principal Repayments</u>	<u>Balance 12/31/19</u>	<u>Current Portion</u>
Water Fund:					
0.00% Vermont State Revolving Fund, annual principal payments of \$30,540, paid on July 1, through 2028	<u>-</u>	<u>41,000</u>	<u>-</u>	<u>41,000</u>	<u>-</u>
 TOTAL WATER FUND LONG-TERM DEBT	<u>-</u>	<u>41,000</u>	<u>-</u>	<u>41,000</u>	<u>-</u>
Wastewater Fund:					
0.00% Vermont State Revolving Fund, annual principal payments of \$9,336, paid on November 1, through 2027	<u>-</u>	<u>93,160</u>	<u>-</u>	<u>93,160</u>	<u>-</u>
 0.00% Vermont State Revolving Fund, annual principal payments of \$3,500, paid on March 1, through 2028	<u>-</u>	<u>10,500</u>	<u>-</u>	<u>10,500</u>	<u>-</u>
 TOTAL WASTEWATER FUND LONG-TERM DEBT	<u>-</u>	<u>103,660</u>	<u>-</u>	<u>103,660</u>	<u>-</u>
 TOTAL BUSINESS-TYPE FUNDS	<u>\$ 2,846,479</u>	<u>\$ 144,660</u>	<u>\$ (123,760)</u>	<u>\$ 2,867,379</u>	<u>\$ 123,760</u>

The loans in the Water and Wastewater Funds have not been fully drawn.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 6 NOTES PAYABLE – LONG TERM (continued)

Schedule maturities of note payable for the electric fund are as follows at December 31, 2019:

	Electric Fund		Water Fund		Wastewater Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 123,760	\$ 28,146	\$ -	\$ -	\$ -	\$ -	\$ 123,760	\$ 28,146
2021	123,760	26,867	-	-	-	-	123,760	26,867
2022	123,760	25,587	-	-	-	-	123,760	25,587
2023	123,760	24,308	-	-	56,016	-	179,776	24,308
2024	123,760	23,029	30,540	-	30,336	-	184,636	23,029
2025-2029	618,800	95,953	10,460	-	17,308	-	646,568	95,953
2030-2034	618,800	63,968	-	-	-	-	618,800	63,968
2035-2039	618,800	31,984	-	-	-	-	618,800	31,984
2040-2041	247,519	3,838	-	-	-	-	247,519	3,838
	<u>\$ 2,722,719</u>	<u>\$ 323,680</u>	<u>\$ 41,000</u>	<u>\$ -</u>	<u>\$ 103,660</u>	<u>\$ -</u>	<u>\$ 2,867,379</u>	<u>\$ 323,680</u>

On October 9, 2019, the Village signed a loan agreement with the Vermont State Revolving Fund for a loan in the amount of \$8,060. The loan is due annually with 0% interest. The loan matures November 1, 2028.

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

In August of 2018, The Village of Hyde Park Electric Department (HPE) became a direct member of the ISO – New England power market. HPE has also entered into a service contract with Energy New England, LLC to administer and execute power contracts with the ISO – New England power market as HPE's agent.

A brief summary of the major power supply contracts as of December 31, 2019 held by HPE is as follows:

**Hydro Quebec Contract:**

This contract began on November 1, 2012. HPE's portions vary during different periods, as shown below. This contract will provide very low carbon energy to HPE. Along with energy HPE receives renewable energy credits (RECs) they can use for their Renewable Energy Standard (RES) obligation.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 8 ELECTRIC POWER SOURCES AND COMMITMENTS (continued)

Schedule	Start Date	Final Delivery Date	HPE Entitlement MW
Period 1	11/1/2012	10/31/2015	0.007
Period 2	11/1/2015	10/31/2016	0.088
Period 3	11/1/2016	10/31/2020	0.104
Period 4	11/1/2020	10/31/2030	0.104
Period 5	11/1/2030	10/31/2035	0.107
Period 6	11/1/2035	10/31/2038	0.026

**New York Power Authority:**

The New York Power Authority provides preference hydroelectric power to New York's neighboring states. Two contracts provide this power to Vermont. The first an entitlement to the Saint Lawrence project in Massena, New York. The second is for an entitlement in the Niagara project located in Niagara Falls, NY. The Saint Lawrence contract term runs through April 30, 2032 and the Niagara contract through September 1, 2025. The energy capacity and transmission payments required to deliver this entitlement to Vermont are at prices that are very competitive to the short and long term New England power market.

