

TOWN OF STOWE, VERMONT

AUDIT REPORT

JUNE 30, 2017

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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, 2017, 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-five percent (55%), thirty-two percent (32%) and seventy-eight percent (78%), 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 dated September 8, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 12, 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.

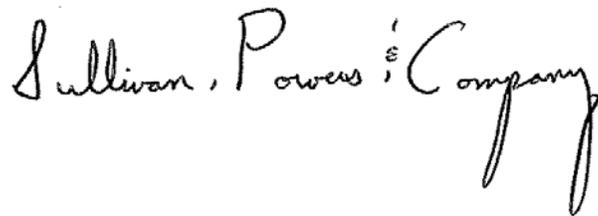
Other Information

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 January 30, 2018 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.

January 30, 2018
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the typed text.

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. The Town of Stowe Electric Fund has been audited separately as of and for the year ended June 30, 2017 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 a 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 exceeded liabilities on June 30, 2017 by \$54,670,874 (Total Net Position). Of this amount, \$24,638,261 represents governmental activities and \$30,032,613 represents our water, sewer and electric departments (business-type activities). Of these amounts, \$1,082,044 of governmental activities funds and \$10,770,080 of business type activities funds are unrestricted net assets and may be used to meet the Town's future obligations.
- The net position of governmental activities increased by \$1,263,930 in FY 17. The increase is due mainly to the addition of capital assets above depreciation and a reduction to long term debt through principal payment. The Business-Type activities increased their net position by \$2,415,833, with contributions by Water \$1,282,602, Sewer \$107,420 and Electric \$1,025,811.

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

- The General Fund fund balance increased \$33,245. The General Fund fund balance at the end of FY 17 was \$1,016,672, of which \$452,834 being either non spendable, restricted, committed or assigned and not available for current expenditures, leaving an unassigned surplus of \$563,838.
- The Capital Fund fund balance increased by \$388,761 in FY 17. The total amount in this fund at year-end was \$839,124 and the entire amount is committed for future projects.
- The Water Fund ended the fiscal year with a net position balance of \$5,759,269 an increase of \$1,282,602.

- The Sewer Fund ended the fiscal year with a net position balance of \$14,657,330, an increase of \$107,420.
- The Electric Fund ended the fiscal year with a net position balance of \$9,616,014, an increase of \$1,025,811.

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 the 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 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Assets						
Current & Other Assets	4,643,919	4,413,155	34,929,496	35,092,909	39,573,415	39,506,064
Capital Assets	32,458,719	32,242,527	36,397,893	34,859,722	68,856,612	67,102,249
Total Assets	37,102,638	36,655,682	71,327,389	69,952,631	108,430,027	106,608,313
Deferred Outflows of Resources	1,021,594	612,603	79,152	49,794	1,100,746	662,397
Liabilities						
Current Liabilities	508,969	770,724	1,578,434	1,599,003	2,087,403	2,369,727
Long Term Liabilities	12,850,045	13,033,961	39,529,357	40,416,040	52,379,402	53,450,001
Total Liabilities	13,359,014	13,804,685	41,107,791	42,015,043	54,466,805	55,819,728
Deferred Inflows of Resources	126,957	89,269	266,137	370,602	393,094	459,871
Net Position						
Invested in Capital Assets Net of Related Debt	21,940,969	20,939,027	19,262,533	19,274,427	41,203,502	40,213,454
Restricted	1,615,248	1,456,587	-	-	1,615,248	1,456,587
Unrestricted	1,082,044	978,717	10,770,080	8,342,353	11,852,124	9,321,070
Total Net assets	24,638,261	23,374,331	30,032,613	27,616,780	54,670,874	50,991,111

As stated above, total net position was \$54,670,874 at the end of fiscal year 2017. 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 \$41,203,502 (75.4%). 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 2017, the Town of Stowe has positive balances in all three categories of total net position for the entire government and all individual funds.

Town of Stowe, Vermont Statement of Activities

	Governmental Activities		Business Type Activities		Total	
	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016
Revenues						
<u>Program Revenues</u>						
Charges for Services	1,235,828	1,226,598	16,112,460	15,418,998	17,348,288	16,645,596
Operating Grants & Contributions	493,556	1,041,660	-	-	493,556	1,041,660
Capital Grants & Contributions	219,790	625,553	383,452	3,088	603,242	628,641
<u>General Revenues</u>						
Property Taxes	8,591,469	8,407,738	-	-	8,591,469	8,407,738
Penalties & Interest on Delinquent Taxes	168,641	149,197	-	-	168,641	149,197
Local Options Tax	859,906	789,519	-	-	859,906	789,519
General State Grants	400,066	386,181	-	-	400,066	386,181
Investment Earnings	200,205	120,691	573,121	567,505	773,326	688,196
LCP Equity Dividends	-	-	1,080,704	1,080,704	1,080,704	1,080,704
Gain on Sale of Land/Equipment	-	-	6,379	12,900	6,379	12,900
Grand List Settlement	150,000	-	-	-	150,000	-
Insurance Proceeds	308,068	-	-	-	308,068	-
Other Revenue	3,778	17,341	-	-	3,778	17,341
Total Revenues	12,631,307	12,764,478	18,156,116	17,083,195	30,787,423	29,847,673
Expenditures						
<u>Governmental Activities</u>						
General Government	2,416,063	2,342,033	-	-	2,416,063	2,342,033
Public Safety	3,175,890	2,867,272	-	-	3,175,890	2,867,272
Public Works	2,818,330	3,333,777	-	-	2,818,330	3,333,777
Culture & Recreation	2,583,593	2,414,564	-	-	2,583,593	2,414,564
Cemeteries	17,992	32,167	-	-	17,992	32,167
Interest	397,509	443,888	-	-	397,509	443,888
<u>Business Type Activities</u>						
Water	-	-	905,967	989,298	905,967	989,298
Sewer	-	-	1,709,355	1,729,411	1,709,355	1,729,411
Electric	-	-	13,082,961	13,168,702	13,082,961	13,168,702
Total Expenditures	11,409,377	11,433,701	15,698,283	15,887,411	27,107,660	27,321,112
Transfers In/(Out)	42,000	33,000	(42,000)	(33,000)	-	-
Changes in Net Position	1,263,930	1,363,777	2,415,833	1,162,784	3,679,763	2,526,561
Net Position - Beginning of Year	23,374,331	22,010,554	27,616,780	26,453,996	50,991,111	48,464,550
Net Position - End of Year	24,638,261	23,374,331	30,032,613	27,616,780	54,670,874	50,991,111

Governmental activities: Governmental activities increased the Town's net position by \$1,263,930 in FY17. The Town added \$216,192 to its inventory of capital assets net of current year depreciation (funded with \$219,790 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 \$2,415,833 in FY17, with contributions by Water \$1,282,602, Sewer \$107,420, and Electric \$1,025,811.

Financial Analysis of Major Funds

General Fund

The General Fund balance increased by \$33,245 during the year. The total fund balance at year-end was \$1,016,672. Of this amount, \$150,266 is nonspendable inventory and prepaid expenses and 17,824 is restricted for library development expenses. There is \$105,337 committed for annual leave reserves, \$159,000 assigned to reduce property taxes in fiscal year 2018, \$9 for recreation scholarship expenses, and \$20,398 for library operations, leaving \$563,838 available for future expenses.

Actual Revenues were higher by \$243,772 compared to budgets. Revenues coming in over budget included: Property Taxes, \$37,633, collection of prior period taxes and current year Property Tax Abatements, (\$9,785 less than planned) Administration, \$186,795, because of increased Act 68 Collection Agent Fees, Delinquent Tax Interest and Grand List Settlement with State of Vermont, \$150,000; EMS, \$15,845 for increased collections on billings; Highway, \$11,330, Insurance claims; Mountain Rescue, \$4,793 provided additional services to State of Vermont; Planning, \$5,381, Logging revenue from Trail maintenance of Sterling Forest; Police, \$25,347, non-federal grants and donations and sales of reports; Town Clerk, \$14,669, increased recording and photocopy fees; Parks and Grounds, \$61,715 from Insurance Proceeds from Parks Garage Fire, Memorial Building, \$12,294, for grants for building efficiency and safety. Revenues coming in under budget included: Arena,(\$84,610), due to missed budget on turf and ice time rentals and skate rentals; Recreation; (\$48,308) due to declining attendance of Summer Camp and After School program; Zoning, (\$9,306), lower than expected application fees.

Expenditures were \$50,840 over budget. Expenditures coming in under budget were due to the following departments: Administration, \$5,006, reduced legal costs; Cultural Campus, \$34,834, transferred (\$31,800) Ski Museum window restoration funds to Capital Fund; Library, \$34,064, staffing transitions; Recreation, \$49,052, seasonal staffing and program services downsized to meet program attendance; and Zoning, \$6,818, lower legal costs. Expenditures coming in over budget were, Akeley Building (\$18,610) for building efficiencies and safety which were offset with grant revenue; Arena, (\$16,477) for system maintenance; Highway, (\$66,001) for necessary use of salt and sand for icy winter; Parks and Grounds (\$30,190) Parks Garage fire related costs offset by seasonal staff shortages. Mountain Rescue (\$6,650) for rescue calls reimbursed by State; Town Clerk, (\$15,421) for increased cost for recording and preserving land records due to higher number of property transfers.

Capital Fund

The Capital fund ended with a balance of \$839,124 in FY 17. This Fund balance increased \$388,761 and was funded with \$859,906 of local option taxes, \$321,610 of grants, General Fund Transfer of \$31,800, Insurance claim for Parks Garage Fire of \$143,830, and \$398 of interest. The capital expenditures and transfers out totaled \$968,783 which included Quiet Path Bridge, Parks Garage Rebuild, Moscow Road Bridge Repairs, Luce Hill Culvert, Village Sidewalk Paver Replacement, Ski Museum Siding Repairs, Fire Dept SCBA {Self Contained Breathing Apparatus}, and Design work on Lower Village Sidewalk.

Water Fund

The Water Fund had operating income of \$825,966, non-operating revenue connection fees of \$175,779, non-cash capital contribution of \$383,452 and interest expense of (\$102,595) resulting in an increase in net position of \$1,282,602.

