

**TOWN OF STOWE, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2018**

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 AUDIT REPORT  
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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, 2018, 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-six percent (56%), thirty-one percent (31%) and eighty percent (80%), respectfully, of the assets, net position and revenues of the business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric Fund, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. The financial statements of the Electric Fund were not audited in accordance with "Government Auditing Standards". 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 October 18, 2018, 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, 2018, 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.

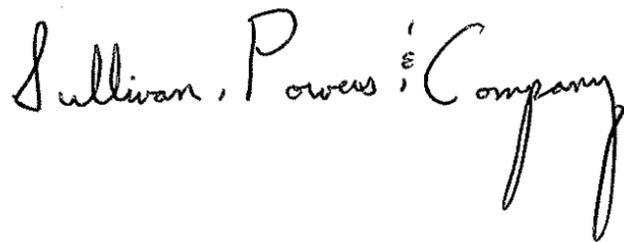
***Other Information***

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 21, 2019 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 21, 2019  
Montpelier, Vermont  
VT Lic. #92-000180

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

TOWN OF STOWE, VERMONT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018. The Town of Stowe Electric Fund has been audited separately as of and for the year ended June 30, 2018 and is incorporated into this report. Their financial statements are included in the Town Report.

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

### **Financial Highlights**

#### Government-Wide (Exhibits A and B)

- The Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources on June 30, 2018 by \$56,220,362 (Total Net Position). Of this amount, \$25,582,682 represents governmental activities and \$30,637,680 represents our water, sewer and electric departments (business-type activities). Of these amounts, \$1,416,654 of governmental activities funds and \$9,152,546 of business type activities funds are unrestricted net position and may be used to meet the Town's future obligations.
- The net position of governmental activities increased by \$944,421 in FY 18. 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 \$605,067, with contributions by Water \$725,043, Sewer \$44,653 and decrease by Electric (\$164,629).

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

- The General Fund balance decreased \$93,676. The General Fund balance at the end of FY 18 was \$922,996, of which \$475,527 being either non-spendable, restricted, committed or assigned and not available for current expenditures, leaving an unassigned surplus of \$447,469.
- The Capital Fund balance increased by \$371,223 in FY 18. The total amount in this fund at year-end was \$1,210,347 and the entire amount is committed for future projects.
- The Water Fund ended the fiscal year with a net position balance of \$6,484,312 an increase of \$725,043.

- The Sewer Fund ended the fiscal year with a net position balance of \$14,701,983, an increase of \$44,653.
- The Electric Fund ended the fiscal year with a net position balance of \$9,451,385 a decrease of \$164,629.

## 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 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
<b>Assets</b>						
Current & Other Assets	5,174,447	4,643,919	34,992,667	34,929,496	40,167,114	39,573,415
Capital Assets	32,176,621	32,458,719	37,023,214	36,397,893	69,199,835	68,856,612
<b>Total Assets</b>	<b>37,351,068</b>	<b>37,102,638</b>	<b>72,015,881</b>	<b>71,327,389</b>	<b>109,366,949</b>	<b>108,430,027</b>
<b>Deferred Outflows of Resources</b>	<b>826,460</b>	<b>1,021,594</b>	<b>56,227</b>	<b>79,152</b>	<b>882,687</b>	<b>1,100,746</b>
<b>Liabilities</b>						
Current Liabilities	651,440	508,969	2,231,079	1,578,434	2,882,519	2,087,403
Long Term Liabilities	11,871,298	12,850,045	39,039,862	39,529,357	50,911,160	52,379,402
<b>Total Liabilities</b>	<b>12,522,738</b>	<b>13,359,014</b>	<b>41,270,941</b>	<b>41,107,791</b>	<b>53,793,679</b>	<b>54,466,805</b>
<b>Deferred Inflows of Resources</b>	<b>72,108</b>	<b>126,957</b>	<b>163,487</b>	<b>266,137</b>	<b>235,595</b>	<b>393,094</b>
<b>Net Position</b>						
Invested in Capital Assets Net of Related Debt	22,444,621	21,940,969	21,485,134	19,262,533	43,929,755	41,203,502
Restricted	1,721,407	1,615,248	-	-	1,721,407	1,615,248
Unrestricted	1,416,654	1,082,044	9,152,546	10,770,080	10,569,200	11,852,124
<b>Total Net Position</b>	<b>25,582,682</b>	<b>24,638,261</b>	<b>30,637,680</b>	<b>30,032,613</b>	<b>56,220,362</b>	<b>54,670,874</b>

As stated above, total net position was \$56,220,362 at the end of fiscal year 2018. 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 \$43,929,755 (78.1%). 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 2018, 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**

