

TOWN OF STOWE, VERMONT

AUDIT REPORT

JUNE 30, 2016

TOWN OF STOWE, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2016

	<u>Page #</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-11
Basic Financial Statements:	
Statement of Net Position	Exhibit A 12
Statement of Activities	Exhibit B 13
Governmental Funds:	
Balance Sheet	Exhibit C 14
Statement of Revenues, Expenditures and Changes in Fund Balances	Exhibit D 15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit E 16
Proprietary Funds:	
Statement of Fund Net Position	Exhibit F 17
Statement of Revenues, Expenses and Changes in Fund Net Position	Exhibit G 18
Statement of Cash Flows	Exhibit H 19
Notes to the Financial Statements	20-58
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis - General Fund	Schedule 1 59-60

TOWN OF STOWE, VERMONT
 AUDIT REPORT
 TABLE OF CONTENTS
 JUNE 30, 2016

		<u>Page #</u>
Schedule of Proportionate Share of the Net Pension Liability - VMERS Defined Benefit Plan	Schedule 2	61
Schedule of Contributions - VMERS Defined Benefit Plan	Schedule 3	62
 Other Information:		
Combining Balance Sheet - Non-Major Governmental Funds	Schedule 4	63
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	Schedule 5	64
Combining Balance Sheet - Non-Major Special Revenue Funds	Schedule 6	65
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Special Revenue Funds	Schedule 7	66
Combining Balance Sheet - Non-Major Capital Projects Funds	Schedule 8	67
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Capital Projects Funds	Schedule 9	68
Combining Balance Sheet - Non-Major Permanent Funds	Schedule 10	69
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Non-Major Permanent Funds	Schedule 11	70
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"		71-72

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Independent Auditor's Report

Board of Selectmen
Town of Stowe, Vermont
P.O. Box 730
Stowe, Vermont 05672

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stowe, Vermont, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Stowe, Vermont'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 did not audit the financial statements of the Electric Fund, which is a major fund, and represents fifty-three percent (53%), thirty-one percent (31%) and eighty percent (80%), respectfully, of the assets, net position and revenues of the business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric Fund, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Town of Stowe, Vermont'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 Town of Stowe, Vermont's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stowe, Vermont, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 11, the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2 and the Schedule of Contributions on Schedule 3 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.

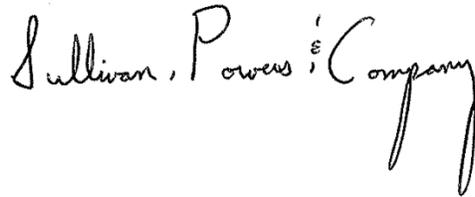
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Stowe, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated February 1, 2017 on our consideration of the Town of Stowe, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Stowe, Vermont's internal control over financial reporting and compliance.

February 1, 2017
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized initial 'S' and a long, sweeping underline.

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

Our discussion and analysis of the Town of Stowe, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ending June 30, 2016. The Town of Stowe Electric Fund has been audited separately as of and for the year ended June 30, 2016 and is incorporated into this report. Their financial statements are included in the Town Report.

This document has been prepared pursuant to Statement No. 34 of the Governmental Accounting Standard Board (GASB 34). GASB 34 requires the inclusion of the Government-wide financial statements on the full accrual basis including the cost of capital assets and the related depreciation. These statements are intended to present the Town's financial reports on the same basis as the private sector. Please read it in conjunction with the Town's financial statements, which begin in Exhibit A.

Financial Highlights

Government-Wide (Exhibits A and B)

- The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources on June 30, 2016 by \$50,991,111 (Total Net Position). Of this amount, \$23,374,331 represents governmental activities and \$27,616,780 represents our water, sewer and electric departments (business-type activities). Of these amounts, \$978,717 of governmental activities funds and \$8,342,353 of business funds are unrestricted net position and may be used to meet the Town's future obligations.
- The net position of governmental activities increased by \$1,363,777 in FY 16. The increase is due mainly the capital grant for Town Bridge of \$599,546 \$396,825 lower expenditures, and capital projects by local option taxes. The Business-Type activities increased their net position by \$1,162,784, with contributions by Water \$683,172, Sewer (\$48,076) and Electric \$527,688.

Fund Financial Statements (Exhibits C, D, F, and G)

- The General Fund balance increased \$203,654. The General Fund balance at the end of FY 16 was \$983,427, of which \$471,506 being either non spendable, restricted, committed or assigned.
- The Capital Fund balance decreased by \$520,952 in FY 16. The total amount in this fund at year-end was \$450,363 and the entire amount is restricted, committed or assigned for future projects.
- The Water Fund ended the fiscal year with a net position balance of \$4,476,667 an increase of \$683,172.

- The Sewer Fund ended the fiscal year with a net position balance of \$14,549,910, a decrease of \$48,076.
- The Electric Fund ended the fiscal year with a net position balance of \$8,590,203 an increase of \$527,688.

Overview of the Town's Financial Statements

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

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

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

The *Statement of Activities* presents information showing how the Town's net position changed during the fiscal year. The *Statement of Activities* is on the full accrual basis (i.e. all changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows) whereas the *Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds* is on a modified accrual basis (i.e. revenue is recognized when it becomes measurable and available as net current position, expenditures are recognized when the related liability is incurred). Thus in the *Statement of Activities*, revenues and expense are reported for some items that will only result in cash flows in future fiscal periods, (e.g. uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements combine information from governmental funds (which are supported primarily by tax dollars) with information from enterprise funds which are supported by user fees and charges (*business-type activities*). The governmental activities of the Town of Stowe include general government, public works, public safety, community development, cemeteries and culture and recreation.

The government-wide financial statements can be found in Exhibits A and B of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town has two types of funds: governmental funds and proprietary funds. The proprietary funds of the Town are Enterprise Funds (business activities). These cover our water, sewer and electric departments. Fund financial statements can be found in Exhibits C through H of this report.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This supplementary information includes combining statements for various funds and budgetary comparison statements for funds other than the Town’s General Fund. The supplementary information can be found immediately following the notes to the financial statements in schedules 1 through 11.

**Government-wide Financial Analysis
Town of Stowe, Vermont
Statement of Net Position**

	Governmental Activities		Business Type Activities		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Assets						
Current & Other Assets	4,413,155	4,587,572	35,092,909	34,131,382	39,506,064	38,718,954
Capital Assets	32,242,527	31,487,541	34,859,722	32,960,731	67,102,249	64,448,272
Total Assets	36,655,682	36,075,113	69,952,631	67,092,113	106,608,313	103,167,226
Deferred Outflows of Resources	612,603	182,761	49,794	16,849	662,397	199,610
Liabilities						
Current Liabilities	770,724	801,915	1,599,003	1,375,696	2,369,727	2,177,611
Long Term Liabilities	13,033,961	13,057,290	40,416,040	38,763,656	53,450,001	51,820,946
Total Liabilities	13,804,685	13,859,205	42,015,043	40,139,352	55,819,728	53,998,557
Deferred Inflows of Resources	89,269	388,115	370,602	515,614	459,871	903,729
Net Position						
Invested in Capital Assets Net of Related Debt	20,939,027	19,368,291	19,274,427	17,662,638	40,213,454	37,030,929
Restricted	1,456,587	1,363,911	-	-	1,456,587	1,363,911
Unrestricted	978,717	1,278,352	8,342,353	8,791,358	9,321,070	10,069,710
Total Net assets	23,374,331	22,010,554	27,616,780	26,453,996	50,991,111	48,464,550

As stated above, total net position was \$50,991,111 at the end of fiscal year 2016. This figure can be used as a way to calculate whether or not the financial condition of the Town is improving or deteriorating.

The largest portion of the Town’s total net position is in its investment in capital assets \$40,213,454 (78.9%). These assets are used to provide services to its citizens (e.g. land, buildings, equipment, and infrastructure). These assets are not available for future spending.

At the end of fiscal year 2016, the Town of Stowe has positive balances in all three categories of total net position for the entire government and all individual funds except for the Water Fund which had an unrestricted deficit of \$434,254.

Town of Stowe, Vermont
Statement of Activities

	Governmental Activities		Business Type Activities		Total	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Revenues						
<u>Program Revenues</u>						
Charges for Services	1,226,598	1,261,574	15,418,998	15,352,064	16,645,596	16,613,638
Operating Grants & Contributions	1,041,660	334,191			1,041,660	334,191
Capital Grants & Contributions	625,553	2,599,089	3,088	91,266	628,641	2,690,355
<u>General Revenues</u>						
Property Taxes	8,407,738	8,078,377			8,407,738	8,078,377
Penalties & Interest on Delinquent Taxes	149,197	180,942			149,197	180,942
Local Options Tax	789,519	798,245			789,519	798,245
General State Grants	386,181	355,866			386,181	355,866
Investment Earnings	120,691	57,121	567,505	542,990	688,196	600,111
LCP Equity Dividends	-	-	1,080,704	1,080,704	1,080,704	1,080,704
Gain on Sale of Land/Equipment	-	-	12,900	-	12,900	-
Other Revenue	17,341	13,635			17,341	13,635
Total Revenues	12,764,478	13,679,040	17,083,195	17,067,024	29,847,673	30,746,064
Expenditures						
<u>Governmental Activities</u>						
General Government	2,342,033	2,335,587			2,342,033	2,335,587
Public Safety	2,867,272	2,747,448			2,867,272	2,747,448
Public Works	3,333,777	2,458,448			3,333,777	2,458,448
Culture & Recreation	2,414,564	2,493,896			2,414,564	2,493,896
Cemeteries	32,167	56,640			32,167	56,640
Interest	443,888	458,915			443,888	458,915
<u>Business Type Activities</u>						
Water			989,298	1,008,727	989,298	1,008,727
Sewer			1,729,411	1,815,582	1,729,411	1,815,582
Electric			13,168,702	13,362,097	13,168,702	13,362,097
Total Expenditures	11,433,701	10,550,934	15,887,411	16,186,406	27,321,112	26,737,340
Transfers In/(Out)	33,000	33,000	(33,000)	(33,000)	-	-
Changes in Net Position	1,363,777	3,161,106	1,162,784	847,618	2,526,561	4,008,724
Net Assets - Beginning of Year	22,010,554	18,849,448	26,453,996	25,606,378	48,464,550	44,455,826
Net Assets - End of Year	23,374,331	22,010,554	27,616,780	26,453,996	50,991,111	48,464,550

Governmental activities: Governmental activities increased the Town's net position by \$1,363,777 in FY16. The Town added \$754,986 to its inventory of capital assets net of current year depreciation (funded with \$625,553 of capital contributions and grants). Major additions included the streambank stabilization projects and various other public works infrastructure projects, and the purchase of vehicles and equipment.

Business-type activities: Business-type activities increased the Town's net position by \$1,162,784 in FY16, with contributions by Water \$683,172, Sewer (\$48,076), and Electric \$527,688.

Financial Analysis of Major Funds

General Fund

The General Fund fund balance increased by \$203,654 during the year. The total fund balance at year-end was \$983,427. Of this amount, \$168,251 is nonspendable inventory and prepaid expenses and \$17,049 is restricted for library development expenses. There is \$40,205 committed for annual leave reserves. There is \$227,674 assigned to reduce property taxes in fiscal year 2017, \$3,964 for recreation scholarship expenses, and \$14,363 for library operations, leaving \$511,921 available for future expenses.

Actual Revenues were lower by \$18,486 compared to budgets. Revenues coming in over budget included: Administration, \$58,639, because of increased State Land use reimbursement and Delinquent tax interest, Parks \$17,146 for Field Rentals, Police \$11,272 for Special Events, Fire \$10,391 Worker's Comp Insurance audit refund, Planning \$4,500 for Mayo Field Rental, Highway \$3,995 for increased Block grant, and Library \$3,123 reimbursements by Friends of Library. Revenues coming in under budget included: Arena (\$65,768) due to missed budget on turf and ice rentals and arena banner advertisements, Recreation (\$29,854) due to declining attendance of Summer Camp and After School programs, Property Taxes (\$23,216) lower than expected Grand List and an increase in delinquent taxes, and EMS (\$3,045) missed budget on billing.

Expenditures were \$396,825 under budget. Expenditures coming in under budget were due to the following departments: Accounting \$16,998 due to benefits; Akeley Building, \$11,942 for savings on fuel price; Arena \$8,512 for savings on electricity and heating fuel cost; Fire \$21,816 for lower volunteer call outs and savings on vehicle fuel price; Highway \$170,231 for lower use of winter sand and salt and vehicle fuel prices; Insurance \$29,665 due to error in forecasting insurance in general fund and first time billing Stowe Electric for share of EPL & PO liability; Library \$19,423 for savings on network support, benefits and fuel & electricity costs; Parks, \$36,766 due to inability to hire full seasonal staffing; Planning \$3,794 saving on professional services; Police \$23,992 savings on vehicle fuel prices and health benefits; Public Works \$16,475 reduced class code of employee from worker's comp audit; Recreation \$60,624 for reduced summer camp hiring and services due to lower attendance, and savings on benefits and professional services; Street Lights \$12,006 reduced cost of LED street light fixed charge. Expenditures coming in over budget were, Cultural Campus (\$5,455) for heating system repairs; EMS (\$12,658) due to staff overtime and increased worker's comp costs; Public Safety Bldg. (\$5,052) higher building maintenance and janitorial supplies; Town Clerk (\$14,678) additional pay for interim clerks and cost of clearing backlog of land records; Zoning (\$2,219) for legal services.

Capital Fund

The Capital fund ended with a balance of \$450,363 in FY 16. This Fund balance decreased \$520,952 and was funded with \$789,519 of local option taxes, \$516,306 of grants, General Fund Transfer of \$40,000 and \$1,121 of interest. The decrease in the fund is due to FY16 vs FY17 timing of projects with the sidewalk repairs on Depot and Main St. \$43,013, Rec Path Reconstruction \$78,802, and Riverbank Stabilization Phase 2 \$363,332. A grant for \$250,000 on Riverbank Stabilization Phase 2 is expected in FY 17. In addition, the Moscow road bridge rail replacement incurred unbudgeted \$67,518.