Sewer Fund

The Sewer Fund had an operating loss of (\$132,494) which when added to non-operating revenues of connection fees \$235,398 plus investment income of \$4,516, resulted in an increase to Net position of \$107,420.

Electric Fund

The Electric Fund had operating income of \$267,070. Operating revenues were up \$120,083 and expenditures were down \$119,105 between FY17 and FY16, which improved operating income by \$239,188. Non-operating revenues and expenses increased the net position by \$800,741 less a transfer of \$42,000 between Electric Fund and General Fund, to an overall increase in net position of \$1,025,811.

Other Non-Major Governmental Funds

Police DEA Fund	\$ 20,533
Appraisal Fund	139,564
Records Preservation Fund	63,466
Equipment Fund	193,514
Rink Renovation Fund	18,189
Cemetery Fund	487,388
Library Endowment Fund	<u>1,026,037</u>
Total	<u>\$ 1,948,691</u>

Capital Asset Administration

The Town of Stowe's investment in capital assets for its governmental activities as of June 30, 2017 totaled \$32,458,719 (net of depreciation) and \$36,397,893 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 St. Recon Phase II
Bridge - Heyer Bridge Reconstruction
Bridge -Moscow Rd Bridge Rail Replacement
Building - Ski Museum Repairs
Building - Parks Garage Reconstruction - Fire
Building - Akeley Memorial Repairs
Cemetery - Old Yard Cemetery Restoration
Culvert - Luce Hill Rd Culvert Rehabilitation
Rec Path - Quiet Path Bridge
Rec Path - Reconstruction
Rec Path - Staircase - Village
Rec Path - Bridge 4 Streambank
Riverbank Stabilization - Construction
Safety - Fire Dept. SCBA Self Contained Breathing Apparatus
Sidewalk - Repairs Depot&S.Main
Sidewalk - Repairs Village Replace Pavers
Equipment - Parks F-350 Pickup
Equipment - Parks F-350 4x4 Dump Truck
Equipment - Highway Excavator
Equipment - Parks Exmark Mowers - 4
Equipment - Parks Kubota Tractor
Equipment - Parks Bobcat Skidsteer
Equipment - Police SUV

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

Sold, Retired or Traded:

2001 Highway Volvo Excavator
2002 Fire SCBA Packs
2002 Parks Fire Gravely 60" Mower
2004 Fire Thermal Imager
2006 Parks Ford F-350
2007 Parks Ford F-350
2008 Parks Fire Gehl Skid Loader
2009 Parks Fire Exmark Mower
2009 Parks Fire Kubota Tractor w/backhoe
2010 Parks Fire Exmark Mower
2010 Police Chevy Tahoe
2015 Parks Fire Exmark Mower
2016 Parks Fire Exmark Mower
Parks Fire Maintenance Garage

The Water fund had \$42,173 of capital asset additions, which includes Notchbrook Pump Replacement and SCADA system upgrades.

The Sewer fund had \$39,856 of capital asset additions, which includes Weeks Hill Pump Station improvements, and ATAD Pump rebuild.

The Electric fund had capital asset additions of \$2,651,725, which was primarily the Nebraska Valley solar farm.

Debt Administration

As of June 30, 2017, long-term debt of governmental activities of the Town of Stowe was \$10,517,750. As of June 30, 2016, the governmental activities debt was \$11,303,500. During the year, the Town paid \$785,750 on older bonds and notes, and issued no new bonds in FY 2017.

The Business type activities had bonds and notes outstanding with a total principal debt of \$39,181,079. At the beginning of the fiscal year there was \$40,087,106 in outstanding debt. During the year the Town paid \$1,706,027 on older bonds and notes and a new bond was issued in the amount of \$800,000 to acquire, replace, or construct municipal electric plant improvements, including substation transformers, CIS billing system and IT improvements, and vehicles.

Economic Factors and FY 18 Budgets and Rates

- The Town of Stowe growth for the Grand List has averaged 1.35% over the last 5 years. We estimated a growth rate of 1.75% for the 2017 Grand List, used in FY'18, the actual was 2.03%. With several residential construction projects underway, the 2018 Grand List, used for FY'19, we are estimating a growth rate of 2.50%, which is higher than the average.
- Employees who fall under the Personnel Regulations, Police Association Contract, and the IBEW Agreement are scheduled to receive a 1.6% pay increase, plus any step increase they may be eligible for in FY 18.
- Health insurance rates have been budgeted to increase around 5.4% for Blue Cross VHP plan and decrease 7.1% for Blue Cross VFP plan for first half of FY18 and second half of FY18 is based on 5.9% increase, based three year premium changes for FY 2018. 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 are not expected to increase from FY17 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 price at October 31st.

These factors were taken into consideration in preparing the fiscal year 2018 budgets. The General Fund expense for FY 18 is \$11,617,079, an increase of 2.22%. Non-tax revenues have been budgeted at \$2,511,243, a 1.25% decrease, leaving an amount to be raised by taxation of \$8,946,836. In addition, The Town reduced the amount raised by taxation with the use of \$159,000 of surplus carry forward from the General Fund.

The Town of Stowe continues to experience growth in the residential and commercial sectors of town. Stowe Cider converted and moved into an existing warehouse space on the Mountain Road, Stowe Mountain Resorts expanded parking lots for cross country center and Midway Lodge, along with Mountain Haus apartment 36 unit completion and Spruce Peak Triplexes opening 6 units. The Town is adding a redundant well at our Cape Cod Road water plant. Vail Resorts completed the purchase of Stowe Mountain Resorts ski operations in the fall of 2017.

The Town of Stowe suffered from a severe wind storm October 2017 which led to downed trees, power lines, and road closures due to debris. The event was declared a federal disaster in January 2018, allowing the Town and Stowe Electric to qualify for FEMA disaster relief funds.

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, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$ 3,937,301	\$ 3,081,883	\$ 7,019,184
Investments	2,012,795	0	2,012,795
Deposits with Insurance Company	3,600	0	3,600
Receivables (Net of Allowance for Uncollectibles)	619,316	2,453,756	3,073,072
Loans Receivable	0	3,328,639	3,328,639
Internal Balances	(2,079,359)	2,079,359	0
Prepaid Expenses	15,746	4,186	19,932
Inventory	134,520	245,696	380,216
Restricted Cash	0	546,885	546,885
Investment in Associated Companies	0	23,171,202	23,171,202
Deferred Charges	0	17,890	17,890
Capital Assets:			
Land and Easements	6,283,294	52,525	6,335,819
Construction in Progress	259,384	981,009	1,240,393
Antiques	80,000	0	80,000
Other Capital Assets, (Net of Accumulated Depreciation)	<u>25,836,041</u>	<u>35,364,359</u>	<u>61,200,400</u>
Total Assets	<u>37,102,638</u>	<u>71,327,389</u>	<u>108,430,027</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>1,021,594</u>	<u>79,152</u>	<u>1,100,746</u>
Total Deferred Outflows of Resources	<u>1,021,594</u>	<u>79,152</u>	<u>1,100,746</u>
<u>LIABILITIES</u>			
Accounts Payable	237,704	1,097,966	1,335,670
Accrued Payroll and Benefits Payable	131,833	64,932	196,765
Other Accrued Expenses	0	274,162	274,162
Unearned Revenue	85,033	21,994	107,027
Accrued Interest Payable	54,399	119,380	173,779
Noncurrent Liabilities:			
Due within One Year	785,750	1,786,343	2,572,093
Due in More than One Year	<u>12,064,295</u>	<u>37,743,014</u>	<u>49,807,309</u>
Total Liabilities	<u>13,359,014</u>	<u>41,107,791</u>	<u>54,466,805</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	111,234	0	111,234
Deferred Contribution for Capital Assets	0	220,000	220,000
Deferred Gain on Hedge Sale	0	44,919	44,919
Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>15,723</u>	<u>1,218</u>	<u>16,941</u>
Total Deferred Inflows of Resources	<u>126,957</u>	<u>266,137</u>	<u>393,094</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	21,940,969	19,262,533	41,203,502
Restricted:			
Culture and Recreation	1,043,861	0	1,043,861
Cemetery	487,388	0	487,388
Other	83,999	0	83,999
Unrestricted	<u>1,082,044</u>	<u>10,770,080</u>	<u>11,852,124</u>
Total Net Position	<u>\$ 24,638,261</u>	<u>\$ 30,032,613</u>	<u>\$ 54,670,874</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, 2017

	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	\$ 2,416,063	\$ 306,546	\$ 110,918	\$ 0	\$ (1,998,599)	\$ 0	\$ (1,998,599)
Public Safety	3,175,890	374,667	99,546	0	(2,701,677)	0	(2,701,677)
Public Works	2,818,330	17,385	269,913	219,790	(2,311,242)	0	(2,311,242)
Culture and Recreation	2,583,593	528,155	12,989	0	(2,042,449)	0	(2,042,449)
Cemetery	17,992	9,075	190	0	(8,727)	0	(8,727)
Interest on Long-term Debt	397,509	0	0	0	(397,509)	0	(397,509)
Total Governmental Activities	<u>11,409,377</u>	<u>1,235,828</u>	<u>493,556</u>	<u>219,790</u>	<u>(9,460,203)</u>	<u>0</u>	<u>(9,460,203)</u>
Business-type Activities:							
Water	905,967	1,805,117	0	383,452	0	1,282,602	1,282,602
Sewer	1,709,355	1,812,259	0	0	0	102,904	102,904
Electric	13,082,961	12,495,084	0	0	0	(587,877)	(587,877)
Total Business-type Activities	<u>15,698,283</u>	<u>16,112,460</u>	<u>0</u>	<u>383,452</u>	<u>0</u>	<u>797,629</u>	<u>797,629</u>
Total Primary Government	<u>\$ 27,107,660</u>	<u>\$ 17,348,288</u>	<u>\$ 493,556</u>	<u>\$ 603,242</u>	<u>(9,460,203)</u>	<u>797,629</u>	<u>(8,662,574)</u>
General Revenues:							
Property Taxes					8,591,469	0	8,591,469
Interest on Delinquent Taxes					168,641	0	168,641
Local Option Sales Tax					859,906	0	859,906
General State Grants					400,066	0	400,066
Unrestricted Investment Earnings					200,205	573,121	773,326
LCP Equity Dividends					0	1,080,704	1,080,704
Gain on Sale of Capital Assets					0	6,379	6,379
Grand List Settlement					150,000	0	150,000
Insurance Proceeds					308,068	0	308,068
Other Revenues					3,778	0	3,778
Transfers:					42,000	(42,000)	0
Total General Revenues and Transfers					<u>10,724,133</u>	<u>1,618,204</u>	<u>12,342,337</u>
Change in Net Position					1,263,930	2,415,833	3,679,763
Net Position - July 1, 2016					<u>23,374,331</u>	<u>27,616,780</u>	<u>50,991,111</u>
Net Position - June 30, 2017					<u>\$ 24,638,261</u>	<u>\$ 30,032,613</u>	<u>\$ 54,670,874</u>