Town of Stowe - Statement of Activities						
	Governmental Activities		Business Type Activities		Total	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
<b>Revenues</b>						
<u>Program Revenues</u>						
Charges for Services	1,258,039	1,235,828	15,568,723	16,112,460	16,826,762	17,348,288
Operating Grants & Contributions	394,950	493,556	-	-	394,950	493,556
Capital Grants & Contributions	83,125	219,790	-	383,452	83,125	603,242
<u>General Revenues</u>						
Property Taxes	8,957,770	8,591,469	-	-	8,957,770	8,591,469
Penalties & Interest on Delinquent Taxes	134,913	168,641	-	-	134,913	168,641
Local Options Tax	951,249	859,906	-	-	951,249	859,906
General State Grants	412,607	400,066	-	-	412,607	400,066
Investment Earnings	120,336	200,205	632,916	573,121	753,252	773,326
LCP Equity Dividends	-	-	1,080,704	1,080,704	1,080,704	1,080,704
Moscow Bridge Settlement	58,000	-	-	6,379	58,000	6,379
Grand List Settlement	-	150,000	-	-	-	150,000
Insurance Proceeds	30,735	308,068	-	-	30,735	308,068
Other Revenue	5,003	3,778	-	-	5,003	3,778
Total Revenues	<u>12,406,727</u>	<u>12,631,307</u>	<u>17,282,343</u>	<u>18,156,116</u>	<u>29,689,070</u>	<u>30,787,423</u>
<b>Expenditures</b>						
<u>Governmental Activities</u>						
General Government	2,407,032	2,416,063	-	-	2,407,032	2,416,063
Public Safety	3,310,461	3,175,890	-	-	3,310,461	3,175,890
Public Works	2,872,051	2,818,330	-	-	2,872,051	2,818,330
Culture & Recreation	2,500,991	2,583,593	-	-	2,500,991	2,583,593
Cemeteries	30,884	17,992	-	-	30,884	17,992
Interest	382,887	397,509	-	-	382,887	397,509
<u>Business Type Activities</u>						
Water	-	-	946,481	905,967	946,481	905,967
Sewer	-	-	1,679,325	1,709,355	1,679,325	1,709,355
Electric	-	-	14,009,470	13,082,961	14,009,470	13,082,961
Total Expenditures	<u>11,504,306</u>	<u>11,409,377</u>	<u>16,635,276</u>	<u>15,698,283</u>	<u>28,139,582</u>	<u>27,107,660</u>
Transfers In/(Out)	<u>42,000</u>	<u>42,000</u>	<u>(42,000)</u>	<u>(42,000)</u>	<u>-</u>	<u>-</u>
Changes in Net Position	944,421	1,263,930	605,067	2,415,833	1,549,488	3,679,763
Net Position - Beginning of Year	<u>24,638,261</u>	<u>23,374,331</u>	<u>30,032,613</u>	<u>27,616,780</u>	<u>54,670,874</u>	<u>50,991,111</u>
Net Position - End of Year	<u>25,582,682</u>	<u>24,638,261</u>	<u>30,637,680</u>	<u>30,032,613</u>	<u>56,220,362</u>	<u>54,670,874</u>

**Governmental activities:** Governmental activities increased the Town's net position by \$944,421 in FY18. The Town reduced by \$282,098 its inventory of capital assets net of current year depreciation (funded with \$83,125 of capital contributions and grants). Major additions included the paving of Cape Cod and Trapp Hill Roads, a new ambulance, 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 \$605,067 in FY18, with contributions by Water \$725,043, Sewer \$44,653, and a decrease from Electric \$164,629.

## Financial Analysis of Major Funds

### General Fund

The General Fund fund balance decreased by \$93,676 during the year. The total fund balance at year-end was \$922,996. Of this amount, \$203,389 is non-spendable inventory and prepaid expenses and \$27,296 is restricted for library development expenses. There is \$58,548 committed for annual leave reserves, \$166,783 assigned to reduce property taxes in fiscal year 2019 and \$19,511 for library operations, leaving \$447,469 available for future expenses.

Actual Revenues were higher by \$62,834 compared to budgets. Revenues coming in over budget included: ; Administration, \$14,064, because of larger PILOT payments due to increased valuation of State owned lands; Fire \$18,442 for Stowe Firefighter Grant \$7,050 and VLCT Workers Compensation refunds for 2 calendar years \$10,944; Highway, \$75,054, Insurance claims \$24,396 and Grants for work completed by Highway crew \$51,518; Library donations \$3,087; Mountain Rescue, \$2,333 provided additional services to State of Vermont; Planning, \$2,017, Logging revenue from Trail maintenance of Sterling Forest; Police, \$13,574, non-federal grants and donations and sales of reports; Public Works \$985 for Permits, Recreation \$2,255 increased attendance at After School/Vacation program; Town Clerk, \$1,294, increased recording and photocopy fees; and Zoning \$6,930 for increased number of applications . Revenues coming in under budget included; Arena (\$42,830), due to lower reservations from groups for ice time rentals, EMS billings (\$23,706) increased no transport calls which non-revenue are generating; Parks (\$3,893) field rentals same year over year, no increase as budgeted; Property taxes (\$8,966) due to grand list projection variance to actuals.