Water Fund

The Water Fund had operating income of \$750,905, non-operating revenue connection fees of \$154,291, and expenses including the loss on disposal of waterline under the Gables Bridge \$97,545 and interest expense of \$120,681, resulting in an increase in net position of \$683,172.

Sewer Fund

The Sewer Fund had an operating loss of (\$259,831) which when added to Non-Operating revenues of connection fees \$207,131 plus investment income of \$4,624, resulted in a decrease to Net position of \$48,076.

Electric Fund

The Electric Fund had operating income of \$27,882. Operating revenues were up \$108,503 and expenditures were down \$209,166 between FY16 and FY15, which improved operating income by \$317,669. Non-operating revenues and expenses increased the net position by \$532,806 less a transfer of \$33,000 between Electric Fund and General Fund, to an overall increase in net position of \$527,688.

Other Non-Major Governmental Funds

Recreation Path Fund	\$	872
Police DEA Fund		23,314
Appraisal Fund		109,025
Records Preservation Fund		52,315
Grant Fund		(7,399)
Stowe Rescue Fund		3,000
Equipment Fund		143,055
Rink Renovation Fund		18,104
Cemetery Fund		454,585
Library Endowment Fund		880,902
	\$	<u>1,677,773</u>

Capital Asset Administration

The Town of Stowe's investment in capital assets (net of depreciation) for its governmental activities as of June 30, 2016 totaled \$32,242,527 and \$34,859,722 for the business-type activities. These assets include land, buildings and building improvements, roads and bridges, vehicles, machinery, equipment, antiques and furniture, and utility distribution and collection systems.

Major general fund capital asset transactions during the year included the following additions:

Bridge – Bridge Street Reconstruction Phase II
Bridge – Heyer Bridge Reconstruction
Bridge – Moscow Road Bridge Rail Replacement
Building – Akeley Building Repairs
Cemetery – Old Yard Cemetery Restoration
Culvert – Luce Hill Road Culvert Rehabilitation
Rec Path – Quiet Path Bridge
Rec Path – Reconstruction
Rec Path – Staircase from Village
Riverbank Stabilization Phase I & II
Sidewalk – Repairs Depot Street, South Main Street, Village

General Fund capital assets disposed of during the year included the following deletions:

Sold or Traded:
1987 4x4 Truck with Pump
1999 Sterling Dump Truck
2004 Ford F-350 Pickup truck
2006 Bobcat 5600 Turbo Work Machine
2006 Ford F350 Pickup truck
2006 GMC Yukon
2007 Exmark 72” Lazer Zero Turn Mower
2007 Ford Expedition
2008 Ford Edge Crossover
2009 Chevy Tahoe
2010 Chevy Tahoe

The Water fund had \$228,295 of capital asset additions, which includes water lines on Dewey Bridge and Gables Bridge, a new pickup truck and various equipment. The Water fund disposed of some land and the old waterlines under Dewey and Gables bridges along with a vehicle.

The Sewer fund had \$185,479 of capital asset additions, which includes an F-350 pickup truck, a generator for lower village pump station, and a new SCADA software as well as various equipment.

The Electric fund had capital asset additions of \$2,684,510, which was primarily the work in progress of the Nebraska Valley solar farm.

Debt Administration

As of June 30, 2016, long-term debt of governmental activities of the Town of Stowe was \$11,303,500. As of June 30, 2015, the governmental activities debt was \$12,119,250. During the year, the Town paid \$815,750 on older bonds and notes, and issued no new bonds in FY 2016.

The Business type activities had bonds and notes outstanding with a total principal debt of \$40,087,106. At the beginning of the fiscal year there was \$38,478,208 in outstanding debt. During the year the Town paid \$1,568,102 on older bonds and notes and a new bond was issued in the amount of \$3,177,000 for Nebraska Valley Solar Farm construction.

Economic Factors and FY 17 Budgets and Rates

- The Town of Stowe growth for the Grand List has averaged 1.27% over the last 5 years. With several residential construction projects underway, we are estimating a growth rate of 1.75% for the 2017 Grand List, which is higher than the 5 year average.
- Employees who fall under the Personnel Regulations, Police Association Contract, and the IBEW Agreement are scheduled to receive a 1.5% pay increase, plus and step increase they may be eligible for in FY 17.
- Health insurance rates have been budgeted to increase between 3.3% to 3.7% based on plan type and average three year premium changes for FY 2017. All employees pay a portion of the health care premiums, 10% for Blue Cross Blue Shield VHP plan or 5% for VFP plan.
- Dental insurance and Short Term/Long Term disability insurance is not expected to increase from FY16 rates. All employees contribute 5% toward their dental coverage.
- Prices for #2 fuel oil, diesel fuel, liquid and gasoline were estimated using a three year average cost with a multiplier of 0.00% 3 year average CPI-U for Northeast Region and have thus been budgeted to decrease anywhere from 6% to 14% versus FY16 budget.
- The electricity rates reflect a decrease of 2.9% due to rate restructuring by Stowe Electric in October 2015.

These factors were taken into consideration in preparing the fiscal year 2017 budgets. The General Fund expense for FY 17 is \$11,351,193, an increase of 2.05%. Non-Tax Revenues have been budgeted at \$2,542,983, a 1.59% increase, leaving an amount to be raised by taxation of \$8,580,836. In addition, The Town reduced the amount raised by taxation by \$227,674 of surplus carry forward of the General Fund.

The Town of Stowe continues to see growth and revitalization of new and existing properties along the Mountain Road and within the Village. We have seen the renovation of the Lackey Variety Store into The Country Store on Main and Stowe Public House, and renovation of the Old Stowe Hardware property into a group of stores including Northwood Gallery.

Under construction there is the Mountain House with 36 unit apartments, and Spruce Peak triplexes with 6 unit condominiums.

Requests for Information

This financial report is designed to provide a general overview of the Town of Stowe, Vermont's financial condition. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Manager's office or the Finance Office.

TOWN OF STOWE, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 2,330,354	\$ 1,538,965	\$ 3,869,319
Investments	2,239,964	0	2,239,964
Deposits with Insurance Company	3,600	0	3,600
Receivables (Net of Allowance for Uncollectibles)	900,486	2,347,844	3,248,330
Loans Receivable	0	3,972,005	3,972,005
Internal Balances	(1,229,500)	1,229,500	0
Prepaid Expenses	5,138	4,053	9,191
Inventory	163,113	229,738	392,851
Restricted Cash	0	2,595,952	2,595,952
Investment in Associated Companies	0	23,171,202	23,171,202
Deferred Charges	0	3,650	3,650
Capital Assets:			
Land and Easements	6,283,294	52,525	6,335,819
Construction in Progress	185,528	2,229,429	2,414,957
Antiques	80,000	0	80,000
Other Capital Assets, (Net of Accumulated Depreciation)	<u>25,693,705</u>	<u>32,577,768</u>	<u>58,271,473</u>
Total Assets	<u>36,655,682</u>	<u>69,952,631</u>	<u>106,608,313</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>612,603</u>	<u>49,794</u>	<u>662,397</u>
Total Deferred Outflows of Resources	<u>612,603</u>	<u>49,794</u>	<u>662,397</u>
<u>LIABILITIES</u>			
Accounts Payable	508,601	1,112,418	1,621,019
Accrued Payroll and Benefits Payable	155,534	61,722	217,256
Other Accrued Expenses	0	137,164	137,164
Unearned Revenue	47,321	162,134	209,455
Accrued Interest Payable	59,268	125,565	184,833
Noncurrent Liabilities:			
Due within One Year	785,750	1,705,684	2,491,434
Due in More than One Year	<u>12,248,211</u>	<u>38,710,356</u>	<u>50,958,567</u>
Total Liabilities	<u>13,804,685</u>	<u>42,015,043</u>	<u>55,819,728</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	81,808	0	81,808
Deferred Contribution for Capital Assets	0	295,000	295,000
Deferred Gain on Hedge Sale	0	74,995	74,995
Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>7,461</u>	<u>607</u>	<u>8,068</u>
Total Deferred Inflows of Resources	<u>89,269</u>	<u>370,602</u>	<u>459,871</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	20,939,027	19,274,427	40,213,454
Restricted:			
Culture and Recreation	898,823	0	898,823
Cemetery	454,585	0	454,585
Other	103,179	0	103,179
Unrestricted	<u>978,717</u>	<u>8,342,353</u>	<u>9,321,070</u>
Total Net Position	<u>\$ 23,374,331</u>	<u>\$ 27,616,780</u>	<u>\$ 50,991,111</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF STOWE, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 2,342,033	\$ 282,322	\$ 102,255	\$ 0	\$ (1,957,456)	\$ 0	\$ (1,957,456)
Public Safety	2,867,272	336,059	90,394	0	(2,440,819)	0	(2,440,819)
Public Works	3,333,777	12,087	833,617	625,553	(1,862,520)	0	(1,862,520)
Culture and Recreation	2,414,564	577,837	15,394	0	(1,821,333)	0	(1,821,333)
Cemetery	32,167	18,293	0	0	(13,874)	0	(13,874)
Interest on Long-term Debt	443,888	0	0	0	(443,888)	0	(443,888)
Total Governmental Activities	11,433,701	1,226,598	1,041,660	625,553	(8,539,890)	0	(8,539,890)
Business-type Activities:							
Water	989,298	1,669,382	0	3,088	0	683,172	683,172
Sewer	1,729,411	1,676,711	0	0	0	(52,700)	(52,700)
Electric	13,168,702	12,072,905	0	0	0	(1,095,797)	(1,095,797)
Total Business-type Activities	15,887,411	15,418,998	0	3,088	0	(465,325)	(465,325)
Total Primary Government	\$ 27,321,112	\$ 16,645,596	\$ 1,041,660	\$ 628,641	(8,539,890)	(465,325)	(9,005,215)
General Revenues:							
Property Taxes					8,407,738	0	8,407,738
Interest on Delinquent Taxes					149,197	0	149,197
Local Option Sales Tax					789,519	0	789,519
General State Grants					386,181	0	386,181
Unrestricted Investment Earnings					120,691	567,505	688,196
LCP Equity Dividends					0	1,080,704	1,080,704
Gain on Sale of Capital Assets					0	12,900	12,900
Other Revenues					17,341	0	17,341
Transfers:					33,000	(33,000)	0
Total General Revenues and Transfers					9,903,667	1,628,109	11,531,776
Change in Net Position					1,363,777	1,162,784	2,526,561
Net Position - July 1, 2015					22,010,554	26,453,996	48,464,550
Net Position - June 30, 2016					\$ 23,374,331	\$ 27,616,780	\$ 50,991,111

The accompanying notes are an integral part of this financial statement.

TOWN OF STOWE, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 2,280,120	\$ 0	\$ 50,234	\$ 2,330,354
Investments	947,265	0	1,292,699	2,239,964
Deposits with Insurance Company	3,600	0	0	3,600
Receivables (Net of Allowance for Uncollectibles)	544,256	348,831	7,399	900,486
Due from Other Funds	0	469,078	417,021	886,099
Prepaid Expenses	5,138	0	0	5,138
Inventory	163,113	0	0	163,113
Total Assets	<u>\$ 3,943,492</u>	<u>\$ 817,909</u>	<u>\$ 1,767,353</u>	<u>\$ 6,528,754</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 287,140	\$ 153,968	\$ 67,493	\$ 508,601
Accrued Payroll and Benefits Payable	155,534	0	0	155,534
Due to Other Funds	2,100,911	0	14,688	2,115,599
Unearned Revenue	47,321	0	0	47,321
Total Liabilities	<u>2,590,906</u>	<u>153,968</u>	<u>82,181</u>	<u>2,827,055</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Property Taxes	81,808	0	0	81,808
Unavailable Property Taxes and Interest	265,200	0	0	265,200
Unavailable Ambulance Fees	20,300	0	0	20,300
Unavailable Grants	0	213,578	7,399	220,977
Unavailable Fees	1,851	0	0	1,851
Total Deferred Inflows of Resources	<u>369,159</u>	<u>213,578</u>	<u>7,399</u>	<u>590,136</u>
<u>FUND BALANCES</u>				
Nonspendable	168,251	0	250,295	418,546
Restricted	17,049	24,550	1,164,693	1,206,292
Committed	40,205	393,253	143,055	576,513
Assigned	246,001	32,560	127,129	405,690
Unassigned/(Deficit)	511,921	0	(7,399)	504,522
Total Fund Balances	<u>983,427</u>	<u>450,363</u>	<u>1,677,773</u>	<u>3,111,563</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,943,492</u>	<u>\$ 817,909</u>	<u>\$ 1,767,353</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:				
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.				32,242,527
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.				508,328
Long-term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.				(13,093,229)
Deferred Outflows and Inflows of Resources related to the Town's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.				<u>605,142</u>
Net Position of Governmental Activities				<u>\$ 23,374,331</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF STOWE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 8,369,038	\$ 0	\$ 0	\$ 8,369,038
Interest on Delinquent Taxes	149,197	0	0	149,197
Local Option Sales Tax	0	789,519	0	789,519
Intergovernmental	631,242	530,940	78,526	1,240,708
Charges for Services	743,329	0	17,457	760,786
Permits, Licenses and Fees	513,379	0	11,742	525,121
Fines and Forfeits	11,318	0	0	11,318
Investment Income	14,522	1,181	104,988	120,691
Donations	9,665	0	43,000	52,665
Other	33,232	0	0	33,232
Total Revenues	<u>10,474,922</u>	<u>1,321,640</u>	<u>255,713</u>	<u>12,052,275</u>
Expenditures:				
General Government	2,327,863	7,723	3,784	2,339,370
Public Safety	2,420,339	0	69,892	2,490,231
Public Works	1,874,077	976,251	74	2,850,402
Culture and Recreation	2,044,922	60	10,159	2,055,141
Cemetery	15,468	9,750	5,514	30,732
Capital Outlay:				
Public Safety	46,370	0	324,250	370,620
Public Works	244,659	436,342	258,917	939,918
Culture and Recreation	5,894	102,466	34,910	143,270
Debt Service:				
Principal	815,750	0	0	815,750
Interest	439,732	0	0	439,732
Total Expenditures	<u>10,235,074</u>	<u>1,532,592</u>	<u>707,500</u>	<u>12,475,166</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>239,848</u>	<u>(210,952)</u>	<u>(451,787)</u>	<u>(422,891)</u>
Other Financing Sources/(Uses):				
Proceeds from Sale of Vehicles	0	0	2,820	2,820
Transfers In	403,806	40,000	400,000	843,806
Transfers Out	(440,000)	(350,000)	(20,806)	(810,806)
Total Other Financing Sources/(Uses)	<u>(36,194)</u>	<u>(310,000)</u>	<u>382,014</u>	<u>35,820</u>
Net Change in Fund Balances	203,654	(520,952)	(69,773)	(387,071)
Fund Balances - July 1, 2015	<u>779,773</u>	<u>971,315</u>	<u>1,747,546</u>	<u>3,498,634</u>
Fund Balances - June 30, 2016	<u>\$ 983,427</u>	<u>\$ 450,363</u>	<u>\$ 1,677,773</u>	<u>\$ 3,111,563</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF STOWE, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$	(387,071)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,453,808) is allocated over their estimated useful lives and reported as depreciation expense (\$1,197,850). This is the amount by which capital outlays exceeded depreciation in the current period.		255,958
The net effect of various transactions involving capital assets (i.e., sales, losses on disposal of assets and trade-ins) is to reduce net position.		(100,518)
The effect of a capital grant for the construction of a Town bridge by the State of Vermont is to increase net position.		599,546
The issuance of long-term debt (\$0) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$815,750) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		815,750
Governmental funds report employer pension contributions as expenditures (\$189,659). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$281,338) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(91,679)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		198,157
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		73,634
Change in net position of governmental activities (Exhibit B)	\$	1,363,777

The accompanying notes are an integral part of this financial statement.