With the extension of Saint Lawrence, after December 23, 2017 VT utilities were no longer entitled to NYPA St. Lawrence RECs. This reduces the amount of coverage HPE is able to declare for RES compliance through the NYPA contract.

**VEPPI (Vermont Electric Power Producers, Inc.):**

HPE receives power from a group of independent power producer projects (IPPs) under Order 4.100 of the Vermont PSB. The power is generated by a number of small hydroelectric facilities. There are 18 VEPPI units, as of December 31, 2019 sixteen have expired. VEPPI assigns the energy generated by these facilities to on a load ratio basis that compares HPE's electric sales to other utilities in Vermont annually. The VEPPI contracts have varying maturities; the last VEPPI contract is scheduled to end in 2020. HPE's current pro rata share of the VEPPI production is 0.2133%, which started November 1, 2019 and will run through October 31, 2020. The prior percent, which ran from November 1, 2018 through October 31, 2019, was 0.2084%. The VEPPI contracts are priced with relatively high-energy rates.

**Ryegate**

Ryegate is a 20 MW wood-fired unit, that was once within the VEPPI 4.100 projects. The VEPPI contract expired on October 31, 2012. The utilities negotiated a 10-year contract for power through VEPP Inc. The contract is for both power and renewable energy credits. Hyde Park's allocation for the November 1, 2019 through October 31, 2020 contract year is 0.2270%, the prior year November 1, 2018 through October 31, 2019 was 0.2221%. This contract will terminate on November 1, 2022.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 8 ELECTRIC POWER SOURCES AND COMMITMENTS (continued)

**SPEED (Sustainable Prices Energy Enterprise Development):**

SPEED Standard Offer is a program established under Vermont Public Service Board Rule 4.300. The program's goal is to achieve renewable energy and long-term stably priced contracts. Vermont utilities will purchase power from the SPEED projects. These projects are behind the meter and each utility will have their percent share, HPE's share for November 1, 2018 through October 31, 2019 was 0.2251% and increased to 0.2326% for November 1, 2019 through October 31, 2020), of load reduced by the output of the generation. HPE receives a modest capacity credit, and renewable energy credits for these resources. The cost paid to the SPEED projects are set based on the generation type. The SPEED began in the fourth quarter of 2010.

In May of 2009, as the SPEED Program progressed and implemented modifications, it changed into the Standard Offer program. This change began a feed-in-tariff to encourage the development of new renewable resources. By making contracts long term and at fixed price more renewable energy projects were built. By May of 2012, the Vermont Energy Act of 2012 expanded the program to 127.5 MW over a 10-year span with a new pricing mechanism for qualified projects. The 2017 RFP for the Standard Offer Program within the Public Utility Commission Docket No. 8817 contained avoided cost price caps.

**NextEra – Seabrook offtake**

Beginning June 1, 2015 and going through December 31, 2034, HPE will receive capacity from the NextEra Seabrook Resource. Beginning in January 1, 2019 HPE will receive energy from the NextEra Seabrook Resource. The pricing of the product is fixed. The PPA will provide carbon-free generation that will help insulate HPE from the potential for higher carbon prices in the future.

Contract State Date	6/1/2015	6/1/2021	6/1/2029
Final Deliver Date	5/31/2021	5/31/2029	12/31/2034
Hyde Park Entitlement (MW)	0.100	0.083	0.050

The energy portion of the contract began on January 1, 2019 and will go through December 31, 2034. The delivered energy charge is a fixed rate per month with a 3.2% escalator.