Expenditures were \$41,419 under budget. Expenditures coming in under budget were due to the following departments: Administration, \$44,011, reduced legal costs and use of contingency funds ; Community Affairs \$4,000, Maple Leaf Farm closing, Debt Management, \$7,017 VMBB refinanced bonds; EMS \$18,775 health benefits for new employees lower than budgeted; Fire \$9,392 for lower vehicle expenses and worker's compensation premium; Library, \$45,847, staffing transitions; Listers \$2,468 underspent outside consultants; Parks \$34,470 less vehicle maintenance due to new equipment replaced after garage fire and dry summer less mowing and field maintenance; Planning \$6,946 under budget on outside consultants and conservation committee programs; Public Works Admin, \$15,531 under budget on outside consultants and FEMA claim services reimbursement, Recreation \$26,756 seasonal staffing and program services downsized to meet program attendance; Street Lights \$4,373 for lower electricity usage with additional conversion to LED bulbs, Town Clerk \$60,686 for staff transitions, and Zoning, \$2,364, staffing transitions. Expenditures coming in over budget were, Accounting/IT \$9,680 for IT upgrades for security and email conversion; Arena (\$38,437) for ice system maintenance; Cemetery (\$5,357) for additional grave stone restoration; Cultural Campus (\$3,460) Ski Museum equipment repairs; Highway, (\$153,325) for \$90,000 additional paving of Town class 1 road, and unscheduled vehicle repairs ; Mountain Rescue (\$3,800) for support of State of Vermont requested rescues; Police (\$13,175) patrol overtime; and Public Safety Building (\$10,523) per diem IT services and building repairs.

**Capital Fund**

The Capital fund ended with a balance of \$1,210,347 in FY 18. This Fund balance increased \$371,223 and was funded with \$951,249 of local option taxes, \$2,566 of grants, Moscow Bridge settlement of \$58,000, and \$2,349 of interest. The capital expenditures were \$292,940 which included Ski Museum exterior painting and window repairs, streambank armoring, cemetery well, design work on Main street utility relocation and sidewalk reconstruction and a transfer out to the General Fund of \$350,000 for debt payments.

**Water Fund**

The Water Fund had operating income of \$745,527, non-operating revenue connection fees of \$63,747, interest expense of (\$85,749), and investment income of \$1,518, resulting in an increase in net position of \$725,043.

**Sewer Fund**

The Sewer Fund had a planned operating loss of (\$32,928) which when added to non-operating revenues of connection fees \$78,192 plus investment income of \$6,877, and loss on disposal of capital assets of (\$7,488), resulted in an increase to net position of \$44,653.

**Electric Fund**

The Electric Fund had an operating loss of (\$929,083). Operating revenues were down \$258,938 and expenditures were up \$937,215 between FY18 and FY17, which decreased operating income by \$1,196,153 from the prior year. Non-operating revenues and expenses increased the net position by \$806,454 less a transfer of \$42,000 between Electric Fund and General Fund, to an overall decrease in net position of \$164,629.

**Other Non-Major Governmental Funds**

<b>Police DEA Fund</b>	\$ 18,238
<b>Appraisal Fund</b>	173,774
<b>Records Preservation Fund</b>	62,488
<b>Grant Fund</b>	(3,216)
<b>Equipment Fund</b>	270,738
<b>Cemetery Fund</b>	508,045
<b>Library Endowment Fund</b>	<u>1,105,340</u>
<b>Total</b>	<u>\$ 2,135,407</u>

**Capital Asset Administration**

The Town of Stowe's investment in capital assets for its governmental activities as of June 30, 2018 totaled \$32,176,621 (net of depreciation) and \$37,023,214 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:**

Building & Improvements - Cemetery West Branch Fencing  
Building & Improvements - Library Carpet  
Building & Improvements - Theatre Replace compressor for A/C  
Equipment - Emergency Operations Center Communications  
Equipment - EMS Ambulance 2  
Equipment - EMS Monitor/Defibrillator  
Equipment - Fire Bergeron Protective Washer  
Equipment - Highway 3 Yard Spreader  
Equipment - Highway F-350 Pickup Truck  
Equipment - Highway Grader attachment for Road Compaction  
Equipment - Mountain Rescue-All Terrain Vehicle  
Equipment - Parks - GMC CLSierra 3500  
Equipment - Parks Cub Cadet 4x4 Utility Vehicle  
Infrastructure - Paving Cape Cod  
Infrastructure - Paving Trapp Hill Road  
Infrastructure - TH 47 Sugarbush Lane Culvert Replacement  
Infrastructure - Waterworks Road Bridge  
Land Improvements - Cemetery Riverside Well

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

Sold, Retired or Traded:  
2002 Ford F-450 EMS Ambulance  
2008 Highway Ford F-350 pickup w/plow  
2008 Parks Cub Cadet 4x4 Utility Vehicle  
2008 Parks Ford F-350  
2013 EMS Zoll Cardiac Monitor

The Water fund had \$209,449 of capital asset additions, which includes Notchbrook Pump Replacement and Village Green Redundant Well.