TOWN OF STOWE, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Water Fund	Sewer Fund	Electric Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 0	\$ 0	\$ 1,538,965	\$ 1,538,965
Receivables (Net of Allowance for Uncollectibles)	107,492	110,909	838,164	1,056,565
Unbilled Receivables	131,082	125,056	906,040	1,162,178
Loans Receivable - Current Portion	27,079	570,497	0	597,576
Accrued Interest Receivable	0	0	129,101	129,101
Due from Other Funds	0	1,854,412	0	1,854,412
Prepaid Expenses	0	0	4,053	4,053
Inventory	56,000	13,491	160,247	229,738
Total Current Assets	321,653	2,674,365	3,576,570	6,572,588
Noncurrent Assets:				
Restricted Cash	0	0	2,595,952	2,595,952
Loans Receivable - Noncurrent Portion	105,364	3,269,065	0	3,374,429
Investment in Associated Companies	0	0	23,171,202	23,171,202
Deferred Charges	0	0	3,650	3,650
Capital Assets:				
Land	8,647	43,878	0	52,525
Construction in Progress	13,699	0	2,215,730	2,229,429
Land Improvements	0	7,787	0	7,787
Buildings and Building Improvements	0	15,584,232	273,429	15,857,661
Machinery and Equipment	210,666	851,589	1,749,287	2,811,542
Distribution and Collection Systems	11,596,850	10,882,065	10,646,863	33,125,778
Less: Accumulated Depreciation	(2,818,166)	(9,717,444)	(6,689,390)	(19,225,000)
Total Noncurrent Assets	9,117,060	20,921,172	33,966,723	64,004,955
Total Assets	9,438,713	23,595,537	37,543,293	70,577,543
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources Related to the Town's Participation in VMERS				
	38,078	11,716	0	49,794
Total Deferred Outflows of Resources	38,078	11,716	0	49,794
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	76,847	39,757	995,814	1,112,418
Accrued Payroll and Benefits Payable	5,723	9,603	46,396	61,722
Other Accrued Expenses	0	0	137,164	137,164
Due to Other Funds	624,912	0	0	624,912
Unearned Revenue	0	0	162,134	162,134
Accrued Interest Payable	73,983	0	51,582	125,565
Notes Payable - Current Portion	0	0	86,583	86,583
General Obligation Bonds Payable - Current Portion	510,459	846,562	262,080	1,619,101
Total Current Liabilities	1,291,924	895,922	1,741,753	3,929,599
Noncurrent Liabilities:				
Compensated Absences Payable	56,133	68,372	124,276	248,781
Net Pension Liability	61,287	18,866	0	80,153
Notes Payable - Noncurrent Portion	0	0	20,612,146	20,612,146
General Obligation Bonds Payable - Noncurrent Portion	3,590,316	8,074,040	6,104,920	17,769,276
Total Noncurrent Liabilities	3,707,736	8,161,278	26,841,342	38,710,356
Total Liabilities	4,999,660	9,057,200	28,583,095	42,639,955
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Contribution for Capital Assets				
	0	0	295,000	295,000
Deferred Gain on Hedge Sale				
	0	0	74,995	74,995
Deferred Inflows of Resources Related to the Town's Participation in VMERS				
	464	143	0	607
Total Deferred Inflows of Resources	464	143	369,995	370,602
<u>NET POSITION</u>				
Net Investment in Capital Assets	4,910,921	8,731,505	5,632,001	19,274,427
Unrestricted/(Deficit)	(434,254)	5,818,405	2,958,202	8,342,353
Total Net Position	\$ 4,476,667	\$ 14,549,910	\$ 8,590,203	\$ 27,616,780

The accompanying notes are an integral part of this financial statement.

TOWN OF STOWE, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Water Fund	Sewer Fund	Electric Fund	Total
Operating Revenues:				
Charges for Services	\$ 1,515,091	\$ 1,469,580	\$ 11,829,465	\$ 14,814,136
Total Operating Revenues	<u>1,515,091</u>	<u>1,469,580</u>	<u>11,829,465</u>	<u>14,814,136</u>
Operating Expenses:				
Administrative	75,024	94,787	1,318,473	1,488,284
Power	0	0	8,631,412	8,631,412
Distribution and Collection	495,026	1,118,965	1,349,444	2,963,435
Taxes	0	0	117,027	117,027
Depreciation and Amortization	194,136	515,659	385,227	1,095,022
Total Operating Expenses	<u>764,186</u>	<u>1,729,411</u>	<u>11,801,583</u>	<u>14,295,180</u>
Operating Income/(Loss)	<u>750,905</u>	<u>(259,831)</u>	<u>27,882</u>	<u>518,956</u>
Non-Operating Revenues/(Expenses):				
Connection Fees and Related Interest	154,291	207,131	0	361,422
LCP Equity Dividends	0	0	1,080,704	1,080,704
Proceeds from Sale of Capital Assets	0	0	12,900	12,900
Loss on Disposal of Capital Assets	(104,431)	0	0	(104,431)
Other Income	0	0	243,440	243,440
Investment Income	0	4,624	562,881	567,505
Interest Expense	(120,681)	0	(1,367,119)	(1,487,800)
Total Non-Operating Revenues/(Expenses)	<u>(70,821)</u>	<u>211,755</u>	<u>532,806</u>	<u>673,740</u>
Net Income Before Capital Contributions and Transfers	<u>680,084</u>	<u>(48,076)</u>	<u>560,688</u>	<u>1,192,696</u>
Capital Contributions and Transfers:				
Capital Contributions	3,088	0	0	3,088
Transfers Out	0	0	(33,000)	(33,000)
Total Capital Contributions and Transfers	<u>3,088</u>	<u>0</u>	<u>(33,000)</u>	<u>(29,912)</u>
Change in Net Position	683,172	(48,076)	527,688	1,162,784
Net Position - July 1, 2015	<u>3,793,495</u>	<u>14,597,986</u>	<u>8,062,515</u>	<u>26,453,996</u>
Net Position - June 30, 2016	<u>\$ 4,476,667</u>	<u>\$ 14,549,910</u>	<u>\$ 8,590,203</u>	<u>\$ 27,616,780</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF STOWE, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Water Fund	Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 1,524,960	\$ 1,451,302	\$ 11,761,118	\$ 14,737,380
Payments for Purchased Power	0	0	(8,644,317)	(8,644,317)
Payments for Goods and Services	(273,813)	(647,959)	(1,273,908)	(2,195,680)
Payments for Interfund Services	(50,250)	(51,250)	0	(101,500)
Payments for Wages and Benefits	(310,234)	(556,147)	(1,220,650)	(2,087,031)
	<u>890,663</u>	<u>195,946</u>	<u>622,243</u>	<u>1,708,852</u>
Cash Flows From Noncapital Financing Activities:				
Other Receipts	0	0	138,364	138,364
Decrease/(Increase) in Deposits	272,530	103,550	0	376,080
Decrease/(Increase) in Due from Other Funds	0	(71,227)	0	(71,227)
(Decrease)/Increase in Due to Other Funds	(493,658)	0	0	(493,658)
Transfers Paid to Other Funds	0	0	(33,000)	(33,000)
LCP Equity Dividends	0	0	1,080,704	1,080,704
	<u>(221,128)</u>	<u>32,323</u>	<u>1,186,068</u>	<u>997,263</u>
Cash Flows From Capital and Related Financing Activities:				
Payments Received on Loans Receivable	185,798	799,146	0	984,944
Proceeds from Long-term Debt	0	0	3,177,000	3,177,000
Proceeds of Capital Grants	3,088	0	0	3,088
Proceeds from Sale of Capital Assets	0	0	12,900	12,900
Acquisition and Construction of Capital Assets	(228,295)	(185,479)	(2,684,510)	(3,098,284)
Principal Paid on General Obligation Bonds Payable	(504,448)	(846,560)	(135,000)	(1,486,008)
Principal Paid on Notes Payable	0	0	(82,094)	(82,094)
Interest Paid on General Obligation Bonds Payable	(125,678)	0	(148,022)	(273,700)
Interest Paid on Notes Payable	0	0	(1,207,288)	(1,207,288)
	<u>(669,535)</u>	<u>(232,893)</u>	<u>(1,067,014)</u>	<u>(1,969,442)</u>
Cash Flows From Investing Activities:				
Receipt of Interest and Dividends	0	4,624	562,825	567,449
	<u>0</u>	<u>4,624</u>	<u>562,825</u>	<u>567,449</u>
Net Increase in Cash	0	0	1,304,122	1,304,122
Cash - July 1, 2015	<u>0</u>	<u>0</u>	<u>2,830,795</u>	<u>2,830,795</u>
Cash - June 30, 2016	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,134,917</u>	<u>\$ 4,134,917</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:				
Operating Income/(Loss)	\$ 750,905	\$ (259,831)	\$ 27,882	\$ 518,956
Depreciation and Amortization	194,136	515,659	385,227	1,095,022
(Increase)/Decrease in Receivables	9,869	(18,278)	(68,347)	(76,756)
(Increase)/Decrease in Prepaid Expenses	0	0	14,878	14,878
(Increase)/Decrease in Inventory	(43,670)	(3,073)	16,395	(30,348)
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	(24,938)	(8,007)	0	(32,945)
Increase/(Decrease) in Accounts Payable	2,671	(11,950)	186,337	177,058
Increase/(Decrease) in Accrued Payroll and Benefits Payable	(3,260)	(7,042)	10,585	283
Increase/(Decrease) in Other Accrued Expenses	0	0	39,154	39,154
Increase/(Decrease) in Compensated Absences Payable	(14,932)	(18,721)	10,132	(23,521)
Increase/(Decrease) in Net Pension Liability	51,035	15,972	0	67,007
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	(31,153)	(8,783)	0	(39,936)
	<u>\$ 890,663</u>	<u>\$ 195,946</u>	<u>\$ 622,243</u>	<u>\$ 1,708,852</u>

The Water Fund disposed of capital assets with a cost and accumulated depreciation of \$163,154 and \$58,723, respectively.

The Sewer Fund disposed of capital assets with a cost and accumulated depreciation of \$9,416 and \$5,916, respectively.

The Electric Fund disposed of capital assets with a cost and accumulated depreciation of \$139,107.

The accompanying notes are an integral part of this financial statement.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

The Town of Stowe, Vermont, (herein the "Town") operates under a Manager/Board of Selectmen form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, community/economic development, culture and recreation, public improvements, planning and zoning, water, sewer, electric and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Town of Stowe, Vermont (the "Town") conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the activity of the Town of Stowe, Vermont. The financial reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board; a governing board appointed by a higher level of government; or a jointly appointed board. Based on these criteria, there are no other entities that should be combined with the financial statements of the Town.

B. Basis of Presentation

The accounts of the Town are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the Town include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the Town as a whole and present a longer-term view of the Town's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the Town and present a shorter-term view of how operations were financed and what remains available for future spending.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government, the Town. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each segment of the Town's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Town reports on the following major governmental funds:

General Fund – This is the Town's main operating fund. It accounts for all financial resources of the Town except those accounted for in another fund.

Capital Fund – This fund accounts for the general capital expenditures of the Town.

The Town reports on the following major enterprise funds:

Water Fund – This fund accounts for the operations of the Water Department.

Sewer Fund – This fund accounts for the operations of the Sewer Department.

Electric Fund – This fund accounts for the operations of the Electric Department. The Electric Department is a municipally-owned utility providing retail electric power to the residents of the Town and surrounding communities.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Equity (i.e., total net position) is segregated into net investment in capital assets; restricted net position; and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are generally reported on their balance sheets. Their reported fund balances (net current position) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Local option sales taxes collected and held by the State at year-end on behalf of the Town are also recognized as revenue. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers all revenues reported in governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under capital leases and sales of capital assets are reported as other financing sources.

Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

The Electric Department is under the jurisdiction of the Federal Energy Regulatory Commission (FERC) and the Vermont Public Service Board (VPSB) with respect to rates and accounting practices. In accordance with Statement of Financial Accounting Standards No. 71 "Accounting for the Effects of Certain Types of Regulations," the Electric Department records certain assets and liabilities in accordance with the economic effect of the rate making process. 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 Electric Department 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 Electric Department analyzes the evidence supporting deferral, including provisions for recovery in regulatory orders, regulatory precedent, other regulatory correspondence and legal representations.