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

TOWN OF STOWE, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 3,878,811	\$ 0	\$ 58,490	\$ 3,937,301
Investments	550,398	0	1,462,397	2,012,795
Deposits with Insurance Company	3,600	0	0	3,600
Receivables (Net of Allowance for Uncollectibles)	454,369	164,947	0	619,316
Due from Other Funds	0	675,308	455,324	1,130,632
Prepaid Expenses	15,746	0	0	15,746
Inventory	134,520	0	0	134,520
Total Assets	<u>\$ 5,037,444</u>	<u>\$ 840,255</u>	<u>\$ 1,976,211</u>	<u>\$ 7,853,910</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 216,515	\$ 1,131	\$ 20,058	\$ 237,704
Accrued Payroll and Benefits Payable	131,833	0	0	131,833
Due to Other Funds	3,202,529	0	7,462	3,209,991
Unearned Revenue	85,033	0	0	85,033
Total Liabilities	<u>3,635,910</u>	<u>1,131</u>	<u>27,520</u>	<u>3,664,561</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Property Taxes	111,234	0	0	111,234
Unavailable Property Taxes and Interest	217,500	0	0	217,500
Unavailable Ambulance Fees	52,600	0	0	52,600
Unavailable Fees	3,528	0	0	3,528
Total Deferred Inflows of Resources	<u>384,862</u>	<u>0</u>	<u>0</u>	<u>384,862</u>
<u>FUND BALANCES</u>				
Nonspendable	150,266	0	250,295	400,561
Restricted	17,824	0	1,347,129	1,364,953
Committed	105,337	839,124	193,514	1,137,975
Assigned	179,407	0	157,753	337,160
Unassigned	563,838	0	0	563,838
Total Fund Balances	<u>1,016,672</u>	<u>839,124</u>	<u>1,948,691</u>	3,804,487
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,037,444</u>	<u>\$ 840,255</u>	<u>\$ 1,976,211</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.	32,458,719
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.	273,628
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.	(12,904,444)
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>1,005,871</u>
Net Position of Governmental Activities	<u>\$ 24,638,261</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, 2017

	General Fund	Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 8,639,169	\$ 0	\$ 0	\$ 8,639,169
Interest on Delinquent Taxes	168,641	0	0	168,641
Local Option Sales Tax	0	859,906	0	859,906
Intergovernmental	664,748	321,610	274,693	1,261,051
Charges for Services	745,012	0	8,980	753,992
Permits, Licenses and Fees	506,490	0	12,723	519,213
Fines and Forfeits	8,659	0	0	8,659
Investment Income	11,903	398	187,904	200,205
Donations	4,895	0	68,443	73,338
Grand List Settlement	150,000	0	0	150,000
Other	9,265	0	0	9,265
Total Revenues	<u>10,908,782</u>	<u>1,181,914</u>	<u>552,743</u>	<u>12,643,439</u>
Expenditures:				
General Government	2,405,450	0	1,690	2,407,140
Public Safety	2,602,219	2,370	93,919	2,698,508
Public Works	2,174,945	69,496	31,172	2,275,613
Culture and Recreation	2,101,181	20,536	9,076	2,130,793
Cemetery	13,623	0	2,934	16,557
Capital Outlay:				
General Government	47,940	0	0	47,940
Public Safety	44,289	137,060	80,136	261,485
Public Works	340,196	239,670	344,743	924,609
Culture and Recreation	5,570	149,651	194,589	349,810
Debt Service:				
Principal	785,750	0	0	785,750
Interest	402,378	0	0	402,378
Total Expenditures	<u>10,923,541</u>	<u>618,783</u>	<u>758,259</u>	<u>12,300,583</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(14,759)</u>	<u>563,131</u>	<u>(205,516)</u>	<u>342,856</u>
Other Financing Sources/(Uses):				
Insurance Proceeds	66,632	143,830	97,606	308,068
Transfers In	413,172	31,800	400,000	844,972
Transfers Out	(431,800)	(350,000)	(21,172)	(802,972)
Total Other Financing Sources/(Uses)	<u>48,004</u>	<u>(174,370)</u>	<u>476,434</u>	<u>350,068</u>
Net Change in Fund Balances	33,245	388,761	270,918	692,924
Fund Balances - July 1, 2016	<u>983,427</u>	<u>450,363</u>	<u>1,677,773</u>	<u>3,111,563</u>
Fund Balances - June 30, 2017	<u>\$ 1,016,672</u>	<u>\$ 839,124</u>	<u>\$ 1,948,691</u>	<u>\$ 3,804,487</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, 2017

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)	\$	692,924
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,583,844) is allocated over their estimated useful lives and reported as depreciation expense (\$1,273,051). This is the amount by which capital outlays exceeded depreciation in the current period.		310,793
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.		(94,601)
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 (\$785,750) 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.		785,750
Governmental funds report employer pension contributions as expenditures (\$203,395). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$429,224) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(225,829)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(234,700)
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.		<u>29,593</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>1,263,930</u></u>

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

TOWN OF STOWE, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Water Fund	Sewer Fund	Electric Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 0	\$ 0	\$ 3,081,883	\$ 3,081,883
Receivables (Net of Allowance for Uncollectibles)	112,460	101,560	887,576	1,101,596
Unbilled Receivables	143,226	133,683	945,199	1,222,108
Loans Receivable - Current Portion	24,376	553,321	0	577,697
Accrued Interest Receivable	0	0	130,052	130,052
Due from Other Funds	0	2,168,778	0	2,168,778
Prepaid Expenses	0	0	4,186	4,186
Inventory	75,779	11,757	158,160	245,696
	<u>355,841</u>	<u>2,969,099</u>	<u>5,207,056</u>	<u>8,531,996</u>
Total Current Assets				
Noncurrent Assets:				
Restricted Cash	0	0	546,885	546,885
Loans Receivable - Noncurrent Portion	74,225	2,676,717	0	2,750,942
Investment in Associated Companies	0	0	23,171,202	23,171,202
Deferred Charges	0	0	17,890	17,890
Capital Assets:				
Land	8,647	43,878	0	52,525
Construction in Progress	0	21,831	959,178	981,009
Land Improvements	0	7,787	0	7,787
Buildings and Building Improvements	0	15,584,232	273,429	15,857,661
Machinery and Equipment	252,839	869,614	2,082,809	3,205,262
Distribution and Collection Systems	11,994,001	10,882,065	13,885,739	36,761,805
Less: Accumulated Depreciation	<u>(3,024,983)</u>	<u>(10,240,433)</u>	<u>(7,202,740)</u>	<u>(20,468,156)</u>
	<u>9,304,729</u>	<u>19,845,691</u>	<u>33,734,392</u>	<u>62,884,812</u>
Total Noncurrent Assets				
	<u>9,660,570</u>	<u>22,814,790</u>	<u>38,941,448</u>	<u>71,416,808</u>
Total Assets				
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources Related to the Town's Participation in VMERS				
	<u>60,648</u>	<u>18,504</u>	<u>0</u>	<u>79,152</u>
Total Deferred Outflows of Resources				
	<u>60,648</u>	<u>18,504</u>	<u>0</u>	<u>79,152</u>
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	84,412	24,537	989,017	1,097,966
Accrued Payroll and Benefits Payable	4,935	8,183	51,814	64,932
Other Accrued Expenses	0	0	274,162	274,162
Due to Other Funds	89,419	0	0	89,419
Unearned Revenue	0	0	21,994	21,994
Accrued Interest Payable	65,739	0	53,641	119,380
Notes Payable - Current Portion	0	0	161,050	161,050
General Obligation Bonds Payable - Current Portion	<u>516,649</u>	<u>846,564</u>	<u>262,080</u>	<u>1,625,293</u>
	<u>761,154</u>	<u>879,284</u>	<u>1,813,758</u>	<u>3,454,196</u>
Total Current Liabilities				
Noncurrent Liabilities:				
Compensated Absences Payable	30,478	39,736	153,162	223,376
Net Pension Liability	95,718	29,184	0	124,902
Notes Payable - Noncurrent Portion	0	0	21,250,755	21,250,755
General Obligation Bonds Payable - Noncurrent Portion	<u>3,073,666</u>	<u>7,227,475</u>	<u>5,842,840</u>	<u>16,143,981</u>
	<u>3,199,862</u>	<u>7,296,395</u>	<u>27,246,757</u>	<u>37,743,014</u>
Total Noncurrent Liabilities				
	<u>3,961,016</u>	<u>8,175,679</u>	<u>29,060,515</u>	<u>41,197,210</u>
Total Liabilities				
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Contribution for Capital Assets				
	0	0	220,000	220,000
Deferred Gain on Hedge Sale				
	0	0	44,919	44,919
Deferred Inflows of Resources Related to the Town's Participation in VMERS				
	<u>933</u>	<u>285</u>	<u>0</u>	<u>1,218</u>
Total Deferred Inflows of Resources				
	<u>933</u>	<u>285</u>	<u>264,919</u>	<u>266,137</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets				
Unrestricted	5,640,189	9,094,935	4,527,409	19,262,533
	<u>119,080</u>	<u>5,562,395</u>	<u>5,088,605</u>	<u>10,770,080</u>
	<u>5,759,269</u>	<u>14,657,330</u>	<u>9,616,014</u>	<u>30,032,613</u>
Total Net Position				