The Sewer fund had \$22,425 of capital asset additions which was a Carbon Filter replacement.

The Electric fund had capital asset additions of \$1,692,007. For the fiscal year ending June 30, 2018, Stowe Electric Department expended \$576,147 towards the new office and garage and \$79,805 was expended on the transmission line at the cross-country ski center. The infrastructure addition is related to transmission spending \$945,635 for Stowe Electric Department's ownership share of the Highgate Converter.

### **Debt Administration**

As of June 30, 2018, long-term debt of governmental activities of the Town of Stowe was \$9,732,000. As of June 30, 2017, the governmental activities debt was \$10,517,750. During the year, the Town paid \$785,750 on older bonds and notes, and issued no new bonds in FY 2018.

The Business type activities had bonds and notes outstanding with a total principal debt of \$38,699,361. At the beginning of the fiscal year there was \$39,181,079 in outstanding debt. During the year the Town paid \$1,806,718 on older bonds and notes and two new notes were issued for \$1,325,000.

### **Economic Factors and FY 19 Budgets and Rates**

- The Town of Stowe growth for the Grand List has averaged 1.71% over the last 5 years. We estimated a growth rate of 2.50% of the 2018 Grand List, used in FY'19, the actual was 2.44%. For the 2019 Grand List, used for FY'20, we are estimating a growth rate of 1.00%, which is lower than the average.
- Employees who fall under the Personnel Regulations, Police Association Contract, and the IBEW Agreement are scheduled to receive a 1.5% pay increase, plus any step increase they may be eligible for in FY 19.
- Health insurance rates have been budgeted to increase around 4.5% for Blue Cross VHP plan and decrease 0.70% for Blue Cross VFP plan for first half of FY19 and second half of FY19 is based on 5.3% increase, based three-year premium changes for FY 2019. 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 FY18 rates. All employees contribute 5% toward their dental coverage.
- Prices for #2 fuel oil, diesel fuel, propane and gasoline were estimated using a three-year average price at October 31st.

These factors were taken into consideration in preparing the fiscal year 2019 budgets. The General Fund expense for FY 19 is \$11,821,329, an increase of 1.76%. Non-Tax Revenues have been budgeted at \$2,484,626, a 1.06% decrease, leaving an amount to be raised by taxation of \$9,169,920. In addition, The Town reduced the amount raised by taxation by \$166,783 of surplus carry forward of the General Fund.

The Town of Stowe's tourism economy continues to see strong growth over the years. As evidenced by the history of collection of local option taxes, the Summer, Fall, and Winter seasons account for 86% of all rooms, meals and alcohol taxes, with an almost even distribution between those seasons. We have an average growth in those tax collections of around 7% over the last 9 years. The year-round activities and welcoming accommodations and amenities bring people back and in for the first time over our three seasons.

The Town of Stowe is a small town from a year-round population standpoint, but due its large second home population and tourism, Stowe is more akin to a small Vermont city from the scale of its infrastructure and demand for services. While Stowe has a growing tax base, it is a challenge to manage the tax rate due to limited taxing authority and increasing expectations. Tax pressure is also attributable to the decline in emergency management volunteerism, which is requiring the town to hire more paid staff to ensure surety of service.

### **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, 2018

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 5,093,211	\$ 2,286,603	\$ 7,379,814
Investments	1,546,763	0	1,546,763
Deposits with Insurance Company	3,600	0	3,600
Receivables (Net of Allowance for Uncollectibles)	797,846	2,746,159	3,544,005
Loans Receivable	0	2,681,904	2,681,904
Internal Balances	(2,470,362)	2,470,362	0
Prepaid Expenses	18,064	16,122	34,186
Inventory	185,325	265,648	450,973
Restricted Cash	0	472,696	472,696
Investment in Associated Companies	0	24,036,042	24,036,042
Deferred Charges	0	17,131	17,131
Capital Assets:			
Land and Easements	6,283,294	52,525	6,335,819
Construction in Progress	441,210	1,569,439	2,010,649
Antiques	80,000	0	80,000
Other Capital Assets, (Net of Accumulated Depreciation)	<u>25,372,117</u>	<u>35,401,250</u>	<u>60,773,367</u>
Total Assets	<u>37,351,068</u>	<u>72,015,881</u>	<u>109,366,949</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>826,460</u>	<u>56,227</u>	<u>882,687</u>
Total Deferred Outflows of Resources	<u>826,460</u>	<u>56,227</u>	<u>882,687</u>
<b>LIABILITIES</b>			
Accounts Payable	352,867	1,869,679	2,222,546
Accrued Payroll and Benefits Payable	146,700	91,116	237,816
Other Accrued Expenses	0	161,517	161,517
Unearned Revenue	86,560	0	86,560
Accrued Interest Payable	65,313	108,767	174,080
Noncurrent Liabilities:			
Due within One Year	785,750	20,538,223	21,323,973
Due in More than One Year	<u>11,085,548</u>	<u>18,501,639</u>	<u>29,587,187</u>
Total Liabilities	<u>12,522,738</u>	<u>41,270,941</u>	<u>53,793,679</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Prepaid Property Taxes	20,117	0	20,117
Deferred Contribution for Capital Assets	0	145,000	145,000
Deferred Gain on Hedge Sale	0	14,950	14,950
Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>51,991</u>	<u>3,537</u>	<u>55,528</u>
Total Deferred Inflows of Resources	<u>72,108</u>	<u>163,487</u>	<u>235,595</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	22,444,621	21,485,134	43,929,755
Restricted:			
Culture and Recreation	1,132,636	0	1,132,636
Cemetery	508,045	0	508,045
Other	80,726	0	80,726
Unrestricted	<u>1,416,654</u>	<u>9,152,546</u>	<u>10,569,200</u>
Total Net Position	<u>\$ 25,582,682</u>	<u>\$ 30,637,680</u>	<u>\$ 56,220,362</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, 2018