Contract State Date	1/1/2019	1/1/2021	1/1/2029
Final Deliver Date	12/31/2020	12/31/2028	12/31/2034
Hyde Park Entitlement (MW)	0.100	0.083	0.050

**Waterhouse Solar**

HPE has built a 1 MW AC ground mounted solar electric generation project. Estimated output is approximately 1,568 MWh per year. This is about 9.5% of HPE's annual energy requirement for 2019. This project's large benefit is the ability to use the renewable energy credits towards Tier 2 of the Renewable Energy Standard. Other benefits are energy, capacity, and transmission due to the fact the generation is considered distributed generation, or behind the HPE's meter. The project began operation in Summer of 2016.

**Sources of Energy:**

The percentages of energy (kWh) acquired for the year ended December 31, 2019, was as follows:



Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 8 ELECTRIC POWER SOURCES AND COMMITMENTS (continued)

2019 Total KWh's by Resource							
Resource	Type	MWH	KWH	% of Total Resources	Fuel	Location	Termination Date
NYPA - Niagara	Block	1,315	1,314,991	9.6%	Hydro	Roseton	9/1/2025
NYPA - St. Lawrence	Block	25	24,606	0.2%	Hydro	Roseton	4/30/2032
Waterhouse Solar Project	Load Reducer	1,287	1,286,956	9.4%	Solar	Behind the meter	Life of Unit
VEPPI-4.1	PURPA	59	59,406	0.4%	Hydro	VT Nodes	12/14/2020
Ryegate	Wood Unit	288	288,057	2.1%	Wood	RYGT	11/1/2022
VEPPI - SPEED ISO	Standard Offer	17	17,293	0.1%	Farm Methane	VT Nodes	
VEPPI - SPEED BTM	Load Reducer	869	868,519	6.3%	Mix	Behind the meter	
HQ PPA Contract	ISO Bilateral	607	606,774	4.4%	Hydro	HQ Highgate 120	10/31/2038
Bilateral - Seabrook	ISO Bilateral	875	874,909	6.4%	Nuclear	Seabrook 555	12/31/2034
ISO Energy Net Interchange		8,345	8,345,484	61.0%			
Total		13,687	13,686,995	100%			

Power Costs from all power vendor sources for the year ended December 31, 2019 was as follows:

**TOTAL SUPPLY COSTS**

NYPA - Niagara	\$ 38,130
NYPA - St. Lawrence	750
Waterhouse Solar Project	-
VEPPI - 4.1	7,152
Ryegate	29,712
VEPPI - SPEED ISO	4,512
VEPPI - SPEED BTM	47,702
HQ PPA	33,641
Bilateral Purchase - Seabrook	52,385
ISO Energy Net Interchange	514,374
Subtotal Power Supply	<u>728,358</u>

**TRANSMISSION COSTS**

ISO OATT Charges	244,039
GMP Transmission	90,433
Velco '91 Transmission Charges	236,872
Subtotal Transmission	<u>571,344</u>

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 8 ELECTRIC POWER SOURCES AND COMMITMENTS (continued)

**VPPSA/ENE AND OTHER COSTS**

ISO Load Based Charges	6,101
ISO Schedule Charges	28,207
VPPSA-Mgmt/Consulting	18,954
VELCO Admin Fees	5,219
REC Sale/Purchase	1,578
Subtotal VPPSA and Other	<u>60,059</u>

TOTAL POWER SUPPLY AND TRANSMISSION	<u>\$ 1,359,761</u>
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*Renewable Portfolio and upcoming Renewable Energy Standard (RES):*

In July 2015, Act 56 (H. 40) was established using the 2011 Vermont Comprehensive Energy Plan in order to detail the states goals and place direction on how utilities will reach these goals. The RES requires utilities to buy or retain renewable energy credits and energy transformation projects. Each year has a percentage of retail sales that must be covered. In lieu of renewable credits or transformation project a utility can meet their obligation by paying an alternative compliance payment, at rates set by the State. The compliance rates will be adjusted annually for inflation using CPI.