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, 2017

	Water Fund	Sewer Fund	Electric Fund	Total
Operating Revenues:				
Charges for Services	\$ 1,629,338	\$ 1,576,861	\$ 11,949,548	\$ 15,155,747
Total Operating Revenues	<u>1,629,338</u>	<u>1,576,861</u>	<u>11,949,548</u>	<u>15,155,747</u>
Operating Expenses:				
Administrative	76,831	90,436	1,544,047	1,711,314
Power	0	0	8,289,604	8,289,604
Distribution and Collection	519,724	1,095,930	1,207,164	2,822,818
Taxes	0	0	118,365	118,365
Depreciation and Amortization	206,817	522,989	523,298	1,253,104
Total Operating Expenses	<u>803,372</u>	<u>1,709,355</u>	<u>11,682,478</u>	<u>14,195,205</u>
Operating Income/(Loss)	<u>825,966</u>	<u>(132,494)</u>	<u>267,070</u>	<u>960,542</u>
Non-Operating Revenues/(Expenses):				
Connection Fees and Related Interest	175,779	235,398	0	411,177
LCP Equity Dividends	0	0	1,080,704	1,080,704
Gain on Sale of Capital Assets	0	0	6,379	6,379
Loss on Disposal of Capital Assets	0	0	(19,417)	(19,417)
Other Income	0	0	545,536	545,536
Investment Income	0	4,516	568,605	573,121
Interest Expense	(102,595)	0	(1,381,066)	(1,483,661)
Total Non-Operating Revenues/(Expenses)	<u>73,184</u>	<u>239,914</u>	<u>800,741</u>	<u>1,113,839</u>
Net Income Before Capital Contributions and Transfers	<u>899,150</u>	<u>107,420</u>	<u>1,067,811</u>	<u>2,074,381</u>
Capital Contributions and Transfers:				
Capital Contributions	383,452	0	0	383,452
Transfers Out	0	0	(42,000)	(42,000)
Total Capital Contributions and Transfers	<u>383,452</u>	<u>0</u>	<u>(42,000)</u>	<u>341,452</u>
Change in Net Position	1,282,602	107,420	1,025,811	2,415,833
Net Position - July 1, 2016	<u>4,476,667</u>	<u>14,549,910</u>	<u>8,590,203</u>	<u>27,616,780</u>
Net Position - June 30, 2017	<u>\$ 5,759,269</u>	<u>\$ 14,657,330</u>	<u>\$ 9,616,014</u>	<u>\$ 30,032,613</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, 2017

	Water Fund	Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 1,612,226	\$ 1,577,583	\$ 11,860,977	\$ 15,050,786
Payments for Purchased Power	0	0	(8,289,604)	(8,289,604)
Payments for Goods and Services	(265,074)	(685,660)	(1,435,342)	(2,386,076)
Payments for Interfund Services	(50,250)	(51,250)	0	(101,500)
Payments for Wages and Benefits	(307,558)	(489,326)	(1,267,775)	(2,064,659)
Net Cash Provided by Operating Activities	989,344	351,347	868,256	2,208,947
Cash Flows From Noncapital Financing Activities:				
Other Receipts	0	0	300,321	300,321
Decrease/(Increase) in Due from Other Funds	0	(314,366)	0	(314,366)
(Decrease)/Increase in Due to Other Funds	(535,493)	0	0	(535,493)
Transfers Paid to Other Funds	0	0	(42,000)	(42,000)
LCP Equity Dividends	0	0	1,080,704	1,080,704
Net Cash Provided/(Used) by Noncapital Financing Activities	(535,493)	(314,366)	1,339,025	489,166
Cash Flows From Capital and Related Financing Activities:				
Payments Received on Loans Receivable and Connection Fees	209,621	844,922	0	1,054,543
Proceeds from Long-term Debt	0	0	800,000	800,000
Proceeds from Sale of Capital Assets	0	0	313,653	313,653
Acquisition and Construction of Capital Assets	(42,173)	(39,856)	(2,651,725)	(2,733,754)
Acquisition of Bond Financing Fees	0	0	(15,000)	(15,000)
Principal Paid on General Obligation Bonds Payable	(510,460)	(846,563)	(262,080)	(1,619,103)
Principal Paid on Notes Payable	0	0	(86,924)	(86,924)
Interest Paid on General Obligation Bonds Payable	(110,839)	0	(179,902)	(290,741)
Interest Paid on Notes Payable	0	0	(1,199,106)	(1,199,106)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(453,851)	(41,497)	(3,281,084)	(3,776,432)
Cash Flows From Investing Activities:				
Receipt of Interest and Dividends	0	4,516	567,654	572,170
Net Cash Provided by Investing Activities	0	4,516	567,654	572,170
Net Increase/(Decrease) in Cash	0	0	(506,149)	(506,149)
Cash - July 1, 2016	0	0	4,134,917	4,134,917
Cash - June 30, 2017	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,628,768</u>	<u>\$ 3,628,768</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:				
Operating Income/(Loss)	\$ 825,966	\$ (132,494)	\$ 267,070	\$ 960,542
Depreciation and Amortization	206,817	522,989	523,298	1,253,104
(Increase)/Decrease in Receivables	(17,112)	722	(88,571)	(104,961)
(Increase)/Decrease in Prepaid Expenses	0	0	(133)	(133)
(Increase)/Decrease in Inventory	(19,779)	1,734	2,087	(15,958)
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	(22,570)	(6,788)	0	(29,358)
Increase/(Decrease) in Accounts Payable	7,565	(15,220)	(6,797)	(14,452)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	(788)	(1,420)	5,418	3,210
Increase/(Decrease) in Other Accrued Expenses	0	0	136,998	136,998
Increase/(Decrease) in Compensated Absences Payable	(25,655)	(28,636)	28,886	(25,405)
Increase/(Decrease) in Net Pension Liability	34,431	10,318	0	44,749
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	469	142	0	611
Net Cash Provided by Operating Activities	\$ 989,344	\$ 351,347	\$ 868,256	\$ 2,208,947

The Town received non-cash capital contributions of \$383,452 in the Water Fund.

The Electric Fund sold capital assets with a cost and accumulated depreciation of \$316,522 and \$9,188, respectively, for \$313,653.

The Electric Fund disposed of capital assets with a cost and accumulated depreciation of \$19,357 and \$-0-, respectively.

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

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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
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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
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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
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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
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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.

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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. 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. 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 acquisition 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.

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:

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	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 one hundred fifty-eight (1,158) 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.

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.

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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.

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.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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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. Excess of Expenditures Over Appropriations

For the year ended June 30, 2017, expenditures in the General Fund exceeded appropriations by \$50,840. These over-expenditures were funded by excess revenues.

D. 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 statements.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash and investments as of June 30, 2017 consisted of the following:

Restricted Cash:	
Deposits with Financial Institutions	\$ <u>546,885</u>
Unrestricted Cash:	
Deposits with Financial Institutions	6,993,825
Deposits with Investment Company	21,776
Cash on Hand	<u>3,583</u>
Total Unrestricted Cash	<u>7,019,184</u>
Total Cash	<u>7,566,069</u>

TOWN OF STOWE, VERMONT
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Investments:

Certificate of Deposit	\$ 550,398
Municipal Bonds	43,366
Corporate Bonds	77,268
Mutual Funds – Equities	814,954
Common Stock	<u>526,809</u>
 Total Investments	 <u>2,012,795</u>
 Total Cash and Investments	 <u>\$9,578,864</u>

The Town has one (1) certificate of deposit with Union Bank in the amount of \$550,398 with an interest rate of 0.56%. The Town’s certificate of deposit will mature during fiscal year 2018.

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	\$ 934,794	\$ 934,794
Uninsured, Collateralized by Mortgage Loans Held in the Bank’s Name	3,950,578	4,175,811
Uninsured, Collateralized - Electric Department	2,031,679	2,040,565
Uninsured, Uncollateralized	<u>1,195,833</u>	<u>1,195,833</u>
 Total	 <u>\$8,112,884</u>	 <u>\$8,347,003</u>

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

\$1,195,833 of uninsured, uncollateralized cash could be offset by debt at the respective bank.

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The book balance is comprised of the following:

Restricted Cash – Deposits with Financial Institutions	\$ 546,885
Cash – Deposits with Financial Institutions	6,993,825
Cash – Deposits with Investment Company	21,776
Investments – Certificate of Deposit	<u>550,398</u>
Total	<u>\$8,112,884</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
	1-5 Years
Municipal Bonds	\$ 43,366
Corporate Bonds	<u>77,268</u>
Total	<u>\$ 120,634</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. The credit ratings for the municipal bonds and corporate bonds are as follows:

Investment Type	Standard and Poor's Rating as of June 30, 2017					Total
	BBB	BBB-	BB	BB-	B	
Municipal Bonds	\$ 0	\$ 26,716	\$ 0	\$ 0	\$ 16,650	\$ 43,366
Corporate Bonds	<u>10,443</u>	<u>20,242</u>	<u>26,136</u>	<u>20,447</u>	<u>0</u>	<u>77,268</u>
Total	<u>\$ 10,443</u>	<u>\$ 46,958</u>	<u>\$ 26,136</u>	<u>\$ 20,447</u>	<u>\$ 16,650</u>	<u>\$ 120,634</u>

TOWN OF STOWE, VERMONT
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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 \$342,000, (65%), 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, 2017 is \$150,000.

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, 2017 is \$396,885.

Total restricted cash in the Electric Fund as of June 30, 2017 is \$546,885.