	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	\$ 2,407,032	\$ 386,111	\$ 40,599	\$ 0	\$ (1,980,322)	\$ 0	\$ (1,980,322)
Public Safety	3,310,461	275,719	71,409	9,995	(2,953,338)	0	(2,953,338)
Public Works	2,872,051	28,021	267,377	73,130	(2,503,523)	0	(2,503,523)
Culture and Recreation	2,500,991	551,688	15,565	0	(1,933,738)	0	(1,933,738)
Cemetery	30,884	16,500	0	0	(14,384)	0	(14,384)
Interest on Long-term Debt	382,887	0	0	0	(382,887)	0	(382,887)
Total Governmental Activities	<u>11,504,306</u>	<u>1,258,039</u>	<u>394,950</u>	<u>83,125</u>	<u>(9,768,192)</u>	<u>0</u>	<u>(9,768,192)</u>
Business-type Activities:							
Water	946,481	1,670,006	0	0	0	723,525	723,525
Sewer	1,679,325	1,717,101	0	0	0	37,776	37,776
Electric	14,009,470	12,181,616	0	0	0	(1,827,854)	(1,827,854)
Total Business-type Activities	<u>16,635,276</u>	<u>15,568,723</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,066,553)</u>	<u>(1,066,553)</u>
Total Primary Government	<u>\$ 28,139,582</u>	<u>\$ 16,826,762</u>	<u>\$ 394,950</u>	<u>\$ 83,125</u>	<u>(9,768,192)</u>	<u>(1,066,553)</u>	<u>(10,834,745)</u>
General Revenues:							
Property Taxes					8,957,770	0	8,957,770
Interest on Delinquent Taxes					134,913	0	134,913
Local Option Sales Tax					951,249	0	951,249
General State Grants					412,607	0	412,607
Unrestricted Investment Earnings					120,336	632,916	753,252
LCP Equity Dividends					0	1,080,704	1,080,704
Moscow Bridge Settlement					58,000	0	58,000
Insurance Proceeds					30,735	0	30,735
Other Revenues					5,003	0	5,003
Transfers:					42,000	(42,000)	0
Total General Revenues and Transfers					<u>10,712,613</u>	<u>1,671,620</u>	<u>12,384,233</u>
Change in Net Position					944,421	605,067	1,549,488
Net Position - July 1, 2017					<u>24,638,261</u>	<u>30,032,613</u>	<u>54,670,874</u>
Net Position - June 30, 2018					<u>\$ 25,582,682</u>	<u>\$ 30,637,680</u>	<u>\$ 56,220,362</u>

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

TOWN OF STOWE, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General Fund	Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 5,019,126	\$ 0	\$ 74,085	\$ 5,093,211
Investments	0	0	1,546,763	1,546,763
Deposits with Insurance Company	3,600	0	0	3,600
Receivables (Net of Allowance for Uncollectibles)	639,607	135,978	22,261	797,846
Due from Other Funds	0	1,107,854	547,056	1,654,910
Prepaid Expenses	18,064	0	0	18,064
Inventory	185,325	0	0	185,325
Total Assets	<u>\$ 5,865,722</u>	<u>\$ 1,243,832</u>	<u>\$ 2,190,165</u>	<u>\$ 9,299,719</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 297,564	\$ 33,485	\$ 21,818	\$ 352,867
Accrued Payroll and Benefits Payable	146,700	0	0	146,700
Due to Other Funds	4,095,548	0	29,724	4,125,272
Unearned Revenue	86,560	0	0	86,560
Total Liabilities	<u>4,626,372</u>	<u>33,485</u>	<u>51,542</u>	<u>4,711,399</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Property Taxes	20,117	0	0	20,117
Unavailable Property Taxes and Interest	237,400	0	0	237,400
Unavailable Ambulance Fees	44,200	0	0	44,200
Unavailable Fees	500	0	0	500
Unavailable Grants	14,137	0	3,216	17,353
Total Deferred Inflows of Resources	<u>316,354</u>	<u>0</u>	<u>3,216</u>	<u>319,570</u>
<u>FUND BALANCES</u>				
Nonspendable	203,389	0	250,295	453,684
Restricted	27,296	0	1,443,816	1,471,112
Committed	58,548	1,210,347	270,738	1,539,633
Assigned	186,294	0	173,774	360,068
Unassigned/(Deficit)	447,469	0	(3,216)	444,253
Total Fund Balances	<u>922,996</u>	<u>1,210,347</u>	<u>2,135,407</u>	<u>4,268,750</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,865,722</u>	<u>\$ 1,243,832</u>	<u>\$ 2,190,165</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.				32,176,621
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.				299,453
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.				(11,936,611)
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>774,469</u>
Net Position of Governmental Activities				<u>\$ 25,582,682</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, 2018