There are three tiers to the RES program:

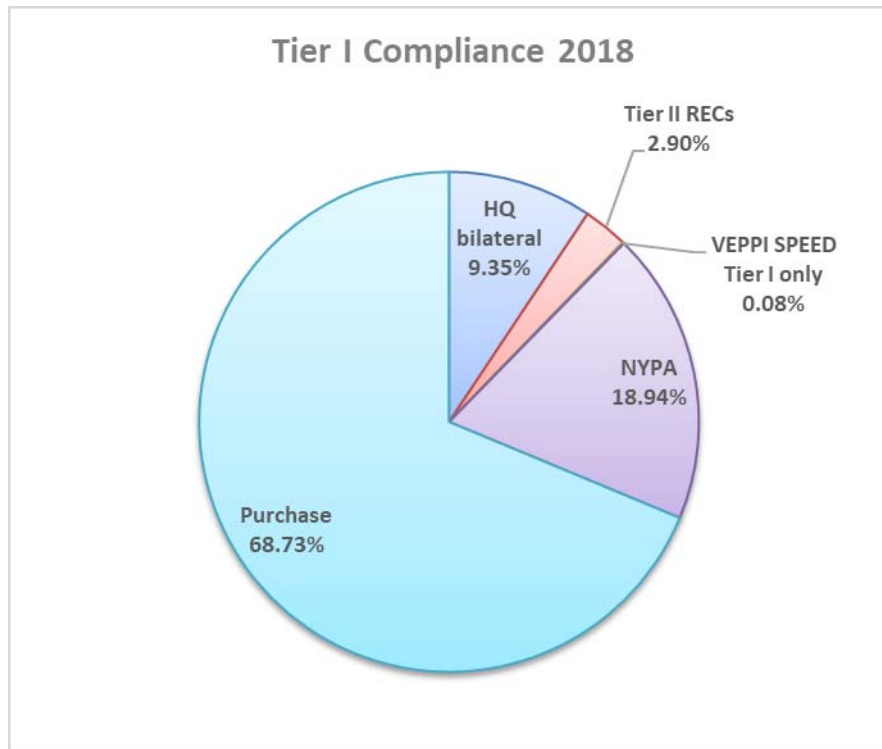
- Tier I: Meet a 75% by 2032 total renewable energy requirement (55% in 2017)
  - Any class of tradeable renewable attributes that are delivered in New England qualify
  - Approved Unit generations that will qualify towards compliance are Waterhouse Solar, Hydro Quebec bilateral, Standard Offer and NYPA.
- Tier II: Meet 10% of sales with distributed generation in 2032 (1% in 2017)
  - New Vermont based unit that is 5 MWs or less or renewable generation
  - Approved Unit generations that will qualify towards compliance are Waterhouse Solar and Standard Offer.
- Tier III: Meet 12% of sales with "energy transformation projects" in 2032 (2% in 2017)
  - Generation or project that reduces fossil fuel consumed by their customers and emission of greenhouse gases qualifies for compliance (MW conversion will be determined by the Board)

**2018 RES Compliance**

August 2019, Hyde Park filed their second RES compliance. Hyde Park's compliance by category for Tier I and Tier II RES are below. The third pie chart is Hyde Park's excess RECs that will be used for future year compliance.

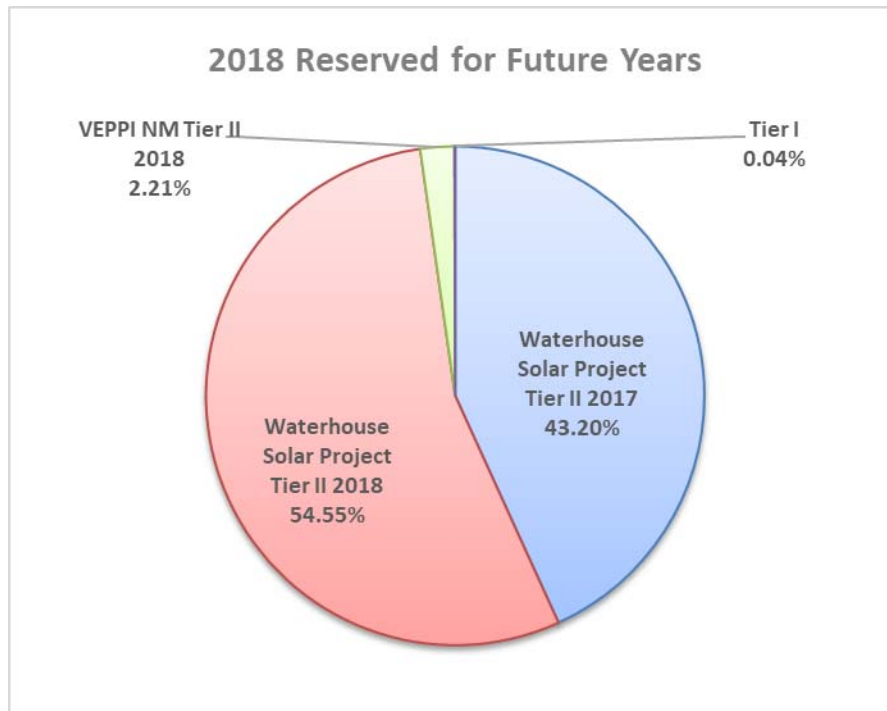
Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 8 ELECTRIC POWER SOURCES AND COMMITMENTS (continued)



Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 8 ELECTRIC POWER SOURCES AND COMMITMENTS (continued)



NOTE 9 INVESTMENTS

The Village of Hyde Park, Vermont has three types of investments in VELCO, VT Transco, LLC, and Blackrock Investments 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.

Village of Hyde Park, Vermont accounts for investments in Blackrock at market value, with returns of capital recorded as a dividend income. The Village signed an uncertificated securities control agreement with ISO New England, Inc. for these investments to cover monthly purchase power payments. The Village may only invest these funds in permitted investments and amounts are pledged to ISO New England in the event of default.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 9 INVESTMENTS (continued)

At December 31, 2019, the following investment amounts were owned by Village of Hyde Park, Vermont:

VELCO - Class B Common Stock Shares - 3	\$ 300
VELCO - Class B Common Stock Shares - 400	40,000
VELCO - Class B Common Stock Shares - 9	900
VELCO - Class C Common Stock Shares - 210	21,000
VELCO - Class C Common Stock Shares -11	1,100
VELCO - Class C Common Stock Shares -14	1,400
VT Transco, LLC - Class A - Membership Units 5,955	59,550
VT Transco, LLC - Class A - Membership Units 7,578	<u>75,780</u>
Total units owned and held by the Village	200,030
VT Transco, LLC Units owned by VPPSA on the Village's behalf	244,729
Blackrock investments	<u>145,955</u>
 TOTAL INVESTMENTS	 <u>\$ 590,714</u>

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, 2019 and for the Village of Hyde Park, Vermont's reporting period (the year ended December 31, 2019). 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, 2019, the State has chosen to use the end of the prior fiscal year (June 30, 2018) as the measurement date, and the year ended June 30, 2018 as the measurement period.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 10 PENSION PLAN (continued)

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, 2017, to the measurement date of June 30, 2018.

Schedule A – Employer Allocation as of June 30, 2017

Fiscal Year Ended June 30, 2017		
Employer Contributions	Employer Proportion	Net Pension Liability
\$ 24,614	0.1507%	\$ 182,609

Fiscal Year Ended June 30, 2017			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.95% Discount Rate)	Net Pension Liability 1% Increase (8.95% Discount Rate)
\$ 72,793	\$ (6,430)	\$ 326,036	\$ 63,659

Schedule B – Employers' Allocation as of June 30, 2018

Fiscal Year Ended June 30, 2018		
Employer Contributions	Employer Proportion	Net Pension Liability
\$ 26,324	0.1503%	\$ 211,420

Fiscal Year Ended June 30, 2018			
Total Deferred Outflows	Total Deferred Inflows	Net Pension Liability 1% Decrease (6.50% Discount Rate)	Net Pension Liability 1% Increase (8.50% Discount Rate)
\$ 66,279	\$ (4,751)	\$ 358,099	\$ 92,131

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 10 PENSION PLAN (continued)

Schedule C – Employers' Allocation as of June 30, 2018

		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
0.15030%	\$ 214,420	\$ 18,364	\$ 23,412	\$ -	\$ 24,503	\$ -	\$ 66,279

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
\$ (3,381)	\$ -	\$ -	\$ -	\$ (1,370)	\$ (4,751)