B. Receivables

Receivables as of June 30, 2017, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes Receivable	\$ 323,269	\$ 0	\$ 323,269
Interest Receivable	22,780	0	22,780
Tax Sale Receivable	22,594	0	22,594
Local Option Sales Tax Receivable	133,660	0	133,660
Ambulance Receivable	97,043	0	97,043
Grants Receivable	31,287	0	31,287
Accounts Receivable	23,683	12,623	36,306
Billed Services	0	1,113,075	1,113,075
Unbilled Services	0	1,222,108	1,222,108
Accrued Interest Receivable	0	130,052	130,052
Allowance for Doubtful Accounts - Ambulance	(35,000)	0	(35,000)
Allowance for Doubtful Accounts - Water/Sewer	0	(24,102)	(24,102)
	\$ 619,316	\$ 2,453,756	\$ 3,073,072

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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>132,300</u>
Total	867,300
Less: Allowance for Doubtful Loans/Interest	<u>(867,300)</u>
Reported Value at June 30, 2017	\$ <u>0</u>

Business-type Activities

The Town has five (5) outstanding sewer loans totaling \$8,954 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-two (82) outstanding sewer loans totaling \$3,221,084 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 \$20 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 also has nineteen (19) outstanding loans totaling \$98,601 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, 2017 is \$3,328,639. The Town estimates that \$577,697 will be collected during fiscal year 2018 and the remainder of \$2,750,942 in future years. The Town has determined that all but ten (10) loans are collectible as they have a lien on the home or business on all except those ten (10) loans. The Town has an allowance for doubtful loans totally \$20,101 for the unsecured loans, however, all loans are current.

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

Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>
\$ <u>3,972,005</u>	\$ <u>1,690</u>	\$ <u>645,056</u>	\$ <u>3,328,639</u>

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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, 2017.

	<u>Shares/Units</u>	<u>Cost</u>
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.

	<u>Amortization Period</u>	<u>Current Amortization</u>	<u>Unamortized Balance</u>
Bond Issuance Costs	20 Years	<u>\$760</u>	<u>\$17,890</u>

F. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 6,283,294	\$ 0	\$ 0	\$ 6,283,294
Construction in Progress	185,528	99,306	25,450	259,384
Antiques	80,000	0	0	80,000
Total Capital Assets, Not Being Depreciated	<u>6,548,822</u>	<u>99,306</u>	<u>25,450</u>	<u>6,622,678</u>
Capital Assets, Being Depreciated:				
Land Improvements	635,250	152,788	0	788,038
Buildings and Building Improvements	18,003,854	197,479	38,000	18,163,333
Machinery and Equipment	6,802,068	652,277	446,778	7,007,567
Infrastructure	9,220,229	544,144	0	9,764,373
Totals	<u>34,661,401</u>	<u>1,546,688</u>	<u>484,778</u>	<u>35,723,311</u>
Less Accumulated Depreciation for:				
Land Improvements	243,597	20,772	0	264,369
Buildings and Building Improvements	3,289,005	488,710	16,467	3,761,248
Machinery and Equipment	3,364,968	369,023	337,010	3,396,981
Infrastructure	2,070,126	394,546	0	2,464,672
Totals	<u>8,967,696</u>	<u>1,273,051</u>	<u>353,477</u>	<u>9,887,270</u>
Total Capital Assets, Being Depreciated	<u>25,693,705</u>	<u>273,637</u>	<u>131,301</u>	<u>25,836,041</u>
Governmental Activities Capital Assets, Net	<u>\$ 32,242,527</u>	<u>\$ 372,943</u>	<u>\$ 156,751</u>	<u>\$ 32,458,719</u>

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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 52,525	\$ 0	\$ 0	\$ 52,525
Construction in Progress	<u>2,229,429</u>	<u>2,585,191</u>	<u>3,833,611</u>	<u>981,009</u>
Total Capital Assets, Not Being Depreciated	<u>2,281,954</u>	<u>2,585,191</u>	<u>3,833,611</u>	<u>1,033,534</u>
Capital Assets, Being Depreciated:				
Land Improvements	7,787	0	0	7,787
Buildings and Building Improvements	15,857,661	0	0	15,857,661
Machinery and Equipment	2,811,542	404,529	10,809	3,205,262
Distribution and Collection Systems	<u>33,125,778</u>	<u>3,636,027</u>	<u>0</u>	<u>36,761,805</u>
Totals	<u>51,802,768</u>	<u>4,040,556</u>	<u>10,809</u>	<u>55,832,515</u>
Less Accumulated Depreciation for:				
Land Improvements	742	1,112	0	1,854
Buildings and Building Improvements	5,449,708	271,453	0	5,721,161
Machinery and Equipment	2,019,205	198,546	9,188	2,208,563
Distribution and Collection Systems	<u>11,755,345</u>	<u>781,233</u>	<u>0</u>	<u>12,536,578</u>
Totals	<u>19,225,000</u>	<u>1,252,344</u>	<u>9,188</u>	<u>20,468,156</u>
Total Capital Assets, Being Depreciated	<u>32,577,768</u>	<u>2,788,212</u>	<u>1,621</u>	<u>35,364,359</u>
Business-type Activities Capital Assets, Net	<u>\$ 34,859,722</u>	<u>\$ 5,373,403</u>	<u>\$ 3,835,232</u>	<u>\$ 36,397,893</u>

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 30,422	Water	\$ 206,817
Public Safety	340,285	Sewer	522,989
Public Works	539,769	Electric	<u>522,538</u>
Culture and Recreation	361,140		
Cemetery	<u>1,435</u>		
Total Depreciation Expense - Governmental Activities	<u>\$ 1,273,051</u>	Total Depreciation Expense - Business-type Activities	<u>\$ 1,252,344</u>

G. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2017 are as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 3,202,529
Capital Fund	675,308	0
Non-Major Governmental Funds	455,324	7,462
Water Fund	0	89,419
Sewer Fund	<u>2,168,778</u>	<u>0</u>
Total	<u>\$ 3,299,410</u>	<u>\$ 3,299,410</u>

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Interfund transfers during the year ended June 30, 2017 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	31,800	Fund Capital Expenditures
General Fund	Equipment Fund	400,000	Annual Contribution
Library Operations Fund	General Fund	27,000 *	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	8,172 *	Transfer Earnings
Electric Fund	General Fund	<u>42,000</u>	PILOT
Total		<u>\$ 992,972</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 \$33,120 from the difference between the expected and actual experience, \$258,925 from changes in assumptions, \$522,776 from the difference between the projected and actual investment earnings and \$3,378 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 \$203,395 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$1,021,594.

Deferred outflows of resources in the business-type activities consists of \$2,566 from the difference between the expected and actual experience, \$20,059 from changes in assumptions, \$40,499 from the difference between the projected and actual investment earnings and \$262 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 \$15,766 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the business-type activities is \$79,152.

Deferred outflows of resources in the Water Fund consists of \$1,966 from the difference between the expected and actual experience, \$15,372 from changes in assumptions, \$31,036 from the difference between the projected and actual investment earnings and \$201 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 \$12,073 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Water Fund is \$60,648.

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Deferred outflows of resources in the Sewer Fund consists of \$600 from the difference between the expected and actual experience, \$4,687 from changes in assumptions, \$9,463 from the difference between the projected and actual investment earnings and \$61 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 \$3,693 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Sewer Fund is \$18,504.

I. Unearned Revenue

Unearned revenue in the General Fund consists of \$21,672 of advertising fees and \$63,361 of recreation fees received in advance. Total unearned revenue in the General Fund is \$85,033.

J. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$111,234 of prepaid property taxes and \$15,723 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). Total deferred inflows of resources in the governmental activities is \$126,957.

Deferred inflows of resources in the business-type activities consists of \$1,218 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), \$220,000 from the contribution from Spruce Peak Reality, LLC for the transmission facility construction and update costs, as described as follows, and \$44,919 from the refinancing of a capital improvement note, as described as follows. Total deferred inflows in the business-type activities is \$266,137.

Deferred inflows of resources in the General Fund consists of \$217,500 of delinquent property taxes, penalties and interest on those taxes, \$52,600 of ambulance fees and \$3,528 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 \$111,234 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$384,862.

Deferred inflows of resources in the Water Fund consists of \$933 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).

Deferred inflows of resources in the Sewer Fund consists of \$285 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).

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On September 23, 2005, the Stowe Electric Department (SED) entered into an agreement with Spruce Peak Realty, LLC (“SPR”) in which SPR committed to pay SED for a contribution of the transmission facility construction and update costs to ensure SED has the capacity available to reliably serve its Spruce Peak development project. The contribution term includes an initial payment of \$750,000 and 10 annual payments of \$135,000. The initial payment of \$750,000 has been recorded as a deferred inflow of resources and will be amortized to revenue over the ten year service period of the project. The deferred amount remaining as of June 30, 2017 is \$220,000.

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, 2017 is \$44,919.

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
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Long-term liabilities outstanding as of June 30, 2017 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, Sunset Rock Land Purchase, Fire Pumper Truck and Ice Rink Improvements, Principal Payments Ranging from \$15,000 to \$20,000 Payable on November 15 Annually, Interest Rates Ranging from 4.875% to 5.42% Payable on May 15 and November 15, Due November, 2019	\$ 60,000	\$ 0	\$ 15,000	\$ 45,000
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	150,000	0	25,000	125,000
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	180,000	0	20,000	160,000
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	300,000	0	25,000	275,000

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	<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	\$4,680,000	\$ 0	\$360,000	\$4,320,000
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	3,400,000	0	200,000	3,200,000
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>2,533,500</u>	<u>0</u>	<u>140,750</u>	<u>2,392,750</u>
Total Governmental Activities	<u>\$11,303,500</u>	<u>\$ 0</u>	<u>\$785,750</u>	<u>\$10,517,750</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 \$125,820 Payable on December 15 Annually, 0% Interest, Due December, 2021	\$ 629,099	\$ 0	\$ 125,820	\$ 503,279
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	1,678,437	0	165,215	1,513,222

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	<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 \$18,274 Payable on April 1 Annually, 0% Interest, Due April, 2024	\$ 146,188	\$ 0	\$ 18,274	\$ 127,914
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	1,120,000	0	160,000	960,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sunset Hill Project, Principal and Interest Payments of \$56,962 Payable on July 1, Interest at 1%, Administrative Fee at 2%, Due July, 2026	527,051	0	41,151	485,900
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Improvements, Principal Payments of \$51,329 Payable on December 15 Annually, 0% Interest, Due December, 2017	102,659	0	51,329	51,330
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	517,750	0	103,550	414,200
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Improvements, Principal Payments of \$691,684 Payable on April 1 Annually, 0% Interest, Due April, 2028	8,300,193	0	691,684	7,608,509