	General Fund	Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 8,937,870	\$ 0	\$ 0	\$ 8,937,870
Interest on Delinquent Taxes	134,913	0	0	134,913
Local Option Sales Tax	0	951,249	0	951,249
Intergovernmental	823,914	2,566	108,210	934,690
Charges for Services	718,999	0	15,785	734,784
Permits, Licenses and Fees	508,326	0	12,363	520,689
Fines and Forfeits	8,426	0	0	8,426
Investment Income	13,995	2,348	103,993	120,336
Donations	11,765	0	15	11,780
Moscow Bridge Settlement	0	58,000	0	58,000
Other	22,930	0	0	22,930
<b>Total Revenues</b>	<b>11,181,138</b>	<b>1,014,163</b>	<b>240,366</b>	<b>12,435,667</b>
<b>Expenditures:</b>				
General Government	2,389,504	0	17,322	2,406,826
Public Safety	2,875,427	14,698	41,469	2,931,594
Public Works	2,308,344	45,371	0	2,353,715
Culture and Recreation	2,048,757	29,250	19,097	2,097,104
Cemetery	25,092	888	3,083	29,063
Capital Outlay:				
General Government	6,175	0	0	6,175
Public Safety	46,224	135,388	275,704	457,316
Public Works	398,837	122,405	58,795	580,037
Culture and Recreation	51,347	39,703	38,230	129,280
Cemetery	11,569	12,962	0	24,531
Debt Service:				
Principal	785,750	0	0	785,750
Interest	371,973	0	0	371,973
<b>Total Expenditures</b>	<b>11,318,999</b>	<b>400,665</b>	<b>453,700</b>	<b>12,173,364</b>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(137,861)</u>	<u>613,498</u>	<u>(213,334)</u>	<u>262,303</u>
<b>Other Financing Sources/(Uses):</b>				
Proceeds from Sale of Vehicles and Equipment	13,500	107,725	8,000	129,225
Insurance Proceeds	30,735	0	0	30,735
Transfers In	409,950	0	410,000	819,950
Transfers Out	<u>(410,000)</u>	<u>(350,000)</u>	<u>(17,950)</u>	<u>(777,950)</u>
<b>Total Other Financing Sources/(Uses)</b>	<b>44,185</b>	<b>(242,275)</b>	<b>400,050</b>	<b>201,960</b>
Net Change in Fund Balances	(93,676)	371,223	186,716	464,263
Fund Balances - July 1, 2017	<u>1,016,672</u>	<u>839,124</u>	<u>1,948,691</u>	<u>3,804,487</u>
Fund Balances - June 30, 2018	<u>\$ 922,996</u>	<u>\$ 1,210,347</u>	<u>\$ 2,135,407</u>	<u>\$ 4,268,750</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, 2018

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)	\$	464,263
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$1,197,339) is allocated over their estimated useful lives and reported as depreciation expense (\$1,291,822). This is the amount by which depreciation exceeded capital outlays in the current period.		(94,483)
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.		(187,615)
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 (\$230,354). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$371,827) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(141,473)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		25,825
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>92,154</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>944,421</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, 2018