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows and inflows of resources and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

1. Cash

Cash balances of most Town funds are deposited with and invested by the Town Treasurer. The exception to this is that the Electric Fund and Library Endowment Fund collect and invest cash. The Town considers all short-term investments of ninety (90) days or less to be cash equivalents.

Excess cash of individual funds are shown as due from other funds and excess cash withdrawals are shown as due to other funds. Interest income is allocated based on the due from/to other funds balances.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

2. Investments

The Town invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. Receivables

Receivables for all funds, except the Electric Fund, are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables. The Electric Fund does not provide an allowance for doubtful accounts but utilizes the direct write-off method for all uncollectible accounts based on management's judgment. The Electric Department has determined that any uncollectible receivables would be immaterial to the Department.

4. Unbilled Receivables and Revenue Recognition

The Electric Department does all the billing for the Water, Sewer and Electric Funds. The Department reads approximately half of the meters around the 1st of the month and the balance around the 15th. Revenues have been recognized through the end of the accounting period by providing for unbilled revenues from the reading date through the end of the accounting period.

5. Internal Balances

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as "advances from/to other funds". All other outstanding balances between funds are reported as "due from/to other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

6. Pensions

For purposes of measuring the proportionate share of the net pension liability and the related deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Vermont Municipal Employees' Retirement System (VMERS) plan and additions to/deductions from the VMERS' fiduciary net position have been determined on the same basis as they are reported by VMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

7. Inventories and Prepaid Expenses

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventory is recorded as an expenditure or in certain cases, for the Electric Fund, capitalized at the time the individual item is utilized. Inventories in the governmental funds consist of gravel and materials. Inventories in the proprietary funds consist of fuel, materials and parts held by the individual departments for repairs and additions to equipment and utility plant.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

Reported inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as these are not in spendable form.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. The Town has one type which arises under the accrual basis of accounting that qualifies for reporting in this category. The governmental activities, the business-type activities, the Water Fund and the Sewer Fund report deferred outflows of resources from one source; deferred outflows related to the Town’s participation in the Vermont Municipal Employees Retirement System. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has five types of items which arise under the modified accrual basis of accounting and four types which arise under the accrual basis of accounting that qualify for reporting in this category. The governmental activities reports deferred inflows of resources from two sources; prepaid property taxes and deferred inflows related to the Town’s participation in the Vermont Municipal Employees Retirement System. The governmental funds reports deferred inflows of resources from five sources; prepaid property taxes, unavailable property taxes and interest, unavailable ambulance fees, unavailable grants and unavailable fees. The business-type activities and proprietary funds report deferred inflows of resources from three sources; deferred contribution for capital assets, deferred gain on hedge sale and deferred inflows related to the Town’s participation in the Vermont Municipal Employees Retirement System. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

9. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

TOWN OF STOWE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight-line method of calculating depreciation.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Estimated Service Life
Land and Easements	\$ 1,000	Not Depreciated
Antiques	1,000	Not Depreciated
Land Improvements	5,000	25-50 Years
Buildings and Building Improvements	5,000	40-50 Years
Machinery and Equipment	5,000	4-30 Years
Infrastructure	15,000	15-50 Years
Water, Wastewater and Electric Distribution and Collection Systems	15,000	50-100 Years

The Town does not capitalize its library books because the books are considered a collection.

Capital assets are not reported in the governmental fund financial statements. Capital outlays in these funds are recorded as expenditures in the year they are incurred.

10. Investments in Associated Companies

The Stowe Electric Department (SED) recognizes income from its affiliates in which SED has ownership interests. This ownership includes investment in common and preferred stock of Vermont Electric Power Company, Inc. (VELCO) and membership units of VT Transco, LLC (Transco). These investments are recorded at cost and, because these are not publicly traded, market values are not readily determinable.

11. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused annual leave up to eight hundred (800) hours and up to forty (40) hours of comp time for hourly employees. These amounts are pro-rated for part-time employees. Police officers can accumulate up to one thousand two hundred eighteen (1,218) of hours of annual leave and up to one hundred twenty (120) hours of comp-time. The accrual for unused compensated absences, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences in the governmental funds are recorded as expenditures in the year they are paid.

The Electric Department allows employees to accumulate earned but unused vacation and sick pay benefits. Employees may, depending upon level and length of service, be paid for various amounts of their unused leave upon termination or retirement.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

12. Long-term Liabilities

Long-term liabilities include bonds payable, notes payable, capital leases and other obligations such as compensated absences and the Town's net pension liability. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund financial statements do not include any long-term liabilities as those statements use the current financial resources measurement focus and only include current liabilities on their balance sheets.

13. Fund Equity

Fund equity is classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net position in the government-wide and proprietary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances of governmental funds are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Board of Selectmen's intended use of the resources); and unassigned.

**II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND
AND GOVERNMENT-WIDE STATEMENTS**

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, whereas government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report expenditures (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds from the sale of capital assets as other financing sources, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

Long-term debt transaction differences arise because governmental funds report proceeds of long-term debt as other financing sources and principal payments as expenditures, whereas government-wide statements report those transactions as increases and decreases in liabilities, respectively.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Pension-related differences arise because governmental funds report the current year's required employer contributions as current period expenditures, whereas government-wide statements report those transactions as deferred outflows of resources. In addition the accrual for the Town's proportionate share of the net pension liability is recorded in the government-wide financial statements along with the related deferred inflows and outflows of resources.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are approved at the annual Town Meeting in March. Any budget changes require voter approval. There were no budget amendments during the year. The budget presented herein is for the Town's "General Fund" only and does not include the Annual Leave Fund, the Library Operations Fund and the Recreation Scholarship Fund activity that is included with the General Fund.

B. Budgeted Deficit

The Town budgeted a current year's deficiency of revenues over expenditures in the General Fund in the amount of \$227,674 in order to utilize a portion of the previous year's surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

C. Separate Financial Statements

The Town has issued separate financial statements for the Electric Fund. Additional disclosures pertaining to this fund can be found in the separately issued financial statement.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2016 consisted of the following:

Restricted Cash:	
Deposits with Financial Institutions	<u>\$2,595,952</u>
Unrestricted Cash:	
Deposits with Financial Institutions	3,850,178
Deposits with Investment Company	15,527
Cash on Hand	<u>3,614</u>
Total Unrestricted Cash	<u>3,869,319</u>
Total Cash	<u>6,465,271</u>

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Investments:

Certificate of Deposit	\$ 947,265
Municipal Bonds	46,844
Corporate Bonds	75,268
Mutual Funds – Equities	750,750
Common Stock	<u>419,837</u>
 Total Investments	 <u>2,239,964</u>
 Total Cash and Investments	 <u>\$8,705,235</u>

The Town has one (1) certificate of deposit with Union Bank in the amount of \$947,265 with an interest rate of 0.5%. The Town’s certificate of deposit will mature during fiscal year 2017.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The Town does not have any policy to limit the exposure to custodial credit risk. The municipal bonds, corporate bonds, mutual funds and common stock are in the name of the Town and are not exposed to custodial credit risk. The following table shows the custodial credit risk of the Town’s cash and certificate of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$1,495,039	\$1,495,039
Uninsured, Uncollateralized, Secured by Mortgage Loans Held in the Bank’s Name	2,779,266	2,961,187
Uninsured, Collateralized - Electric Department	1,877,275	2,725,981
Uninsured, Uncollateralized	<u>1,257,342</u>	<u>1,257,342</u>
 Total	 <u>\$7,408,922</u>	 <u>\$8,439,549</u>

The difference between the book and bank balance is due to reconciling items such as deposits in transit and outstanding checks.

\$1,257,342 of uninsured, uncollateralized cash could be offset by debt at the respective bank.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

The book balance is comprised of the following:

Restricted Cash – Deposits with Financial Institutions	\$2,595,952
Cash – Deposits with Financial Institutions	3,850,178
Cash – Deposits with Investment Company	15,527
Investments – Certificate of Deposit	<u>947,265</u>
Total	<u>\$7,408,922</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town’s certificate of deposit and common stock are exempt from interest rate risk disclosure. The Town’s mutual funds are open-ended and, therefore, are also exempt from interest rate risk disclosure.

Information about the sensitivity of the fair values of the Town’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Town’s investments by maturity. Municipal bonds and corporate bonds are shown at their actual maturity.

Investment Type	Remaining Maturity		Total
	1 to 5 Years	5 to 10 Years	
Municipal Bonds	\$ 0	\$ 46,844	\$ 46,844
Corporate Bonds	<u>54,903</u>	<u>20,365</u>	<u>75,268</u>
Total	<u>\$ 54,903</u>	<u>\$ 67,209</u>	<u>\$ 122,112</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows the investor to make informed buying and selling decisions. The Town does not have any policy to limit the exposure to credit risk. The Town’s certificate of deposit and common stock are not subject to credit risk disclosure. The Town’s mutual funds are open-ended and, therefore, are also excluded from the credit risk analysis.

Investment Type	Standard and Poor's Rating as of June 30, 2016					Total
	BBB+	BBB	BBB-	BB	B+	
Municipal Bonds	\$ 29,000	\$ 0	\$ 0	\$ 0	\$ 17,844	\$ 46,844
Corporate Bonds	<u>0</u>	<u>10,486</u>	<u>19,110</u>	<u>45,672</u>	<u>0</u>	<u>75,268</u>
Total	<u>\$ 29,000</u>	<u>\$ 10,486</u>	<u>\$ 19,110</u>	<u>\$ 45,672</u>	<u>\$ 17,844</u>	<u>\$ 122,112</u>

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the Town's investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town's certificate of deposit is exempt from concentration of credit risk analysis. The mutual funds are open-ended and, therefore, are also excluded from the concentration of credit risk analysis. The Town has \$261,792, (62%), of their common stock invested in Union Bankshares, Inc. The investments in associated companies held by the Electric Department are described in Note IV.D. There are no other investments in any one issuer that represent more than 5% of total investments.

Restricted Cash

During 2005, the Electric Department received \$750,000 from the Spruce Peak Realty Company in anticipation of the construction of a 115kV line. These funds may only be used for the costs of the new 115kV line. The Electric Department may spend the interest earned on these funds as they see fit. The amount restricted as of June 30, 2016 is \$300,000.

In May, 2009, the Electric Department received a \$4 million bond from the Vermont Municipal Bond Bank for the purpose of funding infrastructure and exclusive facilities. Unspent bond proceeds and the interest earned are restricted and may only be used to pay down the bond. The amount restricted as of June 30, 2016 is \$794,747.

In February, 2016, the Electric Department received a \$3,177,000 bond from the Vermont Economic Development Authority for the purpose of funding the Nebraska Solar Farm project. Unspent bond proceeds will be returned. The interest earned can be used to cover interest expense. The amount restricted as of June 30, 2016 is \$1,501,205.

Total restricted cash in the Electric Fund as of June 30, 2016 is \$2,595,952.

B. Receivables

Receivables as of June 30, 2016, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Delinquent Taxes Receivable	\$ 420,057	\$ 0	\$ 420,057
Interest Receivable	31,647	0	31,647
Tax Sale Receivable	42,490	0	42,490
Local Option Sales Tax Receivable	133,512	0	133,512
Ambulance Receivable	53,697	0	53,697
Grants Receivable	222,718	0	222,718
Accounts Receivable	17,365	16,014	33,379
Billed Services	0	1,044,551	1,044,551
Unbilled Services	0	1,162,178	1,162,178
Accrued Interest Receivable	0	129,101	129,101
Allowance for Doubtful Accounts	<u>(21,000)</u>	<u>(4,000)</u>	<u>(25,000)</u>
	<u>\$ 900,486</u>	<u>\$ 2,347,844</u>	<u>\$ 3,248,330</u>

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

C. Loans Receivable

Governmental Activities

During 2008, the Town issued a \$735,000 loan receivable to Sylvan Woods Housing Limited Partnership to assist in constructing low income housing. This money was from proceeds of a State grant. Interest accrues at 2% per year. The loan and interest is deferred until November, 2036. The loan is secured by the land and building.

Loan Receivable	\$735,000
Accrued Interest Receivable	<u>117,600</u>
Total	852,600
Less: Allowance for Doubtful Loans/Interest	<u>(852,600)</u>
Reported Value at June 30, 2016	\$ <u> 0</u>

Business-type Activities

The Town has ten (10) outstanding sewer loans totaling \$14,065 homeowners in the Sylvan Park Development. Homeowners were assessed a hook-on fee which the Town is financing for them. Each loan is billed quarterly with interest at 2%. The Town also has eighty-seven (87) outstanding sewer loans totaling \$3,825,497 to homeowners and businesses in the Mountain Road Development for hook-on fees which the Town is financing for them. These loans are assessed a \$21.60 per quarter administration fee or, in some cases, a 1% administration fee per quarter of the quarterly payment. Loan terms vary from 4 to 20 years. The Town has determined that all loans are collectible as they have a lien on the home or business thus no allowance for doubtful loans is needed. The Town also has twenty-one (21) outstanding loans totaling \$132,443 in the Water Department. Homeowners were assessed a hook-on-fee which the Town is financing for them. Each loan is billed quarterly with an administrative fee of 1% per quarter of the quarterly payment. Total loans receivable as of June 30, 2016 is \$3,972,005. The Town estimates that \$597,576 will be collected during fiscal year 2016 and the remainder of \$3,374,429 in future years.

An analysis of the change in loans receivable is as follows:

Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
\$ 4,595,527	\$ 0	\$ 623,522	\$ 3,972,005
\$ 4,595,527	\$ 0	\$ 623,522	\$ 3,972,005

D. Investment in Associated Companies

The Stowe Electric Department (SED) accounts for investments in associated companies at cost because they are not publicly traded and market values are not readily determinable. The following are the investment balances as of June 30, 2016.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

	Shares/Units	Cost
VELCO - Class C Preferred Stock	981	\$ 1,472
VELCO - Class B Common Stock	2,078	207,800
VELCO - Class C Common Stock	1,487	148,700
VT Transco, LLC - Class A - Membership Units	1,003,783	10,037,830
VT Transco, LLC - Class B - Membership Units	1,277,540	<u>12,775,400</u>
 Total		 <u>\$ 23,171,202</u>

E. Deferred Charges

The Electric Department has deferred charges which include bond issuance costs that were incurred in the financing of the 2010 bonds with the Vermont Municipal Bond Bank. These costs are amortized over a period of twenty years.