TOWN OF STOWE, VERMONT
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	<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	\$ 3,190,000	\$ 0	\$ 135,000	\$ 3,055,000
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	3,177,000	0	127,080	3,049,920
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	770,549	0	32,938	737,611
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$23,267, Interest at 6.5%, Due February, 2020	843,812	0	39,709	804,103
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$7,439, Interest at 4.1%, Due November, 2024	384,368	0	14,277	370,091
Note Payable, Union Bank, Operating Capital, Quarterly Principal and Interest Payments of \$23,215, Interest at 2.99%, Due May, 2027	<u>0</u>	<u>800,000</u>	<u>0</u>	<u>800,000</u>
Total Business-type Activities	<u>\$40,087,106</u>	<u>\$800,000</u>	<u>\$1,706,027</u>	<u>\$39,181,079</u>

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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	\$ 11,303,500	\$ 0	\$ 785,750	\$ 10,517,750	\$ 785,750
Compensated Absences Payable	744,750	0	24,724	720,026	0
Net Pension Liability	985,711	626,558	0	1,612,269	0
Total Governmental Activities Long-term Liabilities	<u>\$ 13,033,961</u>	<u>\$ 626,558</u>	<u>\$ 810,474</u>	<u>\$ 12,850,045</u>	<u>\$ 785,750</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 19,388,377	\$ 0	\$ 1,619,103	\$ 17,769,274	\$ 1,625,293
Notes Payable	20,698,729	800,000	86,924	21,411,805	161,050
Compensated Absences Payable	248,781	0	25,405	223,376	0
Net Pension Liability	80,153	44,749	0	124,902	0
Total Business-type Activities Long-term Liabilities	<u>\$ 40,416,040</u>	<u>\$ 844,749</u>	<u>\$ 1,731,432</u>	<u>\$ 39,529,357</u>	<u>\$ 1,786,343</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
2018	\$ 785,750	\$ 371,972	\$ 1,786,343	\$ 1,464,704
2019	785,750	351,870	20,449,638	1,173,196
2020	785,750	307,803	2,433,605	334,313
2021	770,750	283,627	2,312,462	264,126
2022	770,750	257,279	1,756,845	202,968
2023-2027	3,688,750	847,348	6,266,384	876,810
2028-2032	2,448,750	257,966	2,002,082	417,130
2033-2037	481,500	9,451	1,310,400	229,191
2038-2041	0	0	863,320	38,500
Total	<u>\$ 10,517,750</u>	<u>\$ 2,687,316</u>	<u>\$ 39,181,079</u>	<u>\$ 5,000,938</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.

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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	\$ 15,746
Nonspendable Inventory	<u>134,520</u>
Total General Fund	<u>150,266</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>\$400,561</u>

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

Major Funds

General Fund:

Restricted for Library Development by Donations	\$ <u>17,824</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Police Expenses by Agreement (Source of Revenue is Grant Revenue)	20,533
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Restricted for Records Preservation Expenses by Statute (Source of Revenue is Recording Fees)	<u>63,466</u>
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Total Special Revenue Funds	<u>83,999</u>
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Permanent Funds:

Restricted for Cemetery Fund by Trust Agreements – Expendable Portion	272,388
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Restricted for Library Endowment Fund by Trust Agreements – Expendable Portion	<u>990,742</u>
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Total Permanent Funds	<u>1,263,130</u>
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Total Non-Major Funds	<u>1,347,129</u>
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Total Restricted Fund Balances	<u>\$1,364,953</u>
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The fund balances in the following funds are committed as follows:

Major Funds

General Fund:

Committed for Annual Leave by the Voters	\$ <u>105,337</u>
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Capital Projects Funds:

Committed for Capital Projects by the Voters	<u>839,124</u>
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Non-Major Funds

Equipment Fund:

Committed for Equipment Expenditures by the Voters	<u>193,514</u>
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Total Committed Fund Balances	<u>\$1,137,975</u>
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TOWN OF STOWE, VERMONT
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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:

Assigned to Reduce Property Taxes in Fiscal Year 2018	\$159,000
Assigned for Library Operations Expenses	20,398
Assigned for Recreation Scholarship Expenses	<u>9</u>
Total General Fund	<u>179,407</u>

Non-Major Funds

Special Revenue Funds:

Assigned for Appraisal Expenses	<u>139,564</u>
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Capital Projects Funds:

Assigned for Rink Renovation Expenditures	<u>18,189</u>
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Total Non-Major Funds	<u>157,753</u>
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Total Assigned Fund Balances	<u>\$337,160</u>
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M. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2017 consisted of the following:

Governmental Activities:

Restricted for Library Development by Donations	\$ 17,824
Restricted for Police Expenses by Agreement	20,533
Restricted for Records Preservation Expenses by Statute	63,466
Restricted for Cemetery Fund by Trust Agreements – Non-Expendable Portion – Estimated	215,000
Restricted for Cemetery Fund by Trust Agreements – Expendable Portion	272,388
Restricted for Library Endowment Fund by Trust Agreements – Non-Expendable Portion	35,295
Restricted for Library Endowment Fund by Trust Agreements – Expendable Portion	<u>990,742</u>
Total Governmental Activities	<u>\$1,615,248</u>

TOWN OF STOWE, VERMONT
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The designated net position of the Town as of June 30, 2017 consisted of the following:

Business-type Activities:

Water Fund:

Designated for Investment in Long-term Loans Receivable	\$ 98,601
Designated for Water Capital	395,902
Designations in Excess of Unrestricted Net Position	<u>(375,423)</u>
Total Water Fund	<u>119,080</u>

Sewer Fund:

Designated for Investment in Long-term Loans Receivable	3,230,038
Designated for Sewer Capital	<u>263,286</u>

Total Sewer Fund	<u>3,493,324</u>
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Total Business-type Activities	<u>\$3,612,404</u>
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V. OTHER INFORMATION

A. PENSION PLANS

Defined Benefit Plan

The Vermont Municipal Employees' Retirement System (VMERS)

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, 2017, the retirement system consisted of 441 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.

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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 Liability, Pension Expense and Deferred Outflows of Resources

As of June 30, 2016, the measurement date selected by the State of Vermont, VMERS was funded at 80.95% and had a plan fiduciary net position of \$547,015,114 and a total pension liability of \$675,711,281 resulting in a net position liability of \$128,696,167. As of June 30, 2017, the Town's proportionate share of this was 1.3498% resulting in a net pension liability of \$1,737,171. The net pension liability was measured as of June 30, 2016, 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 municipalities, actuarially determined. As of June 30, 2016, the Town's proportion of 1.3498% was a decrease of 0.0327 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$575,891 which was comprised of \$460,992 determined by the State of Vermont's actuary and \$114,899 of employer contributions made by the Town in excess of the amount required. The total employer contribution made by the Town was \$334,060. For the year ended June 30, 2017, 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 (6.65%) and the employer contribution for Group D at 10.6% resulting in a lower contribution for members (10.6%).

As of June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 35,686	\$ 0
Changes in assumptions	278,984	0
Difference between projected and actual investment earnings on pension assets	563,275	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,640	16,941
Town's required employer contributions made subsequent to the measurement date	<u>219,161</u>	<u>0</u>
	<u>\$ 1,100,746</u>	<u>\$ 16,941</u>

TOWN OF STOWE, VERMONT
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The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$219,161 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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>	
2018	\$224,769
2019	224,769
2020	317,919
2021	<u>97,187</u>
Total	<u>\$864,644</u>

Summary of System Provisions

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

Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Groups 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. Groups 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
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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 (3) 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 the 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 of 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%. Group C – 10.00%. Group D – 11.35%.

Employer Contributions – Group B – 5.50%. Group C – 7.25%. Group D – 9.85%.

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

Significant Actuarial Assumptions and Methods

The actuarial assumptions regarding the incidence of mortality, terminations, retirements and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014.

Interest Rate: 7.95% per annum.

TOWN OF STOWE, VERMONT
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Salary increases: 5% per year.

Deaths: Groups B and C – RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 60% Blue collar and 40% White collar adjustment. Group D – RP-2000 Tables for Employees and Healthy Annuitants projected 10 years from the valuation date with Scale BB with a 100% Blue Collar adjustment. The post-retirement mortality assumption was chosen to recognize improved longevity experience after the valuation date.

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

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

Actuarial Cost Method: Projected benefit cost method. The unfunded accrued liability is amortized in installments increasing 5% per year.

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% per year.

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	8.54%
Fixed Income	2.36%
Alternatives	8.35%
Multi-strategy	4.90%

TOWN OF STOWE, VERMONT
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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%. 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>
\$2,883,876	\$1,737,171	\$777,040

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.

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 \$4,665,607 while covered payroll was \$911,406. Pension expense was \$87,767. 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 \$8,842.

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.

TOWN OF STOWE, VERMONT
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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, 2017 was \$1,139,182. The Electric Department's pension contributions for the years ended June 30, 2017, 2016 and 2015 were \$130,020, \$111,054 and \$110,731, respectively. The total fees relating to the pension plan for the years ended June 30, 2017, 2016 and 2015 were \$500, \$450 and \$300, respectively.

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 Employment Resource and Benefits Trust. The Trust is a nonprofit corporation formed to provide unemployment coverage and other employment benefits for Vermont municipalities and is owned by the participating members. The agreement does not permit the Trust to make additional assessments to its members. The Town has only elected unemployment coverage with the Trust.

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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 2017 was as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.5242	1.5582
Farmers Contracts	0.0048	0.0048
Town	<u>0.4049</u>	<u>0.4049</u>
Total	<u>1.9339</u>	<u>1.9679</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.

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:

2018	\$72,240
2019	74,412
2020	76,644
2021	78,948
2022	81,324

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.

TOWN OF STOWE, VERMONT
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G. CONCENTRATION OF REVENUE

The Electric Department’s largest customer represents approximately 23.3% of operating revenue and 14.5% 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 specific facility cost 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.

A brief summary of the major power supply contracts as of June 30, 2017 held by SED is as follows:

Hydro Quebec Contract:

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 inflation, and carries limits on year-to-year price fluctuations. In addition to the price flexibility, this will continue to provide very low carbon energy to Stowe, helping it maintain a market price based on green energy procurement strategy.