	Water Fund	Sewer Fund	Electric Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 0	\$ 0	\$ 2,286,603	\$ 2,286,603
Investment in Associated Companies - Current Portion	0	0	18,700,500	18,700,500
Receivables (Net of Allowance for Uncollectibles)	92,374	106,664	1,168,172	1,367,210
Unbilled Receivables	138,682	131,746	951,930	1,222,358
Loans Receivable - Current Portion	23,702	535,187	0	558,889
Accrued Interest Receivable	0	0	156,591	156,591
Due from Other Funds	123,738	2,505,670	0	2,629,408
Prepaid Expenses	0	0	16,122	16,122
Inventory	60,190	9,851	195,607	265,648
	<u>438,686</u>	<u>3,289,118</u>	<u>23,475,525</u>	<u>27,203,329</u>
Total Current Assets				
Noncurrent Assets:				
Restricted Cash	0	0	472,696	472,696
Loans Receivable - Noncurrent Portion	48,637	2,074,378	0	2,123,015
Investment in Associated Companies - Noncurrent Portion	0	0	5,335,542	5,335,542
Deferred Charges	0	0	17,131	17,131
Capital Assets:				
Land	8,647	43,878	0	52,525
Construction in Progress	3,075	0	1,566,364	1,569,439
Land Improvements	0	7,787	0	7,787
Buildings and Building Improvements	0	15,584,232	273,429	15,857,661
Machinery and Equipment	273,126	897,230	2,083,387	3,253,743
Distribution and Collection Systems	12,180,088	10,882,065	14,969,982	38,032,135
Less: Accumulated Depreciation	<u>(3,236,134)</u>	<u>(10,756,321)</u>	<u>(7,757,621)</u>	<u>(21,750,076)</u>
	<u>9,277,439</u>	<u>18,733,249</u>	<u>16,960,910</u>	<u>44,971,598</u>
Total Noncurrent Assets				
	<u>9,716,125</u>	<u>22,022,367</u>	<u>40,436,435</u>	<u>72,174,927</u>
Total Assets				
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources Related to the Town's Participation in VMERS				
	42,634	13,593	0	56,227
	<u>42,634</u>	<u>13,593</u>	<u>0</u>	<u>56,227</u>
Total Deferred Outflows of Resources				
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	31,240	36,305	1,802,134	1,869,679
Accrued Payroll and Benefits Payable	3,637	8,953	78,526	91,116
Other Accrued Expenses	0	0	161,517	161,517
Due to Other Funds	0	0	159,046	159,046
Accrued Interest Payable	58,926	0	49,841	108,767
Notes Payable - Current Portion	0	0	18,957,884	18,957,884
General Obligation Bonds Payable - Current Portion	523,027	795,232	262,080	1,580,339
	<u>616,830</u>	<u>840,490</u>	<u>21,471,028</u>	<u>22,928,348</u>
Total Current Liabilities				
Noncurrent Liabilities:				
Compensated Absences Payable	25,764	35,348	175,818	236,930
Net Pension Liability	78,532	25,039	0	103,571
Notes Payable - Noncurrent Portion	0	0	3,597,494	3,597,494
General Obligation Bonds Payable - Noncurrent Portion	2,550,639	6,432,245	5,580,760	14,563,644
	<u>2,654,935</u>	<u>6,492,632</u>	<u>9,354,072</u>	<u>18,501,639</u>
Total Noncurrent Liabilities				
	<u>3,271,765</u>	<u>7,333,122</u>	<u>30,825,100</u>	<u>41,429,987</u>
Total Liabilities				
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Contribution for Capital Assets				
	0	0	145,000	145,000
Deferred Gain on Hedge Sale				
	0	0	14,950	14,950
Deferred Inflows of Resources Related to the Town's Participation in VMERS				
	2,682	855	0	3,537
	<u>2,682</u>	<u>855</u>	<u>159,950</u>	<u>163,487</u>
Total Deferred Inflows of Resources				
<u>NET POSITION</u>				
Net Investment in Capital Assets				
Unrestricted	6,155,136	9,431,394	5,898,604	21,485,134
	<u>329,176</u>	<u>5,270,589</u>	<u>3,552,781</u>	<u>9,152,546</u>
	<u>6,484,312</u>	<u>14,701,983</u>	<u>9,451,385</u>	<u>30,637,680</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, 2018

	Water Fund	Sewer Fund	Electric Fund	Total
Operating Revenues:				
Charges for Services	\$ 1,606,259	\$ 1,638,909	\$ 11,690,610	\$ 14,935,778
Total Operating Revenues	<u>1,606,259</u>	<u>1,638,909</u>	<u>11,690,610</u>	<u>14,935,778</u>
Operating Expenses:				
Administrative	80,215	85,590	1,875,614	2,041,419
Power	0	0	8,816,859	8,816,859
Distribution and Collection	569,366	1,061,207	1,255,266	2,885,839
Taxes	0	0	116,313	116,313
Depreciation and Amortization	<u>211,151</u>	<u>525,040</u>	<u>555,641</u>	<u>1,291,832</u>
Total Operating Expenses	<u>860,732</u>	<u>1,671,837</u>	<u>12,619,693</u>	<u>15,152,262</u>
Operating Income/(Loss)	<u>745,527</u>	<u>(32,928)</u>	<u>(929,083)</u>	<u>(216,484)</u>
Non-Operating Revenues/(Expenses):				
Connection Fees and Related Interest	63,747	78,192	0	141,939
LCP Equity Dividends	0	0	1,080,704	1,080,704
Loss on Disposal of Capital Assets	0	(7,488)	0	(7,488)
Other Income	0	0	491,006	491,006
Investment Income	1,518	6,877	624,521	632,916
Interest Expense	<u>(85,749)</u>	<u>0</u>	<u>(1,389,777)</u>	<u>(1,475,526)</u>
Total Non-Operating Revenues/(Expenses)	<u>(20,484)</u>	<u>77,581</u>	<u>806,454</u>	<u>863,551</u>
Net Income/(Loss) Before Transfers	725,043	44,653	(122,629)	647,067
Transfers Out	<u>0</u>	<u>0</u>	<u>(42,000)</u>	<u>(42,000)</u>
Change in Net Position	725,043	44,653	(164,629)	605,067
Net Position - July 1, 2017	<u>5,759,269</u>	<u>14,657,330</u>	<u>9,616,014</u>	<u>30,032,613</u>
Net Position - June 30, 2018	<u>\$ 6,484,312</u>	<u>\$ 14,701,983</u>	<u>\$ 9,451,385</u>	<u>\$ 30,637,680</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, 2018