	Amortization Period	Current Amortization	Unamortized Balance
Bond Issuance Costs	20 Years	<u>\$160</u>	<u>\$3,650</u>

F. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 6,283,294	\$ 0	\$ 0	\$ 6,283,294
Construction in Progress	2,979,939	85,766	2,880,177	185,528
Antiques	80,000	0	0	80,000
Total Capital Assets, Not Being Depreciated	<u>9,343,233</u>	<u>85,766</u>	<u>2,880,177</u>	<u>6,548,822</u>
Capital Assets, Being Depreciated:				
Land Improvements	516,349	118,901	0	635,250
Buildings and Building Improvements	18,003,854	0	0	18,003,854
Machinery and Equipment	6,881,068	695,162	774,162	6,802,068
Infrastructure	5,370,710	4,058,522	209,003	9,220,229
Totals	<u>30,771,981</u>	<u>4,872,585</u>	<u>983,165</u>	<u>34,661,401</u>
Less Accumulated Depreciation for:				
Land Improvements	230,637	12,960	0	243,597
Buildings and Building Improvements	2,802,766	486,239	0	3,289,005
Machinery and Equipment	3,704,400	351,031	690,463	3,364,968
Infrastructure	1,889,870	347,620	167,364	2,070,126
Totals	<u>8,627,673</u>	<u>1,197,850</u>	<u>857,827</u>	<u>8,967,696</u>
Total Capital Assets, Being Depreciated	<u>22,144,308</u>	<u>3,674,735</u>	<u>125,338</u>	<u>25,693,705</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,487,541</u>	<u>\$ 3,760,501</u>	<u>\$ 3,005,515</u>	<u>\$ 32,242,527</u>

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 52,525	\$ 0	\$ 0	\$ 52,525
Construction in Progress	1,229,050	2,293,513	1,293,134	2,229,429
Total Capital Assets, Not Being Depreciated	1,281,575	2,293,513	1,293,134	2,281,954
Capital Assets, Being Depreciated:				
Land Improvements	0	7,787	0	7,787
Buildings and Building Improvements	15,854,099	3,562	0	15,857,661
Machinery and Equipment	2,376,686	607,292	172,436	2,811,542
Distribution and Collection Systems	31,782,255	1,482,764	139,241	33,125,778
Totals	50,013,040	2,101,405	311,677	51,802,768
Less Accumulated Depreciation for:				
Land Improvements	0	742	0	742
Buildings and Building Improvements	5,178,392	271,316	0	5,449,708
Machinery and Equipment	2,029,745	158,396	168,936	2,019,205
Distribution and Collection Systems	11,125,747	664,408	34,810	11,755,345
Totals	18,333,884	1,094,862	203,746	19,225,000
Total Capital Assets, Being Depreciated	31,679,156	1,006,543	107,931	32,577,768
Business-type Activities Capital Assets, Net	\$ 32,960,731	\$ 3,300,056	\$ 1,401,065	\$ 34,859,722

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 29,276	Water	\$ 194,136
Public Safety	322,179	Sewer	515,659
Public Works	484,541	Electric	385,067
Culture and Recreation	360,419		
Cemetery	1,435		
Total Depreciation Expense - Governmental Activities		Total Depreciation Expense - Business-type Activities	
	\$ 1,197,850		\$ 1,094,862

G. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2016 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 2,100,911
Capital Fund	469,078	0
Non-Major Governmental Funds	417,021	14,688
Water Fund	0	624,912
Sewer Fund	1,854,412	0
Total	\$ 2,740,511	\$ 2,740,511

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Interfund transfers during the year ended June 30, 2016 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Annual Leave Fund	\$ 120,000	* Annual Contribution
General Fund	Recreation Scholarship Fund	1,000	* Annual Contribution
General Fund	Capital Fund	40,000	Annual Contribution
General Fund	Equipment Fund	400,000	Annual Contribution
Library Operations Fund	General Fund	28,500	* Annual Contribution
Capital Fund	General Fund	350,000	Fund Debt Service
Appraisal Fund	General Fund	6,000	Fund Appraisal Expenses
Cemetery Fund	General Fund	7,000	Annual Contribution
Library Endowment Fund	Library Operations Fund	7,806	* Transfer Earnings
Electric Fund	General Fund	<u>33,000</u>	PILOT
Total		<u>\$ 993,306</u>	

* The transfers from the General Fund to the Annual Leave Fund and the Recreation Scholarship Fund and the transfer from the Library Operations Fund to the General Fund are netted within the General Fund as these funds are consolidated within the General Fund and the transfer from the Library Endowment Fund to the Library Operations Fund is included with the General Fund in order to comply with GASB Statement No. 54.

H. Deferred Outflows of Resources

Deferred outflows of resources in the Governmental Activities consists of \$31,159 from the difference between the expected and actual experience, \$196,302 from changes in assumptions, \$190,433 from the difference between the projected and actual investment earnings, \$5,050 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$189,659 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Governmental Activities is \$612,603.

Deferred outflows of resources in the Business-type Activities consists of \$2,533 from the difference between the expected and actual experience, \$15,962 from changes in assumptions, \$15,485 from the difference between the projected and actual investment earnings, \$411 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$15,403 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Business-type Activities is \$49,794.

Deferred outflows of resources in the Water Fund consists of \$1,937 from the difference between the expected and actual experience, \$12,205 from changes in assumptions, \$11,840 from the difference between the projected and actual investment earnings, \$314 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$11,782 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Water Fund is \$38,078.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Deferred outflows of resources in the Sewer Fund consists of \$596 from the difference between the expected and actual experience, \$3,757 from changes in assumptions, \$3,645 from the difference between the projected and actual investment earnings, \$97 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$3,621 of required employer pension contributions subsequent to the measurement date, as further described in Note V.A. Total deferred outflows of resources in the Sewer Fund is \$11,716.

I. Unearned Revenue

Unearned revenue in the General Fund consists of \$18,631 of advertising fees and \$28,690 of recreation fees received in advance. Total unearned revenue in the General Fund is \$47,321.

J. Deferred Inflows of Resources

Deferred inflows of resources in the Governmental Activities consists of \$81,808 of prepaid property taxes and \$7,461 resulting from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note V.A. Total deferred inflows of resources in the Governmental Activities is \$89,269.

Deferred inflows of resources in the Business-type Activities consists of \$607 resulting from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note V.A., \$295,000 from the contribution from Spruce Peak Realty, LLC for the construction of a 115kV line, as described as follows, and \$74,995 from the refinancing of a capital improvement note, as described as follows. Total deferred inflows of resources in the Business-type Activities is \$370,602.

Deferred inflows of resources in the General Fund consists of \$265,200 of delinquent property taxes and interest on those taxes, \$20,300 of ambulance fees and \$1,851 of miscellaneous fees not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$81,808 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$369,159.

Deferred inflows of resources in the Capital Fund consists of \$213,578 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$7,399 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Water Fund consists of \$464 resulting from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note V.A.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Deferred inflows of resources in the Sewer Fund consists of \$143 resulting from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS), as further described in Note V.A.

On September 23, 2005, the Stowe Electric Department (SED) entered into an agreement with Spruce Peak Realty, LLC ("SPR"). SPR requires an additional firm electric load for expansion of its facilities and represents a portion of the additional capacity capability that the Lamoille County (LC) 115KV project will provide SED and its surrounding areas. SPR has agreed to provide \$2,100,000 toward SED's allocation of LC 115KV project costs from VT. Transco LLC ("Transco"). An initial contribution of \$750,000 received in 2005 has been recorded as a deferred inflow of resources and will be amortized to revenue over the initial ten year service period of the project. The deferred amount remaining as of June 30, 2016 is \$295,000.

On March 1, 2011, SED refinanced their capital improvement note with Key Bank National Association. This refinancing terminated an existing interest rate swap. As a result, SED received proceeds of \$239,136 which will be amortized over the remaining life of the note. The deferred amount remaining as of June 30, 2016 is \$74,995.

K. Long-term Liabilities

The Town issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for both general governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from general governmental revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. New bonds generally are issued as 10 to 20 year bonds. Refunding bonds are issued for various terms based on the debt service of the debt refunded.

The Town has other notes payable to finance various capital projects and purchases through local banks.

The State of Vermont offers a number of low and no-interest revolving loan programs to utilize for predetermined purposes. The Town has borrowed money from the Vermont Special Environmental Revolving Fund for water and sewer projects.

The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside to pay current employees, retirees, and beneficiaries. The accrual for the Town's share of the net pension liability is recorded in the government-wide financial statements and proprietary fund financial statements.

It is the policy of the Town to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Long-term liabilities outstanding as of June 30, 2016 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Tri-Centennial Acquisition, Principal Payments of \$30,000 Payable on December 1 Annually, Interest Rates Ranging from 4.8% to 5.85% Payable on June 1 and December 1, Due and Paid December, 2015	\$ 30,000	\$ 0	\$ 30,000	\$ 0
Bond Payable, Vermont Municipal Bond Bank, Sunset Rock Land Purchase, Fire Pumper Truck and Ice Rink Improvements, Principal Payments Ranging from \$15,000 to \$20,000 Payable on December 1 Annually, Interest Rates Ranging from 6.8% to 7.0% Payable on May 15 and November 15, Due November, 2019	75,000	0	15,000	60,000
Bond Payable, Vermont Municipal Bond Bank, Bingham Falls Land Purchase, Garage Land Purchase and Former Water and Light Building Improvements, Principal Payments of \$25,000 Payable on December 1 Annually, Interest Rates Ranging from 2.8% to 5.18% Payable on June 1 and December 1, Due December, 2021	175,000	0	25,000	150,000
Bond Payable, Vermont Municipal Bond Bank, Ladder Truck and Nichols Easement, Principal Payments of \$20,000 Payable on December 1 Annually, Interest Rates Ranging from 1.87% to 5.09% Payable on June 1 and December 1, Due December, 2024	200,000	0	20,000	180,000
Bond Payable, Vermont Municipal Bond Bank, Adams Camp Purchase and Memorial Building Engineering, Principal Payments of \$25,000 Payable on December 1 Annually, Interest Rates Ranging from 3.865% to 4.665% Payable on June 1 and December 1, Due December, 2027	325,000	0	25,000	300,000

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Public Safety Building, Principal Payments of \$360,000 Payable on November 15 Annually, Interest Rates Ranging from 1.9% to 4.65% Payable on May 15 and November 15, Due November, 2028	\$ 5,040,000	\$ 0	\$360,000	\$ 4,680,000
Bond Payable, Vermont Municipal Bond Bank, Ice Rink, Principal Payments of \$200,000 Payable on November 15 Annually, Interest Rates Ranging from 1.098% to 3.968% Payable on May 15 and November 15, Due November, 2032	3,600,000	0	200,000	3,400,000
Bond Payable, Vermont Municipal Bond Bank, Ice Rink and Sledding Hill Land Purchase, Principal Payments of \$140,750 Payable on November 15 Annually, Interest at 3.955% Payable on May 15 and November 15, Due November, 2033	<u>2,674,250</u>	<u>0</u>	<u>140,750</u>	<u>2,533,500</u>
Total Governmental Activities	<u>\$12,119,250</u>	<u>\$ 0</u>	<u>\$815,750</u>	<u>\$11,303,500</u>
Business-type Activities:				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Expansion, Principal Payments of \$125,819 Payable on December 15 Annually, 0% Interest, Due December, 2021	\$ 754,918	\$ 0	\$ 125,819	\$ 629,099
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Improvements, Principal and Interest Payments of \$215,568 Payable on July 1 Annually, Interest at 3%, Due July, 2025	1,838,840	0	160,403	1,678,437

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Improvements, Principal Payments of \$18,275 Payable on April 1 Annually, 0% Interest, Due April, 2024	\$ 164,463	\$ 0	\$ 18,275	\$ 146,188
Bond Payable, Vermont Municipal Bond Bank, Water Upgrade, Principal Payments of \$160,000 Payable on December 1 Annually, Interest Rates Ranging from 1.55% to 5.0% Payable on June 1 and December 1, Due December, 2022	1,280,000	0	160,000	1,120,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sunset Hill Project, Principal and Interest Payments of \$57,335 Payable on July 1, Interest at 1%, Administrative Fee at 2%, Due July, 2026	567,002	0	39,951	527,051
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Improvements, Principal Payments of \$51,330 Payable on December 15 Annually, 0% Interest, Due December, 2017	153,989	0	51,330	102,659
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Improvements, Principal Payments of \$103,550 Payable on July 1 Annually, 0% Interest, Due July, 2020	621,300	0	103,550	517,750
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Improvements, Principal Payments of \$691,680 Payable on April 1 Annually, 0% Interest, Due April, 2028	8,991,873	0	691,680	8,300,193

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Electric Upgrades, Principal Payments of \$135,000 through 2038 and then One (1) Payment of \$85,000 in 2039, Interest Rates Ranging from 1.31% to 3.41% Payable on June 1 and December 1, Due November, 2039	\$ 3,325,000	\$ 0	\$ 135,000	\$ 3,190,000
Bond Payable, Vermont Economic Development Authority, Annual Principal Payments of \$127,080, Interest at 4.2% with a 3.3% Subsidy to offset Interest, Due February, 2041	0	3,177,000	0	3,177,000
Note Payable, Key Bank National Association, Electric Investment Purchases, Principal Due in Full December 30, 2018, Interest at 5.7%, Requiring Quarterly Interest Payments, Secured by all Membership Units of VT Transco	18,700,000	0	0	18,700,000
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$20,525, Interest at 6.5%, Due February, 2020	801,545	0	30,996	770,549
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$23,267, Interest at 6.5%, Due February, 2020	881,170	0	37,358	843,812
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$7,439, Interest at 4.1%, Due November, 2024	<u>398,108</u>	<u>0</u>	<u>13,740</u>	<u>384,368</u>
Total Business-type Activities	<u>\$38,478,208</u>	<u>\$3,177,000</u>	<u>\$1,568,102</u>	<u>\$40,087,106</u>

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Changes in long-term liabilities during the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 12,119,250	\$ 0	\$ 815,750	\$ 11,303,500	\$ 785,750
Compensated Absences Payable	822,540	0	77,790	744,750	0
Net Pension Liability	115,500	870,211	0	985,711	0
Total Governmental Activities Long-term Liabilities	<u>\$ 13,057,290</u>	<u>\$ 870,211</u>	<u>\$ 893,540</u>	<u>\$ 13,033,961</u>	<u>\$ 785,750</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 17,697,385	\$ 3,177,000	\$ 1,486,008	\$ 19,388,377	\$ 1,619,101
Notes Payable	20,780,823	0	82,094	20,698,729	86,583
Compensated Absences Payable	272,302	0	23,521	248,781	0
Net Pension Liability	13,146	67,007	0	80,153	0
Total Business-type Activities Long-term Liabilities	<u>\$ 38,763,656</u>	<u>\$ 3,244,007</u>	<u>\$ 1,591,623</u>	<u>\$ 40,416,040</u>	<u>\$ 1,705,684</u>

Compensated absences and required contributions to the pension plans are paid by the applicable fund where the employee is charged.