<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

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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 extended 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 producer 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. There are 19 VEPPI units. As of December 31, 2016, ten 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 1.3360%, which started November 1, 2016 and ran through October 31, 2017. The prior percent, which ran from November 1, 2015 through October 31, 2016 was 1.3364%. The VEPPI contracts are priced with relatively high energy rates and modest fixed costs.

There is one wood-fired facility under VEPPI, that contract expired, and was renegotiated in 2012 for 10 years.

SPEED (Sustainable Prices Energy Enterprise Development):

SPEED Standard Offer 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, 2015 through October 31, 2016 was 1.3364% and decreased to 1.3360% for November 1, 2016 through October 31, 2017) of load reduced by the output of the generation. SED receives a modest capacity credit, and renewable energy credits for these resources. The cost paid to the SPEED projects are set based on the generation type. The SPEED began in the fourth quarter of 2010.

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 operation and maintenance, property taxes, administration, expenses and capital. Lastly, MMWEC collects an operating reserve to finance the project. This is to be paid into a reserve and contingency fund.

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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%.

McNeil was retrofitted in 2008 to make it eligible to generate Connecticut Class I Renewable Energy Certificates (RECs). McNeil RECs will qualify for SED's Renewable Energy Standard requirements, beginning in 2017.

Brown Bear II Hydro (Old Miller Hydro Contract):

SED has signed a purchase power agreement for 2.613% of the Worumbo (Miller Hydro) Project. The contract states that SED will receive their percent of the Miller hydro output per month. The contract price is for energy to be delivered to the Maine Zone, and capacity to be settled at the Maine location. The PPA terminated on May 1, 2016.

The Miller Hydro was purchased by Brown Bear Hydro and a PPA was renegotiated beginning on June 1, 2016. It is the same 2.613% of unit, but it is only for energy and renewable energy credits going forward. This will terminate on May 31, 2021.

Brown Bear Hydro is a run of river unit that has an average annual production of 90,000 MWH per year, over the past 3 to 5 years. This resource should equate to roughly 3% of SED's energy.

Saddleback Ridge Wind Project:

SED purchased 2.172% of the Saddleback Wind Project, a 33 MW project with a 20 year PPA. The project is located in Carthage, ME. This generation is roughly 3% of SED's load. The project will allow SED to buy energy, capacity, and RECs. This project went full commercial in September, 2015.

NextEra – Seabrook Offtake:

Beginning January 1, 2015 and going through December 31, 2034 SED will receive 0.16% (or max of 2 MW) of around the clock, of the NextEra Seabrook Resource. This contract also provides SED with the same PPA percentage of capacity as well. The pricing of the product 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.

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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.

Beech Hill Solar – Nebraska Valley:

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

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.

In 2017, SED will purchase additional ownership of the Converter. SED will purchase VPPSA's share and become a joint owner with VELCO.

Market Contracts:

SED's portfolio contains a market contract for the Mount Mansfield ski resort. SED has obtained a product which will follow the snow making load and will provide optimal supply flexibility for this load type.

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Sources of Energy

The percentages of energy (kWh) acquired for the year ended June 30, 2017 was as follows:

Resource	FCM	Description	(MWH)	kWh's	% of Total Resources	Fuel	Location	Termination Date
Niagara		Block	3,417	3,416,845	4.3%	Hydro	Roseton	2025
St. Lawrence		Block	69	68,798	0.1%	Hydro	Roseton	Life of Unit
Nebraska Valley (BTM)		Solar	1,119	1,119,101	1.4%	Solar		Life of Unit
VEPPI	0.328	PURPA	4,114	4,114,466	5.1%	Wood/Hydro	VT Nodes	Exp. Varies
VEPPI - SPEED		Load Reducer	0	0	0.0%	Hydro		Exp. Varies
HQ PPA Contract		ISO Bilateral	17,253	17,252,992	21.5%	Hydro	HQ Highgate 120	2038
McNeil	1.560	Wood Unit	8,072	8,072,055	10.1%	Wood	Essex	Life of Unit
Stony 1A/1B/1C	4.916	Dispatchable	1,906	1,905,641	2.4%	Natural Gas	Stonybrk 115	Life of Unit
NextEra Seabrook	2.000	ISO Bilateral	15,983	15,983,074	20.0%	Nuclear		2035
Miller Hydro Purchase	0.210	Run of River	1,965	1,965,311	2.5%	Hydro		2021
Saddleback Purchase	0.017	Wind	2,220	2,219,876	2.8%	Wind	Carthage, ME	2035
Bilateral Purchase - Mtn		ISO Bilateral	8,916	8,915,775	11.1%			2017
ISO Energy Net Interchange		ISO Bilateral	15,044	15,043,624	18.8%			
Totals			<u>80,078</u>	<u>80,077,558</u>	<u>100.0%</u>			

Future Projects and State Renewable Energy Standard

Solar Projects:

SED is analyzing additional solar projects built within either Stowe or a PPA for a solar projects generation. SED is addressing their Renewable Energy Standard Requirement (RES) by adding additional renewable energy and credits within their portfolio.

Hydro Project:

SED is also reviewing the option of refurbishing the old Moscow Hill Hydro Unit. This project was destroyed in the flood of 2011. This project would allow SED to reduce their load, because it would be behind the meter, and would qualify for the RES requirement.

Wind Project:

SED knows a potential small wind project and will be in discussion with the developer once the project becomes viable.

Renewable Portfolio and Upcoming Renewable Energy Standard (RES):

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

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

There are three tiers to the RES program:

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

J. SUBSEQUENT EVENTS

On July 3, 2017 SED purchased a portion of Vermont Public Power Supply Authority’s ownership of Highgate Converter Facilities, located in Highgate, Vermont, for \$926,913 with the option to purchase more within the next 2 years. SED is now a joint owner with VELCO and Burlington Electric Department.

On November 1, 2017, SED obtained a \$1,500,000 line of credit with Union Bank. The line of credit matures October 31, 2018.

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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 8,601,536	\$ 8,639,169	\$ 37,633
Administration	745,433	932,228	186,795
Town Clerk	161,071	175,740	14,669
Accounting/Finance	20,000	20,000	0
Memorial Building	0	12,294	12,294
Fire	750	1,190	440
Highway Department	183,800	195,130	11,330
Listers' Office	1,500	11,673	10,173
Library	0	2,624	2,624
Rescue/EMS	192,505	208,350	15,845
Mountain Rescue	0	4,793	4,793
Cultural Campus	1,524	1,886	362
Planning Department	3,500	8,881	5,381
Zoning	56,010	46,704	(9,306)
Police Department	115,200	140,547	25,347
Cemetery	1,200	95	(1,105)
Public Works Administration	47,000	44,700	(2,300)
Parks and Grounds	41,780	103,495	61,715
Recreation	172,105	123,797	(48,308)
Stowe Arena	416,605	331,995	(84,610)
Transfer from Capital Fund - Local Option Taxes	350,000	350,000	0
Transfer from Library Operations Fund	27,000	27,000	0
Transfer from Appraisal Fund	6,000	6,000	0
Total Revenues	11,144,519	11,388,291	243,772
Expenditures:			
Administration	438,775	433,769	5,006
Elections	6,229	4,560	1,669
Town Clerk	324,578	339,999	(15,421)
Health/Zoning	136,107	129,289	6,818
Listers' Office	110,807	112,788	(1,981)
Treasurer/Finance	255,653	256,807	(1,154)
Planning	144,039	146,930	(2,891)
Public Safety Building	139,269	141,938	(2,669)
Police Department	1,708,370	1,705,450	2,920
Fire Department	221,577	220,233	1,344
Emergency Medical Service	545,584	542,813	2,771
Mountain Rescue	20,138	26,788	(6,650)
Emergency Management	2,382	1,366	1,016
Highway	2,119,122	2,185,123	(66,001)
Public Works	327,189	325,867	1,322

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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, 2017

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures/(Cont'd):			
Akeley Memorial Building	\$ 167,483	\$ 186,093	\$ (18,610)
Cultural Campus	75,262	40,428	34,834
Street Lights	18,294	18,034	260
Solid Waste	550	646	(96)
Cemeteries	15,731	13,623	2,108
Community Affairs	100,522	97,490	3,032
General Government	527,447	527,447	0
Parks and Grounds	522,166	552,356	(30,190)
Recreation	477,675	428,623	49,052
Arena	499,534	516,011	(16,477)
Library	571,358	537,294	34,064
Debt Management	1,188,128	1,188,128	0
Insurances	188,224	191,340	(3,116)
Transfer to Annual Leave Fund	120,000	120,000	0
Transfer to Capital Fund	0	31,800	(31,800)
Transfer to Equipment Fund	400,000	400,000	0
Total Expenditures	11,372,193	11,423,033	(50,840)
Excess/(Deficiency) of Revenues			
Over Expenditures	\$ <u>(227,674)</u>	(34,742)	\$ <u>192,932</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Annual Leave Fund Income		235	
Annual Leave Fund Transfer In		120,000	
Annual Leave Fund Expenses		(55,103)	
Library Operations Fund Income		30,950	
Library Operations Fund Expenses		(5,312)	
Library Operations Fund Transfer In		8,172	
Library Operations Fund Transfer Out		(27,000)	
Recreation Scholarship Fund Income		488	
Recreation Scholarship Fund Expenses		(5,443)	
Recreation Scholarship Fund Transfer In		1,000	
Net Change in Fund Balance		33,245	
Fund Balance - July 1, 2016		983,427	
Fund Balance - June 30, 2017		\$ 1,016,672	

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, 2017

	2017	2016	2015
Total Plan Net Pension Liability	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	1.3498%	1.3825%	1.4096%
Town's Proportionate Share of the Net Pension Liability	\$ 1,737,171	\$ 1,065,864	\$ 128,646
Town's Covered Employee Payroll	\$ 3,197,390	\$ 2,997,269	\$ 2,842,541
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	54.3309%	35.5612%	4.5257%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions: The actuarial assumptions regarding the incidence of mortality, terminations, retirements, and disabilities were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2014.