Pension Expense Recognized		
Proportionate Share of Pension Plan Expense	Change in Proportional Share of Contributions	Total
\$ 59,350	\$ 618	\$ 59,968

Schedule D – Employers' Allocation of Recognition of Deferred Outflows/Inflows as of June 30, 2018

Fiscal Year					
2019	2020	2021	2022	2023	Thereafter
\$ 38,809	\$ 14,261	\$ 3,440	\$ 5,017	\$ -	\$ -

Schedule E – Contribution History for Fiscal Years 2016-2018

FY 2018	FY 2017	FY 2016
\$ 26,324	\$ 24,614	\$ 23,085

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 10 PENSION PLAN (continued)

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, 2018, the retirement system consisted of 402 participating employers.

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

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

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

Summary of System Provisions

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



Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 10      PENSION PLAN (continued)

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

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.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 10      PENSION PLAN (continued)

Amount	Allowance beginning at normal retirement age based on AFC and service at termination. The AFC is to be adjusted annually by one-half of the percentage change in the Consumer Price Index, subject to the limits on "Post-Retirement Adjustments" described below.
Disability Retirement Allowance	
Eligibility	5 years of service and disability as determined by Retirement Board.
Amount	Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.
Death Benefit	
Eligibility	Death after 5 years of service.
Amount	For Groups A, B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as a date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.
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.
Retirement Stipend	\$25 per month payable at the option of the Board of retirees

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 10 PENSION PLAN (continued)

			<b>For Fiscal year ended 6/30/18</b>
Member Contributions	<b>Group</b>	<b>Effective 7/1/18</b>	
	Group A	2.625%	2.50%
	Group B	5.00%	4.875%
	Group C	10.125%	10.00%
	Group D	11.475%	11.35%
Employer Contributions	<b>Group</b>	<b>Effective 7/1/18</b>	<b>For Fiscal year ended 6/30/18</b>
	Group A	4.125%	4.00%
	Group B	5.625%	5.50%
	Group C	7.375%	7.25%
	Group D	9.975%	9.85%

Significant Actuarial Assumptions and Methods

Interest Rate: 7.50%, net of pension plan investment expenses, including inflation

Salary Increases: 5.00% per year

Mortality:

*Death in Active Service:*

Groups A, B and C: 98% of RP-2006 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvement

Group D: RP-2006 Blue Collar Annuitant Table with generation improvement

*Healthy Post-retirement:*

Groups A, B and C: 98% of RP-2014 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvement

Group D: 100% of RP-2014 Healthy Annuitant with generational improvement

Spouse's Age: Females three years younger than males.

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

Assumed to occur on January 1 following one year of retirement at the rate of 1.15% per annum for Group A members and 1.30% per annum for Groups B, C and D members (beginning at Normal Retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Group A, B and D who receive a disability retirement benefit, and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2019 COLA is assumed to be 1.30% for all groups.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 10 PENSION PLAN (continued)

Actuarial Cost Method: Entry Age Actuarial Cost Method – Entry Age is the age at date of employment or, if date is unknown, current age minus years of service. Normal Costs and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Costs determined using the plan of benefits applicable to each participant.

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

Inflation: 2.50%

Long-term expected rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US Equity	18.00%	6.10%
Non-US Equity	16.00%	7.45%
Global Equity	9.00%	6.74%
Fixed Income	26.00%	2.25%
Real Estate	8.00%	5.11%
Private Markets	15.00%	7.60%
Hedge Funds	8.00%	3.86%
	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 7.50%. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System's projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 10 PENSION PLAN (continued)

The following presents the entity's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.50%) or one percent higher (8.50%):

1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
\$ 358,099	\$ 211,420	\$ 92,131

NOTE 11 INDIVIDUAL FUND INTERFUND RECEIVABLE AND PAYABLE BALANCES

Balances at December 31, 2019, were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 72,570	\$ -
Electric Fund	-	211,784
Water Fund	-	61,411
Wastewater Fund	<u>200,625</u>	<u>-</u>
 TOTAL	 <u>\$ 273,195</u>	 <u>\$ 273,195</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.