The change in the net pension liability is allocated to the function where the employee is charged.

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 785,750	\$ 402,378	\$ 1,705,684	\$ 1,359,934
2018	785,750	378,989	1,717,088	1,441,509
2019	785,750	353,781	20,377,881	1,152,489
2020	785,750	310,603	2,359,806	315,765
2021	770,750	285,616	2,236,426	247,732
2022-2026	3,733,750	1,009,815	6,505,354	975,417
2027-2031	2,833,750	375,550	2,749,067	458,107
2032-2036	822,250	149,758	1,310,400	269,188
2037-2041	0	0	1,125,400	67,803
Total	<u>\$ 11,303,500</u>	<u>\$ 3,266,490</u>	<u>\$ 40,087,106</u>	<u>\$ 6,287,944</u>

L. Fund Balances

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Board of Selectmen's intended use of the resources); and unassigned.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special revenue funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Amounts constrained to stabilization (rainy-day funds) will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. The Town does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. The Town does not have any minimum fund balance policies.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the Town's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

The purpose for each major special revenue fund, including which specific revenues and other resources are authorized to be reported in each, are described in the following section.

The fund balances in the following funds are nonspendable as follows:

Major Funds

General Fund:

Nonspendable Prepaid Expenses	\$ 5,138
Nonspendable Inventory	<u>163,113</u>
Total General Fund	<u>168,251</u>

Non-Major Funds

Permanent Funds:

Nonspendable Cemetery Fund Principal – Estimated	215,000
Nonspendable Library Endowment Fund Principal	<u>35,295</u>
Total Non-Major Funds	<u>250,295</u>
Total Nonspendable Fund Balances	<u>\$418,546</u>

The fund balances in the following funds are restricted as follows:

Major Funds

General Fund:

Restricted for Library Development by Donations	\$ <u>17,049</u>
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TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Capital Fund:
 Restricted for Quiet Path Bridge by Donations \$ 24,550

Non-Major Funds

Special Revenue Funds:
 Restricted for Recreation Path Expenses by Donations
 (Source of Revenue is Donations) 872
 Restricted for Police Expenses by Agreement
 (Source of Revenue is Grant Revenue) 23,314
 Restricted for Records Preservation Expenses by Statute
 (Source of Revenue is Recording Fees) 52,315
 Restricted for Stowe Rescue Expenses by Donations
 (Source of Revenue is Donations) 3,000

 Total Special Revenue Funds 79,501

Permanent Funds:
 Restricted for Cemetery Fund by Trust Agreements
 – Expendable Portion 239,585
 Restricted for Library Endowment Fund by Trust Agreements
 – Expendable Portion 845,607

 Total Permanent Funds 1,085,192

 Total Non-Major Funds 1,164,693

 Total Restricted Fund Balances \$1,206,292

The fund balances in the following funds are committed as follows:

Major Funds

General Fund:
 Committed for Annual Leave by the Voters \$ 40,205

Capital Projects Funds:
 Committed for Capital Projects by the Voters 393,253

Non-Major Funds

Equipment Fund:
 Committed for Equipment Expenditures by the Voters 143,055

Total Committed Fund Balances \$576,513

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned to Reduce Property Taxes in Fiscal Year 2017	\$227,674
Assigned for Library Operations Expenses	14,363
Assigned for Recreation Scholarship Expenses	<u>3,964</u>
Total General Fund	<u>246,001</u>

Capital Fund:

Assigned for Capital Project Expenditures	<u>32,560</u>
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Non-Major Funds

Special Revenue Funds:

Assigned for Appraisal Expenses	<u>109,025</u>
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Capital Projects Funds:

Assigned for Rink Renovation Expenditures	<u>18,104</u>
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Total Non-Major Funds	<u>127,129</u>
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Total Assigned Fund Balances	<u>\$405,690</u>
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The unassigned deficit of \$7,399 in the Grant Fund will be funded with the collection of grant receivables.

M. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2016 consisted of the following:

Governmental Activities:

Restricted for Library Development by Donations	\$ 17,049
Restricted for Quiet Path Bridge by Donations	24,550
Restricted for Recreation Path Expenses by Donations	872
Restricted for Police Expenses by Agreement	23,314
Restricted for Records Preservation Expenses by Statute	52,315
Restricted for Stowe Rescue Expenses by Donations	3,000
Restricted for Cemetery Fund by Trust Agreements – Non-Expendable Portion – Estimated	215,000
Restricted for Cemetery Fund by Trust Agreements – Expendable Portion	239,585
Restricted for Library Endowment Fund by Trust Agreements – Non-Expendable Portion	35,295
Restricted for Library Endowment Fund by Trust Agreements – Expendable Portion	<u>845,607</u>
Total Governmental Activities	<u>\$1,456,587</u>

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

The designated net position of the Town as of June 30, 2016 consisted of the following:

Business-type Activities:

Water Fund:

Designated for Investment in Long-term Loans Receivable	\$ 132,443
Designated for Water Capital	427,519
Designations in Excess of Unrestricted Net Position	<u>(559,962)</u>

Total Water Fund	<u>0</u>
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Sewer Fund:

Designated for Investment in Long-term Loans Receivable	3,839,562
Designated for Sewer Capital	<u>250,796</u>

Total Sewer Fund	<u>4,090,358</u>
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Total Business-type Activities	<u>\$4,090,358</u>
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The unrestricted deficit in the Water Fund of \$434,254 will be funded in future years with additional revenues.

V. OTHER INFORMATION

A. PENSION PLANS

Defined Benefit Plan

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2016, the retirement system consisted of 436 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.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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

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

As of June 30, 2015, the measurement date selected by the State of Vermont, VMERS was funded at 87.42% and had a plan fiduciary net position of \$535,903,742 and a total pension liability of \$612,999,552 resulting in a net pension liability of \$77,095,810. As of June 30, 2016, the Town's proportionate share of this was 1.3825% resulting in a liability of \$1,065,864. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. As of June 30, 2015, the Town's proportion of 1.3825% was a decrease of 0.0271% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized pension expense of \$399,800 which was comprised of \$291,789 determined by the State of Vermont's actuary and \$108,011 of employer contributions made by the Town in excess of the amount required. The total employer contribution made by the Town was \$313,073. For the year ended June 30, 2016, the Town funded the employer contribution for Group B at 10.375% resulting in no contribution for the employee, the employer contribution for Group C at 10.6% resulting in a lower contribution for members (6.4% effective July 1, 2015 and 6.65% effective January 1, 2016) and the employer contribution for Group D at 10.6% resulting in a lower contribution for members (10.6% effective July 1, 2015).

As of June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 33,692	\$ 0
Changes in assumptions	212,264	0
Difference between projected and actual investment earnings	205,918	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,461	8,068
Town's required employer contributions made subsequent to the measurement date	205,062	0
	\$ 662,397	\$ 8,068

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$205,062 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2017	\$ 88,455
2018	88,455
2019	88,455
2020	<u>183,902</u>
Total	<u>\$449,267</u>

Summary of System Provisions

Membership: Full time employees of participating municipalities. The Town elected coverage under Group B, Group C and Group D provisions.

Creditable Service: Service as a member plus purchased service.

Average Final Compensation (AFC): Group B and C – Average annual compensation during highest three (3) consecutive years. Group D – Average annual compensation during highest two (2) consecutive years.

Service Retirement Allowance:

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

Amount – Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. **Group C –** 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC. **Group D –** 2.5% of AFC times service as a Group D member plus percentage earned as a Group A, B or C member times AFC.

Maximum benefit is 60% of AFC for Group B and 50% of AFC for Groups C and D. The previous amounts include the portion of the allowance provided by member contributions.

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Group B. Age 50 with twenty (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 B members and payable without reduction to Group D members.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

Amount – Immediate allowance based on AFC and service to date of disability; 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 five (5) years of service.

Amount – For Groups B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor(s) benefit under disability annuity computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children’s benefit.

Optional Benefit and Death after Retirement: For Groups B and C, lifetime allowance or actuarially equivalent 50% or 100% joint and survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction.

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

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

Member Contributions: Group B – 4.875% effective July 1, 2015 (increased from 4.75%). Group C – 9.875% from July 1, 2015 to December 31, 2015 (changed from 9.75% and then 10.0% effective January 1, 2016). Group D – 11.35% effective July 1, 2015 (increased from 11.25%).

Employer Contributions: Group B – 5.50% effective July 1, 2015 (increased from 5.375%). Group C – 7.125% from July 1, 2015 to December 31, 2015 (changed from 7.0% and then 7.25% effective January 1, 2016). Group D – 9.85% effective July 1, 2015 (increased from 9.75%).

Retirement Stipend: \$25 per month payable at the option of the Board of Trustees.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Significant Actuarial Assumptions and Methods

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

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

Salary increases: 5% per year.

Deaths:

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

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

Disabled retirees – RP-2000 Disabled Life Tables.

Beneficiaries – 1995 Buck Mortality Tables for males and females.

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

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

Actuarial Cost Method: Entry Age Normal – Level Percentage of Pay.

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

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

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

TOWN OF STOWE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

Long-term Expected Rate of Return:

The long-term expected rate of return on investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variable and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles.

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.61%
Fixed Income	1.91%
Alternatives	6.93%
Multi-strategy	4.88%

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

Discount Rate: The discount rate used to measure the total pension liability was 7.95%, a decrease from 8.23% in the prior year. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current members. The assumed discount rate has been determined in accordance with the method prescribed by GASB 68.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.95 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

<u>1% Decrease (6.95%)</u>	<u>Discount Rate (7.95%)</u>	<u>1% Increase (8.95%)</u>
\$2,128,992	\$1,065,864	\$174,858

Additional Information

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

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Defined Contribution Plan

The Town, except the Electric Department, offers its employees a defined contribution pension plan. This plan is administered by the Town. The Town contributes 10.6% of gross salary to the plan. All investments are self-directed by the employees. The total payroll for the year, excluding the Electric Department, was \$4,537,866 while covered payroll was \$1,006,689. Pension expense was \$106,709. There is one employee who has chosen to be covered under the Electric Department's pension plan. The Town's expense for this employee was \$9,553.

Deferred Compensation Plan

The Electric Department created a retirement plan called "Town of Stowe Electric Department 457(b) Retirement Plan", an eligible deferred compensation plan for employee contributions under Section 457(b) of the IRC for its employees and beneficiaries. The Electric Department also created the Stowe Electric Retirement Plan, a profit sharing plan, which allows the Electric Department to contribute a percentage of its revenues to each employees' plan account.

Under the profit sharing plan, employees are eligible to participate in the plan after completion of one (1) year of service based upon the date the employee was hired and the approval of the Chief Executive Officer. The Electric Department has elected to include one Town of Stowe employee who was a participant in the predecessor plan as part of the plan.

Effective May 17, 2007, the Electric Department contracted with a third party administrator to administer the Profit Sharing and Deferred Compensation Plans. The Stowe Electric Department Commissioners are also Plan Trustees. Under the agreement the third party administrator is responsible for employee eligibility determination, record keeping, reporting and compliance with the plan requirements.

Once eligibility and participation requirements are met, the employee is eligible to receive an allocation of employer contributions based upon each employee's compensation up to a maximum of \$225,000 annual compensation.

Under the plan, employer contributions may be made to union employees at 10.6%, management at 11.6%, and General Manager at 15%, of annual compensation. All contributions are immediately vested at 100%. The plan allows all participants who had retirement account balances in another qualified plan to roll over those balances to the new plan.

Total covered payroll for the pension contributions for the year ended June 30, 2016 was \$1,220,650. The Electric Department's pension contributions for the years ended June 30, 2016, 2015 and 2014 were \$111,054, \$110,731 and \$93,573, respectively. The total fees relating to the pension plan for the years ended June 30, 2016, 2015 and 2014 were \$450, \$300 and \$400, respectively.

TOWN OF STOWE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

B. RISK MANAGEMENT

The Town 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 Town maintains insurance coverage through the Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund, Inc. covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years. The Town must remain a member for a minimum of one year and may withdraw from the Fund after that time by giving sixty days notice. Fund underwriting and ratesetting policies have been established after consultation with actuaries. Fund members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Fund were to be exhausted, members would be responsible for the Fund's liabilities.

The Town is also a member of the Vermont League of Cities and Towns Unemployment Insurance Trust. The Unemployment Trust is a nonprofit corporation formed to provide unemployment coverage for Vermont municipalities and is owned by the participating members. The agreement does not permit the Unemployment Trust to make additional assessments to its members.

C. PROPERTY TAXES

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes were levied in July and were payable in four (4) installments on August 10, November 10, February 10 and May 10. Interest at 2% is assessed on all unpaid balances immediately following each installment payment and then 2% on the first of each month thereafter. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rate for 2016 was as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.4980	1.5356
Farmers Contracts	0.0048	0.0048
Town	<u>0.4040</u>	<u>0.4040</u>
Total	<u>1.9068</u>	<u>1.9444</u>

D. CONTINGENT LIABILITIES

The Town participates in a number of federally assisted and state grant programs that are subject to audits by the grantors or their representatives. Accordingly, compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

E. LEASES

The Town leases space on its Public Safety Building to three cell phone companies who installed antennas on them. The lease terms end at various dates, however, have renewal options. Future guaranteed lease payments for the next five years are estimated to be as follows:

2017	\$71,556
2018	73,488
2019	75,924
2020	78,192
2021	80,544

The SED leases its office building. The lease expired April 30, 2012; however the SED continues to rent on a month to month basis. The monthly rent is \$4,000.