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

TOWN OF STOWE, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 219,161	\$ 205,062	\$ 192,329
Contributions in Relation to the Actuarially Determined Contributions	<u>219,161</u>	<u>205,062</u>	<u>192,329</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 3,197,390	\$ 2,997,269	\$ 2,842,541
Contributions as a Percentage of Town's Covered Employee Payroll	6.854%	6.842%	6.766%

Notes to Schedule

Valuation Date: June 30, 2016

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

TOWN OF STOWE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 58,490	\$ 58,490
Investments	0	0	1,462,397	1,462,397
Due from Other Funds	223,563	231,761	0	455,324
Total Assets	\$ 223,563	\$ 231,761	\$ 1,520,887	\$ 1,976,211
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 0	\$ 20,058	\$ 0	\$ 20,058
Due to Other Funds	0	0	7,462	7,462
Total Liabilities	0	20,058	7,462	27,520
Fund Balances:				
Nonspendable	0	0	250,295	250,295
Restricted	83,999	0	1,263,130	1,347,129
Committed	0	193,514	0	193,514
Assigned	139,564	18,189	0	157,753
Total Fund Balances	223,563	211,703	1,513,425	1,948,691
Total Liabilities and Fund Balances	\$ 223,563	\$ 231,761	\$ 1,520,887	\$ 1,976,211

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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, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Revenues:				
Intergovernmental	\$ 274,693	\$ 0	\$ 0	\$ 274,693
Charges for Services	0	0	8,980	8,980
Permits, Licenses and Fees	12,723	0	0	12,723
Investment Income	423	607	186,874	187,904
Donations	68,253	0	190	68,443
Total Revenues	356,092	607	196,044	552,743
Expenditures:				
General Government	1,690	0	0	1,690
Public Safety	93,873	46	0	93,919
Public Works	31,126	46	0	31,172
Culture and Recreation	5,967	3,109	0	9,076
Cemetery	0	0	2,934	2,934
Capital Outlay:				
Public Safety	0	80,136	0	80,136
Public Works	175,000	169,743	0	344,743
Culture and Recreation	0	194,589	0	194,589
Total Expenditures	307,656	447,669	2,934	758,259
Excess/(Deficiency) of Revenues Over Expenditures	48,436	(447,062)	193,110	(205,516)
Other Financing Sources/(Uses):				
Insurance Proceeds	0	97,606	0	97,606
Transfers In	0	400,000	0	400,000
Transfers Out	(6,000)	0	(15,172)	(21,172)
Total Other Financing Sources/(Uses)	(6,000)	497,606	(15,172)	476,434
Net Change in Fund Balances	42,436	50,544	177,938	270,918
Fund Balances - July 1, 2016	181,127	161,159	1,335,487	1,677,773
Fund Balances - June 30, 2017	\$ 223,563	\$ 211,703	\$ 1,513,425	\$ 1,948,691

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TOWN OF STOWE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2017

	Recreation Path Fund	Police DEA Fund	Appraisal Fund	Records Preservation Fund	Grant Fund	Stowe Rescue Fund	Total
<u>ASSETS</u>							
Due from Other Funds	\$ 0	\$ 20,533	\$ 139,564	\$ 63,466	\$ 0	\$ 0	\$ 223,563
Total Assets	<u>\$ 0</u>	<u>\$ 20,533</u>	<u>\$ 139,564</u>	<u>\$ 63,466</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 223,563</u>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balances:							
Restricted	0	20,533	0	63,466	0	0	83,999
Assigned	0	0	139,564	0	0	0	139,564
Total Fund Balances	0	20,533	139,564	63,466	0	0	223,563
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 20,533</u>	<u>\$ 139,564</u>	<u>\$ 63,466</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 223,563</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, 2017

	Recreation Path Fund	Police DEA Fund	Appraisal Fund	Records Preservation Fund	Grant Fund	Stowe Rescue Fund	Total
Revenues:							
Intergovernmental	\$ 0	\$ 0	\$ 36,281	\$ 0	\$ 238,412	\$ 0	\$ 274,693
Permits, Licenses and Fees	0	0	0	12,723	0	0	12,723
Investment Income	0	47	258	118	0	0	423
Donations	150	0	0	0	0	68,103	68,253
Total Revenues	150	47	36,539	12,841	238,412	68,103	356,092
Expenditures:							
General Government	0	0	0	1,690	0	0	1,690
Public Safety	0	2,828	0	0	19,942	71,103	93,873
Public Works	0	0	0	0	31,126	0	31,126
Culture and Recreation	1,022	0	0	0	4,945	0	5,967
Capital Outlay:							
Public Works	0	0	0	0	175,000	0	175,000
Total Expenditures	1,022	2,828	0	1,690	231,013	71,103	307,656
Excess/(Deficiency) of Revenues Over Expenditures	(872)	(2,781)	36,539	11,151	7,399	(3,000)	48,436
Other Financing Sources/(Uses):							
Transfers Out	0	0	(6,000)	0	0	0	(6,000)
Total Other Financing Sources/(Uses)	0	0	(6,000)	0	0	0	(6,000)
Net Change in Fund Balances	(872)	(2,781)	30,539	11,151	7,399	(3,000)	42,436
Fund Balances/(Deficit) - July 1, 2016	872	23,314	109,025	52,315	(7,399)	3,000	181,127
Fund Balances - June 30, 2017	\$ 0	\$ 20,533	\$ 139,564	\$ 63,466	\$ 0	\$ 0	\$ 223,563

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TOWN OF STOWE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2017

	<u>Equipment Fund</u>	<u>Rink Renovation Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Due from Other Funds	\$ <u>193,572</u>	\$ <u>38,189</u>	\$ <u>231,761</u>
Total Assets	\$ <u><u>193,572</u></u>	\$ <u><u>38,189</u></u>	\$ <u><u>231,761</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ <u>58</u>	\$ <u>20,000</u>	\$ <u>20,058</u>
Total Liabilities	<u>58</u>	<u>20,000</u>	<u>20,058</u>
Fund Balances:			
Committed	193,514	0	193,514
Assigned	<u>0</u>	<u>18,189</u>	<u>18,189</u>
Total Fund Balances	<u>193,514</u>	<u>18,189</u>	<u>211,703</u>
Total Liabilities and Fund Balances	\$ <u><u>193,572</u></u>	\$ <u><u>38,189</u></u>	\$ <u><u>231,761</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, 2017

	Equipment Fund	Rink Renovation Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Investment Income	\$ 522	\$ 85	\$ 607
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	522	85	607
	<u> </u>	<u> </u>	<u> </u>
Expenditures:			
Public Safety	46	0	46
Public Works	46	0	46
Culture and Recreation	3,109	0	3,109
Capital Outlay:			
Public Safety	80,136	0	80,136
Public Works	169,743	0	169,743
Culture and Recreation	194,589	0	194,589
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	447,669	0	447,669
	<u> </u>	<u> </u>	<u> </u>
Excess/(Deficiency) of Revenues Over Expenditures	(447,147)	85	(447,062)
	<u> </u>	<u> </u>	<u> </u>
Other Financing Sources:			
Insurance Proceeds	97,606	0	97,606
Transfers In	400,000	0	400,000
	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources	497,606	0	497,606
	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balances	50,459	85	50,544
	<u> </u>	<u> </u>	<u> </u>
Fund Balances - July 1, 2016	143,055	18,104	161,159
	<u> </u>	<u> </u>	<u> </u>
Fund Balances - June 30, 2017	\$ 193,514	\$ 18,189	\$ 211,703
	<u> </u>	<u> </u>	<u> </u>

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TOWN OF STOWE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR PERMANENT FUNDS
 JUNE 30, 2017

	Cemetery Fund	Library Endowment Fund	Total
<u>ASSETS</u>			
Cash	\$ 58,490	\$ 0	\$ 58,490
Investments	436,360	1,026,037	1,462,397
Total Assets	\$ 494,850	\$ 1,026,037	\$ 1,520,887
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to Other Funds	\$ 7,462	\$ 0	\$ 7,462
Total Liabilities	7,462	0	7,462
Fund Balances:			
Nonspendable	215,000	35,295	250,295
Restricted	272,388	990,742	1,263,130
Total Fund Balances	487,388	1,026,037	1,513,425
Total Liabilities and Fund Balances	\$ 494,850	\$ 1,026,037	\$ 1,520,887

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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, 2017

	Cemetery Fund	Library Endowment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Charges for Services	\$ 8,980	\$ 0	\$ 8,980
Investment Income	33,567	153,307	186,874
Donations	<u>190</u>	<u>0</u>	<u>190</u>
Total Revenues	<u>42,737</u>	<u>153,307</u>	<u>196,044</u>
Expenditures:			
Cemetery	<u>2,934</u>	<u>0</u>	<u>2,934</u>
Total Expenditures	<u>2,934</u>	<u>0</u>	<u>2,934</u>
Excess of Revenues Over Expenditures	<u>39,803</u>	<u>153,307</u>	<u>193,110</u>
Other Financing Sources/(Uses):			
Transfers Out	<u>(7,000)</u>	<u>(8,172)</u>	<u>(15,172)</u>
Total Other Financing Sources/(Uses)	<u>(7,000)</u>	<u>(8,172)</u>	<u>(15,172)</u>
Net Change in Fund Balances	32,803	145,135	177,938
Fund Balances - July 1, 2016	<u>454,585</u>	<u>880,902</u>	<u>1,335,487</u>
Fund Balances - June 30, 2017	<u>\$ 487,388</u>	<u>\$ 1,026,037</u>	<u>\$ 1,513,425</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, 2017, 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 January 30, 2018. 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

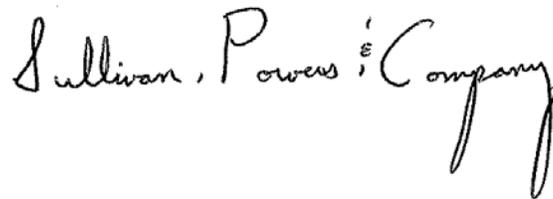
As part of obtaining reasonable assurance about whether the Town of Stowe, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 January 30, 2018.

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.

January 30, 2018
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the typed text.