NOTE 12 OPERATING LEASE

During the year ended, December 31, 2019, 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, 2019 was \$14,775. The future minimum lease payments are as follows:

2020	\$ 14,775
2021	14,775
2022	14,775
2023	14,775
2024	14,775
2025-2029	73,875
2030-2034	73,875
2035-2039	73,875
2040	<u>14,775</u>
 Total	 <u>\$ 310,275</u>

Village of Hyde Park, Vermont  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019

NOTE 13      SUBSEQUENT EVENTS

In accordance with professional account standards, the Village has evaluated subsequent events through April 20, 2020, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2019, have been incorporated in these financial statements herein.

Subsequent to the year-end, on February 18, 2020, the Village of Hyde Park, Vermont, signed a tax anticipation note line of credit with a local bank. The line of credit amount was \$460,000 at an interest rate of 2.08%.

As a result of the spread of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact the change in net position. Other financial impact could occur though such potential impact and the duration cannot be reasonably estimated at this time. In March 2020, the Governor of Vermont declared a state of emergency and issued an order to close all nonessential businesses. Possible effects may include, but are not limited to, disruption to the Village's customers and revenue, absenteeism in the Company's labor workforce, unavailability of products and supplies used in operations, and decline in value of assets held by the Company, including inventories, receivables, capital assets and investments.

## REQUIRED SUPPLEMENTARY INFORMATION

Village of Hyde Park, Vermont  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 33,407	\$ 33,407	\$ 35,803	\$ 2,396
Charges for service	25,083	25,083	21,883	(3,200)
Grants	3,000	3,000	314	(2,686)
Miscellaneous	300	300	300	-
Interest	<u>2</u>	<u>2</u>	<u>106</u>	<u>104</u>
 TOTAL REVENUES	 <u>61,792</u>	 <u>61,792</u>	 <u>58,406</u>	 <u>(3,386)</u>
EXPENDITURES				
General government and administrative	38,257	38,257	7,913	30,344
Streets and sidewalks	16,000	16,000	16,857	(857)
Street lights	5,400	5,400	4,477	923
Capital Outlays	<u>1,810</u>	<u>1,810</u>	<u>7,500</u>	<u>(5,690)</u>
 TOTAL EXPENDITURES	 <u>61,467</u>	 <u>61,467</u>	 <u>36,747</u>	 <u>24,720</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ 325</u>	 <u>\$ 325</u>	 <u>\$ 21,659</u>	 <u>\$ 21,334</u>

See Accompanying Notes to Financial Statements.



Village of Hyde Park, Vermont  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
For the Year Ended December 31, 2019

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Village's proportion of the net pension liability (asset)	1.0134%	0.1593%	0.1593%	0.1519%	0.1507%	0.1503%
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>	<u>\$ 182,609</u>	<u>\$ 211,420</u>
Village's covered-employee payroll	<u>\$ 287,351</u>	<u>\$ 304,035</u>	<u>\$ 316,714</u>	<u>\$ 331,051</u>	<u>\$ 360,693</u>	<u>\$ 378,529</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%	50.63%	55.85%
Plan fiduciary net position as a percentage of the total pension liability	-92.71%	-98.32%	-87.42%	-80.95%	-83.64%	-82.60%

*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, 2019.*

See Accompanying Notes to Financial Statements.

Village of Hyde Park, Vermont  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
For the Year Ended December 31, 2019

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually Required Contributions (Actuarially Determined)	\$ 16,669	\$ 20,554	\$ 21,622	\$ 23,085	\$ 24,614	\$ 26,324
Contributions in Relation to the Actuarially Determined Contributions	<u>16,669</u>	<u>20,554</u>	<u>21,622</u>	<u>23,085</u>	<u>24,614</u>	<u>26,324</u>
Covered Employee Payroll	<u>\$ 287,351</u>	<u>\$ 304,035</u>	<u>\$ 316,714</u>	<u>\$ 331,051</u>	<u>\$ 360,693</u>	<u>\$ 378,529</u>
Contributions as a Percentage of Covered Employee Payroll	5.80%	6.76%	6.83%	6.97%	6.82%	6.95%

*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, 2019.*

See Accompanying Notes to Financial Statements.