F. RELATED PARTY TRANSACTIONS

One of the Selectboard members is on the Board of Directors of the Union Bank where the Town does a majority of their banking. The Town does, however, utilize a competitive bidding process when borrowing or investing large sums of money.

G. CONCENTRATION OF REVENUE

The Electric Department's largest customer represents approximately 26.8% of operating revenue and 9.6% of accounts receivable.

H. REGULATORY PROCEEDINGS

On August 22, 2008, the Federal Energy Regulatory Commission issued an order resolving issues associated with the cost allocation between participating utilities related to construction of the 115kV Lamoille County Project. The order provides SED with a fixed cap on its share of the specific facility project cost, requires SED to purchase and hold for ten years \$18,700,500 of VT Transco, LLC equity, and eliminates SED from any risk on the dividends to be paid on the equity which are to be applied to pay the debt service on the loan incurred to purchase the equity. Dividends in excess of the debt service requirements on the equity loan will be contributed to the project cost. The order requires the equity to be repurchased from SED, at par, in ten years. The loan to purchase the equity will be a non-amortizing loan due in full in ten years and will be paid with the proceeds from the equity sale at that time. The fixed annual charge to SED for the project specific facility operating costs will be \$1,100,000 for the ten year period. On December 30, 2008, both the loan and the equity purchase took place and are reflected in these financial statements.

I. PURCHASE POWER CONTRACTS AND SERVICES

SED's energy and capacity requirements are provided through a variety of contract obligations.

In 2008, SED became a direct member of the ISO – New England power market. SED 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 SED's agent.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

A brief summary of the major power supply contracts as of June 30, 2016 held by SED is as follows:

Hydro Quebec:

This contract is for energy only that began on November 1, 2012. The total contract with VT utilities calls for 218MW. SED's portions vary during different periods, as shown below. The contract pricing will be flexible and competitive to the market price because it will follow the defined Energy Market index and the cost of power on the forward market. The pricing is based partly on market prices, partly on inflations, and carries limits on year-to-year price fluctuations.

<u>Schedule</u>	<u>Start Date</u>	<u>Final Delivery Date</u>	<u>Stowe Entitlement (MW)</u>
Period 1	11/1/2012	10/31/2015	1.032
Period 2	11/1/2015	10/31/2016	2.884
Period 3	11/1/2016	10/31/2020	2.984
Period 4	11/1/2020	10/31/2030	2.984
Period 5	11/1/2030	10/31/2035	2.251
Period 6	11/1/2035	10/31/2038	0.399

New York Power Authority:

The New York Power Authority ("NYPA") provides power to the utilities in Vermont under two contracts. SED's share of the first contract is a 9 kW entitlement to the Robert Moses Project (a.k.a. St. Lawrence). The contract for St. Lawrence currently extends through April 30, 2017. SED's share of the second contract, the Niagara Project, has been an average of 480 kW. Effective September 1, 2007, the Niagara contract was renewed through September 1, 2025 with an entitlement of 481kW.

VEPPI (Vermont Electric Power Producers, Inc.):

SED receives power from a group of independent power projects (IPP's) under Order 4.100 of the Vermont Public Service Board ("PSB"). The power is generated by a number of small hydroelectric facilities and one wood-fired facility. There are 18 VEPPI units. As of December 31, 2015, five have expired. VEPPI assigns the energy generated by these facilities to on a load ratio basis that compares SED'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. SED's current pro rata share of the VEPPI production is 1.3364%, which started November 1, 2015 and will run through October 31, 2016. The prior percent which ran from November 1, 2014 through October 31, 2015 was 1.3105%. The VEPPI contracts are priced with relatively high energy rates and modest fixed costs. The VEPPI contracts have varying maturities; the last VEPPI contract is scheduled to end in 2020.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

SPEED (Sustainable Prices Energy Enterprise Development):

SPEED is a program established under Vermont Public Service Board Order 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, (SED's share for November 1, 2014 through October 31, 2015 was 1.3105% and increased to 1.3364% for November 1, 2015 through October 31, 2016) of load reduced by the output of the generation. SED receives a modest capacity credit for these resources, to reflect the small, behind-the-meter nature of the resources. The cost paid to the SPEED projects are set based on the generation type. The SPEED program is set for 25 years that began in the fourth quarter of 2010.

Stony Brook:

SED has entered into a Power Sales Agreement with the Massachusetts Municipal Wholesale Electric Company (MMWEC) for 1.66% (approximately 5,832 kW) of MMWEC's Stony Brook Project, an operating fossil fuel plant. MMWEC, a public corporation of Massachusetts, is a coordination and planning agency for the development of the bulk power supply requirements of its members and project participants. The Power Sales Agreement for the project requires each participant to pay its share of MMWEC's costs related to the project which includes debt service on bonds issued by MMWEC to finance the project, plus 10% of debt service to be paid into a reserve and contingency fund. As of July 1, 2008, Stony Brook Intermediate Series A Bonds were paid in full.

Phase 1 Hydro-Quebec Interconnection:

SED has entered into contracts with Vermont Electric Power Company (VELCO) to participate in Phase I of the Hydro-Quebec interconnection, a 450 KVHVD transmission line directly connecting the Hydro-Quebec electric system with ISO-NE at the Comerford Generating Station. Under these agreements, SED provided capital for the cost of construction through purchase of VELCO Class C preferred stock and will provide support for the operation of the line. SED is entitled to a portion of the benefits and has an obligation for a corresponding portion of the costs associated with Phase I.

McNeil Project:

The McNeil wood-fired generating facility is located in Burlington, Vermont. The facility has a normal generating capability of 50,000 kW and a maximum generating capability of 53,000 kW. SED's entitlement to McNeil is provided through an agreement with the Vermont Public Power Supply Authority and is expected to be available through the life of the unit. SED expects the generation to be mostly composed of wood, but gas and oil can be used to fuel the unit if available and if pricing is appropriately set.

SED has agreements with VPPSA to purchase a portion of the power produced by the facility. SED is committed to an ownership share of 15.8%. Charges for debt service ended in May 2014. The bonds were paid off in June 2015. The last year of payments were made from the debt service reserve fund.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

The McNeil wood-fired plant was retrofitted in 2008 to make it eligible to generate Connecticut Class I Renewable Energy Certificates (RECs). The project was financed via a VPPSA line of credit to fund their share, and thus SED's share, of the capital project. The line of credit was paid down using the revenue generated from the REC sales. The NOX project debt was paid off in November 2010, and REC credits started in December 2010.

Highgate Project:

Under the Highgate Project Transmission Services Agreement as re-allocated in 1997, SED has agreed to purchase a 12.59% share of the capacity in VPPSA's share of Highgate Converter Facilities, located in Highgate, Vermont

Market Contracts:

SED's portfolio contains market contracts from a variety of counterparties. For the Mount Mansfield ski resort, SED has obtained a product that will follow the snow making load and will provide optimal supply flexibility for this load type.

On September 9, 2009, SED has signed a purchase power agreement for 2.613% of the Miller Hydro Project. Miller Hydro is a run of river unit. This purchase began on March 1, 2010 and ended on February 28, 2013. On February 28, 2011, SED amended the agreement to extend through May 31, 2016. On May 31, 2016, SED signed the second amendment to the original contract extending the purchase through May 31, 2021. It amends the contract products to "Unit Contingent Energy, Ancillary Services and Renewable Energy Certificates" excluding installed capacity from the product offering. The Miller Hydro (Brown Bear) resource should equate to 2.685% of SED's energy.

Stowe entered into a purchase power agreement for Saddleback Wind. This is a project built by Patriot Renewables. The project is located in Carthage, ME. SED is roughly up 3% of SED's load. The agreement is a 20 year deal that will allow SED to buy energy, capacity and RECs. The project went full commercial Q3 2015.

SED also signed a purchase power agreement for a portion of the Seabrook plant that begun on January 1, 2015 and will run through December 31, 2034. SED will receive .16% with a max of 2MW, around the clock, of the NextEra Seabrook Resource. This PPA will include Energy and Capacity. The pricing of the project varies with the Gross Domestic Product-Implicit Price Deflator (GDP-IPD). This takes natural gas price volatility away from the contract price. Escalation is limited to between 1.6%-4.9% per year. The PPA will provide carbon-free generation that will help insulate SED from the potential for higher carbon prices in the future.

TOWN OF STOWE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2016

Sources of Energy

The percentages of energy (kWh) acquired for the year ended June 30, 2016 was as follows:

Resource	FCM	Description	(MWH)	kWh's	% of Total Resources	Fuel	Location	Termination Date
Niagara	0.490	Block	3,412	3,412,464	4.3%	Hydro	Roseton	09/1/2025
St. Lawrence		Block	73	73,434	0.1%	Hydro	Roseton	4/30/2017
HQ Schedule B	2.326	Dispatchable	4,363	4,362,673	5.5%	Hydro	HQ Highgate 120	10/31/2015
HQ Schedule C-3		Dispatchable	72	72,480	0.1%	Hydro	HQ Highgate 120	10/31/2015
HQ Contract		ISO Bilateral	13,244	13,243,968	16.8%	Hydro	HQ Highgate 120	10/31/2038
VEPPI	0.328	PURPA	4,179	4,179,382	5.3%	Wood/Hydro	VT Nodes	Exp. Varies
McNeil	1.560	Wood Unit	9,506	9,505,562	12.0%	Wood	Essex	Life of Unit
Stony 1A/1B/1C	4.916	Dispatchable	2,356	2,355,977	3.0%	Natural	Stonybrk 115	Life of Unit
Market Contracts - ENE		ISO Bilateral	2,504	2,504,000	3.2%			
Seabrook (Offtake)		ISO Bilateral	14,921	14,920,680	18.9%			
Miller Hydro Purchase		Run of River	2,266	2,266,273	2.9%	Hydro	TopSham Milr	05/31/2016
Saddleback Purchase		Wind	1,869	1,869,155	2.4%	Wind	Carthage, ME	09/15/2035
Market Contracts - ENE Snow		ISO Bilateral	10,022	10,021,851	12.7%		Mass hub	04/30/2014
ISO Energy Net Interchange		ISO Bilateral	10,166	10,165,898	12.9%			
Totals			<u>78,953</u>	<u>78,953,797</u>	<u>100.0%</u>			

Future Projects and State Renewable Energy Standard

Nebraska Valley Solar Project:

The solar project is a 1 MW solar farm within Stowe. The generation will be behind the meter, therefore reducing SED's load and peaks for certain months. The load reduction is not represented in SED's forecasted load within this report. This project will have other benefits to SED besides the load reduction (LMP, Transmission and Capacity savings); it will satisfy a portion of SED's RES requirement too.

Renewable Portfolio and Upcoming Renewable Energy Standard (RES):

Beginning in 2017, there was a bill proposed to replace the renewable energy standard and energy transformation program. The new elements in this bill will create target amounts of renewable energy credits (RECs) for utilities. The bill will require specified amount of RECs from different categorized projects within Vermont and New England (including NYPA). Lastly, the bill will establish an energy transformation requirement that utilities will meet through distributed renewable generation and/or reduction in fossil fuel consumption.

J. SUBSEQUENT EVENTS

On August 9, 2016, SED sold property located at 1333 Stowe Waterbury Road for \$325,000.

In October, 2016, SED obtained a \$1,000,000 line of credit with Union Bank. The line of credit matures October 31, 2017 with interest at .85%.

TOWN OF STOWE, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 8,392,254	\$ 8,369,038	\$ (23,216)
Administration	689,023	747,662	58,639
Town Clerk	172,916	167,923	(4,993)
Accounting/Finance	20,000	20,000	0
Fire	750	11,141	10,391
Highway Department	182,500	186,495	3,995
Listers' Office	1,500	1,641	141
Library	0	3,123	3,123
Rescue/EMS	201,505	198,460	(3,045)
Mountain Rescue	500	636	136
Cultural Campus	1,496	2,451	955
Planning Department	2,500	7,000	4,500
Zoning	52,253	52,509	256
Police Department	112,000	123,272	11,272
Cemetery	1,200	836	(364)
Public Works Administration	47,000	45,200	(1,800)
Parks and Grounds	35,743	52,889	17,146
Recreation	172,205	142,351	(29,854)
Stowe Arena	425,556	359,788	(65,768)
Transfer from Capital Fund - Local Option Taxes	350,000	350,000	0
Transfer from Library Operations Fund	28,500	28,500	0
Transfer from Appraisal Fund	6,000	6,000	0
Total Revenues	10,895,401	10,876,915	(18,486)
Expenditures:			
Administration	408,465	408,547	(82)
Elections	3,387	2,484	903
Town Clerk	312,996	327,674	(14,678)
Health/Zoning	133,830	136,049	(2,219)
Listers' Office	105,542	107,272	(1,730)
Treasurer/Finance	260,725	243,727	16,998
Planning	139,066	135,272	3,794
Public Safety Building	135,227	140,279	(5,052)
Police Department	1,657,310	1,633,318	23,992
Fire Department	220,847	199,031	21,816
Emergency Medical Service	447,341	459,999	(12,658)
Mountain Rescue	19,689	18,534	1,155
Emergency Management	2,406	1,421	985
Highway	1,967,045	1,796,814	170,231
Public Works	327,561	311,086	16,475
Akeley Memorial Building	130,541	118,599	11,942

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TOWN OF STOWE, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures/(Cont'd):			
Cultural Campus	\$ 35,937	\$ 41,392	\$ (5,455)
Street Lights	28,252	16,246	12,006
Solid Waste	550	569	(19)
Cemeteries	16,008	15,468	540
Community Affairs	79,522	79,497	25
General Government	574,992	573,061	1,931
Parks and Grounds	504,833	468,067	36,766
Recreation	487,366	426,742	60,624
Arena	535,354	526,842	8,512
Library	561,995	542,572	19,423
Debt Management	1,256,417	1,255,482	935
Insurances	209,871	180,206	29,665
Transfer to Annual Leave Fund	120,000	120,000	0
Transfer to Capital Fund	40,000	40,000	0
Transfer to Equipment Fund	400,000	400,000	0
	<u>11,123,075</u>	<u>10,726,250</u>	<u>396,825</u>
Total Expenditures			
Excess/(Deficiency) of Revenues			
Over Expenditures	\$ <u>(227,674)</u>	150,665	\$ <u>378,339</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Annual Leave Fund Income		188	
Annual Leave Fund Transfer In		120,000	
Annual Leave Fund Expenses		(68,928)	
Library Operations Fund Income		30,755	
Library Operations Fund Expenses		(9,195)	
Library Operations Fund Transfer In		7,806	
Library Operations Fund Transfer Out		(28,500)	
Recreation Scholarship Fund Income		3,306	
Recreation Scholarship Fund Expenses		(3,443)	
Recreation Scholarship Fund Transfer In		<u>1,000</u>	
Net Change in Fund Balance		203,654	
Fund Balance - July 1, 2015		<u>779,773</u>	
Fund Balance - June 30, 2016		<u>\$ 983,427</u>	

The reconciling items are due to combining three (3) funds, the Annual Leave Fund, the Library Operations Fund and the Recreation Scholarship Fund, with the General Fund in order to comply with GASB Statement No. 54.

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TOWN OF STOWE, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2016

	2016	2015
Total Plan Net Pension Liability	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	1.3825%	1.4096%
Town's Proportionate Share of the Net Pension Liability	\$ 1,065,864	\$ 128,646
Town's Covered Employee Payroll	\$ 2,997,269	\$ 2,842,541
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	35.5612%	4.5257%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: The discount rate used to measure the net pension liability was lowered from 8.23% to 7.95%, due to the adoption by the Board of Trustees of a 7.95% expected future rate of return on assets for funding purposes.

Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

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TOWN OF STOWE, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 205,062	\$ 192,329
Contributions in Relation to the Actuarially Determined Contributions	<u>205,062</u>	<u>192,329</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 2,997,269	\$ 2,842,541
Contributions as a Percentage of Town's Covered Employee Payroll	6.842%	6.766%

Notes to Schedule

Valuation Date: June 30, 2015

Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.

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TOWN OF STOWE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 50,234	\$ 50,234
Investments	0	0	1,292,699	1,292,699
Receivables	7,399	0	0	7,399
Due from Other Funds	195,976	221,045	0	417,021
Total Assets	\$ 203,375	\$ 221,045	\$ 1,342,933	\$ 1,767,353
<u>LIABILITIES</u>				
Accounts Payable	\$ 7,607	\$ 59,886	\$ 0	\$ 67,493
Due to Other Funds	7,242	0	7,446	14,688
Total Liabilities	14,849	59,886	7,446	82,181
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Grants	7,399	0	0	7,399
Total Deferred Inflows of Resources	7,399	0	0	7,399
<u>FUND BALANCES</u>				
Nonspendable	0	0	250,295	250,295
Restricted	79,501	0	1,085,192	1,164,693
Committed	0	143,055	0	143,055
Assigned	109,025	18,104	0	127,129
Unassigned/(Deficit)	(7,399)	0	0	(7,399)
Total Fund Balances	181,127	161,159	1,335,487	1,677,773
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 203,375	\$ 221,045	\$ 1,342,933	\$ 1,767,353

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TOWN OF STOWE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Revenues:				
Intergovernmental	\$ 78,526	\$ 0	\$ 0	\$ 78,526
Charges for Services	0	0	17,457	17,457
Permits, Licenses and Fees	11,742	0	0	11,742
Investment Income	425	1,469	103,094	104,988
Donations	43,000	0	0	43,000
	<u>133,693</u>	<u>1,469</u>	<u>120,551</u>	<u>255,713</u>
Total Revenues				
Expenditures:				
General Government	3,784	0	0	3,784
Public Safety	69,892	0	0	69,892
Public Works	0	74	0	74
Culture and Recreation	10,159	0	0	10,159
Cemetery	0	0	5,514	5,514
Capital Outlay:				
Public Safety	0	324,250	0	324,250
Public Works	0	258,917	0	258,917
Culture and Recreation	0	34,910	0	34,910
	<u>83,835</u>	<u>618,151</u>	<u>5,514</u>	<u>707,500</u>
Total Expenditures				
Excess/(Deficiency) of Revenues Over Expenditures	<u>49,858</u>	<u>(616,682)</u>	<u>115,037</u>	<u>(451,787)</u>
Other Financing Sources/(Uses):				
Proceeds from Sale of Vehicles	0	2,820	0	2,820
Transfers In	0	400,000	0	400,000
Transfers Out	(6,000)	0	(14,806)	(20,806)
	<u>(6,000)</u>	<u>402,820</u>	<u>(14,806)</u>	<u>382,014</u>
Total Other Financing Sources/(Uses)				
Net Change in Fund Balances	43,858	(213,862)	100,231	(69,773)
Fund Balances - July 1, 2015	<u>137,269</u>	<u>375,021</u>	<u>1,235,256</u>	<u>1,747,546</u>
Fund Balances - June 30, 2016	<u>\$ 181,127</u>	<u>\$ 161,159</u>	<u>\$ 1,335,487</u>	<u>\$ 1,677,773</u>

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TOWN OF STOWE, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

	Recreation Path Fund	Police DEA Fund	Appraisal Fund	Records Preservation Fund	Grant Fund	Stowe Rescue Fund	Total
<u>ASSETS</u>							
Receivables	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,399	\$ 0	\$ 7,399
Due from Other Funds	<u>8,322</u>	<u>23,314</u>	<u>109,025</u>	<u>52,315</u>	<u>0</u>	<u>3,000</u>	<u>195,976</u>
Total Assets	<u>\$ 8,322</u>	<u>\$ 23,314</u>	<u>\$ 109,025</u>	<u>\$ 52,315</u>	<u>\$ 7,399</u>	<u>\$ 3,000</u>	<u>\$ 203,375</u>
<u>LIABILITIES</u>							
Accounts Payable	\$ 7,450	\$ 0	\$ 0	\$ 0	\$ 157	\$ 0	\$ 7,607
Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,242</u>	<u>0</u>	<u>7,242</u>
Total Liabilities	<u>7,450</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,399</u>	<u>0</u>	<u>14,849</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Unavailable Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,399</u>	<u>0</u>	<u>7,399</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,399</u>	<u>0</u>	<u>7,399</u>
<u>FUND BALANCES</u>							
Restricted	872	23,314	0	52,315	0	3,000	79,501
Assigned	0	0	109,025	0	0	0	109,025
Unassigned/(Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(7,399)</u>	<u>0</u>	<u>(7,399)</u>
Total Fund Balances/(Deficit)	<u>872</u>	<u>23,314</u>	<u>109,025</u>	<u>52,315</u>	<u>(7,399)</u>	<u>3,000</u>	<u>181,127</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,322</u>	<u>\$ 23,314</u>	<u>\$ 109,025</u>	<u>\$ 52,315</u>	<u>\$ 7,399</u>	<u>\$ 3,000</u>	<u>\$ 203,375</u>

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TOWN OF STOWE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Recreation Path Fund	Police DEA Fund	Appraisal Fund	Records Preservation Fund	Grant Fund	Stowe Rescue Fund	Total
Revenues:							
Intergovernmental	\$ 0	\$ 37,127	\$ 36,322	\$ 0	\$ 5,077	\$ 0	\$ 78,526
Permits, Licenses and Fees	0	0	0	11,742	0	0	11,742
Investment Income	21	62	211	131	0	0	425
Donations	0	0	0	0	0	43,000	43,000
Total Revenues	<u>21</u>	<u>37,189</u>	<u>36,533</u>	<u>11,873</u>	<u>5,077</u>	<u>43,000</u>	<u>133,693</u>
Expenditures:							
General Government	0	0	0	3,784	0	0	3,784
Public Safety	0	20,125	0	0	9,767	40,000	69,892
Culture and Recreation	7,450	0	0	0	2,709	0	10,159
Total Expenditures	<u>7,450</u>	<u>20,125</u>	<u>0</u>	<u>3,784</u>	<u>12,476</u>	<u>40,000</u>	<u>83,835</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(7,429)</u>	<u>17,064</u>	<u>36,533</u>	<u>8,089</u>	<u>(7,399)</u>	<u>3,000</u>	<u>49,858</u>
Other Financing Sources/(Uses):							
Transfers Out	0	0	(6,000)	0	0	0	(6,000)
Total Other Financing Sources/(Uses)	<u>0</u>	<u>0</u>	<u>(6,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,000)</u>
Net Change in Fund Balances	(7,429)	17,064	30,533	8,089	(7,399)	3,000	43,858
Fund Balances - July 1, 2015	8,301	6,250	78,492	44,226	0	0	137,269
Fund Balances/(Deficit) - June 30, 2016	<u>\$ 872</u>	<u>\$ 23,314</u>	<u>\$ 109,025</u>	<u>\$ 52,315</u>	<u>\$ (7,399)</u>	<u>\$ 3,000</u>	<u>\$ 181,127</u>

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TOWN OF STOWE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2016

	<u>Equipment Fund</u>	<u>Rink Renovation Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Due from Other Funds	\$ <u>182,941</u>	\$ <u>38,104</u>	\$ <u>221,045</u>
Total Assets	\$ <u><u>182,941</u></u>	\$ <u><u>38,104</u></u>	\$ <u><u>221,045</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ <u>39,886</u>	\$ <u>20,000</u>	\$ <u>59,886</u>
Total Liabilities	<u>39,886</u>	<u>20,000</u>	<u>59,886</u>
Fund Balances:			
Committed	143,055	0	143,055
Assigned	<u>0</u>	<u>18,104</u>	<u>18,104</u>
Total Fund Balances	<u>143,055</u>	<u>18,104</u>	<u>161,159</u>
Total Liabilities and Fund Balances	\$ <u><u>182,941</u></u>	\$ <u><u>38,104</u></u>	\$ <u><u>221,045</u></u>

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TOWN OF STOWE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>Equipment Fund</u>	<u>Rink Renovation Fund</u>	<u>Total</u>
Revenues:			
Investment Income	\$ <u>1,374</u>	\$ <u>95</u>	\$ <u>1,469</u>
Total Revenues	<u>1,374</u>	<u>95</u>	<u>1,469</u>
Expenditures:			
Public Works	74	0	74
Capital Outlay:			
Public Safety	324,250	0	324,250
Public Works	258,917	0	258,917
Culture and Recreation	<u>34,910</u>	<u>0</u>	<u>34,910</u>
Total Expenditures	<u>618,151</u>	<u>0</u>	<u>618,151</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(616,777)</u>	<u>95</u>	<u>(616,682)</u>
Other Financing Sources:			
Proceeds from Sale of Vehicles	2,820	0	2,820
Transfers In	<u>400,000</u>	<u>0</u>	<u>400,000</u>
Total Other Financing Sources	<u>402,820</u>	<u>0</u>	<u>402,820</u>
Net Change in Fund Balances	(213,957)	95	(213,862)
Fund Balances - July 1, 2015	<u>357,012</u>	<u>18,009</u>	<u>375,021</u>
Fund Balances - June 30, 2016	<u>\$ 143,055</u>	<u>\$ 18,104</u>	<u>\$ 161,159</u>

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TOWN OF STOWE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR PERMANENT FUNDS
 JUNE 30, 2016

	Cemetery Fund	Library Endowment Fund	Total
<u>ASSETS</u>			
Cash	\$ 50,234	\$ 0	\$ 50,234
Investments	411,797	880,902	1,292,699
Total Assets	\$ 462,031	\$ 880,902	\$ 1,342,933
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to Other Funds	\$ 7,446	\$ 0	\$ 7,446
Total Liabilities	7,446	0	7,446
Fund Balances:			
Nonspendable	215,000	35,295	250,295
Restricted	239,585	845,607	1,085,192
Total Fund Balances	454,585	880,902	1,335,487
Total Liabilities and Fund Balances	\$ 462,031	\$ 880,902	\$ 1,342,933

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TOWN OF STOWE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Cemetery Fund	Library Endowment Fund	Total
Revenues:			
Charges for Services	\$ 17,457	\$ 0	\$ 17,457
Investment Income	16,854	86,240	103,094
Total Revenues	<u>34,311</u>	<u>86,240</u>	<u>120,551</u>
Expenditures:			
Cemetery	<u>5,514</u>	<u>0</u>	<u>5,514</u>
Total Expenditures	<u>5,514</u>	<u>0</u>	<u>5,514</u>
Excess of Revenues Over Expenditures	<u>28,797</u>	<u>86,240</u>	<u>115,037</u>
Other Financing Sources/(Uses):			
Transfers Out	<u>(7,000)</u>	<u>(7,806)</u>	<u>(14,806)</u>
Total Other Financing Sources/(Uses)	<u>(7,000)</u>	<u>(7,806)</u>	<u>(14,806)</u>
Net Change in Fund Balances	21,797	78,434	100,231
Fund Balances - July 1, 2015	<u>432,788</u>	<u>802,468</u>	<u>1,235,256</u>
Fund Balances - June 30, 2016	<u>\$ 454,585</u>	<u>\$ 880,902</u>	<u>\$ 1,335,487</u>

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Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"

Board of Selectmen
Town of Stowe, Vermont
P.O. Box 730
Stowe, Vermont 05672

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stowe, Vermont, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Stowe, Vermont's basic financial statements, and have issued our report thereon dated February 1, 2017. Our report includes a reference to other auditors who audited the financial statements of the Electric Fund, as described in our report on the Town of Stowe, Vermont's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Electric Fund were not audited in accordance with "Government Auditing Standards".

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

However, we noted certain other matters that we reported to the management of the Town of Stowe, Vermont in a separate letter dated February 1, 2017.

Purpose of this Report

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

February 1, 2017
Montpelier, Vermont
VT Lic. #92-000180