	Water Fund	Sewer Fund	Electric Fund	Total
<b>Cash Flows From Operating Activities:</b>				
Receipts from Customers and Users	\$ 1,630,889	\$ 1,635,742	\$ 11,403,283	\$ 14,669,914
Payments for Purchased Power	0	0	(8,816,859)	(8,816,859)
Payments for Goods and Services	(344,482)	(627,150)	(1,122,280)	(2,093,912)
Payments for Interfund Services	(50,250)	(51,250)	0	(101,500)
Payments for Wages and Benefits	(295,867)	(457,005)	(1,424,455)	(2,177,327)
<b>Net Cash Provided by Operating Activities</b>	<b>940,290</b>	<b>500,337</b>	<b>39,689</b>	<b>1,480,316</b>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Other Receipts	0	0	386,037	386,037
Decrease/(Increase) in Due from Other Funds	(123,738)	(336,892)	0	(460,630)
(Decrease)/Increase in Due to Other Funds	(89,419)	0	159,046	69,627
Transfers Paid to Other Funds	0	0	(42,000)	(42,000)
LCP Equity Dividends	0	0	1,080,704	1,080,704
<b>Net Cash Provided/(Used) by Noncapital Financing Activities</b>	<b>(213,157)</b>	<b>(336,892)</b>	<b>1,583,787</b>	<b>1,033,738</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Payments Received on Loans Receivable and Connection Fees	90,009	698,665	0	788,674
Proceeds from Long-term Debt	0	0	1,325,000	1,325,000
Acquisition and Construction of Capital Assets	(209,449)	(22,425)	(1,714,001)	(1,945,875)
Principal Paid on General Obligation Bonds Payable	(516,649)	(846,562)	(262,080)	(1,625,291)
Principal Paid on Notes Payable	0	0	(181,427)	(181,427)
Interest Paid on General Obligation Bonds Payable	(92,562)	0	(174,557)	(267,119)
Interest Paid on Notes Payable	0	0	(1,219,022)	(1,219,022)
<b>Net Cash Provided/(Used) by Capital and Related Financing Activities</b>	<b>(728,651)</b>	<b>(170,322)</b>	<b>(2,226,087)</b>	<b>(3,125,060)</b>
<b>Cash Flows From Investing Activities:</b>				
Purchase of Capital Stock	0	0	(864,840)	(864,840)
Receipt of Interest and Dividends	1,518	6,877	597,982	606,377
<b>Net Cash Provided/(Used) by Investing Activities</b>	<b>1,518</b>	<b>6,877</b>	<b>(266,858)</b>	<b>(258,463)</b>
<b>Net Increase/(Decrease) in Cash</b>	<b>0</b>	<b>0</b>	<b>(869,469)</b>	<b>(869,469)</b>
Cash - July 1, 2017	0	0	3,628,768	3,628,768
Cash - June 30, 2018	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,759,299</u>	<u>\$ 2,759,299</u>
<b>Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:</b>				
Operating Income/(Loss)	\$ 745,527	\$ (32,928)	\$ (929,083)	\$ (216,484)
Depreciation and Amortization	211,151	525,040	555,641	1,291,832
(Increase)/Decrease in Receivables	24,630	(3,167)	(287,327)	(265,864)
(Increase)/Decrease in Prepaid Expenses	0	0	(11,936)	(11,936)
(Increase)/Decrease in Inventory	15,589	1,906	(37,447)	(19,952)
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	18,014	4,911	0	22,925
Increase/(Decrease) in Accounts Payable	(53,172)	11,768	813,117	771,713
Increase/(Decrease) in Accrued Payroll and Benefits Payable	(1,298)	770	26,712	26,184
Increase/(Decrease) in Other Accrued Expenses	0	0	(112,644)	(112,644)
Increase/(Decrease) in Compensated Absences Payable	(4,714)	(4,388)	22,656	13,554
Increase/(Decrease) in Net Pension Liability	(17,186)	(4,145)	0	(21,331)
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	1,749	570	0	2,319
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 940,290</b>	<b>\$ 500,337</b>	<b>\$ 39,689</b>	<b>\$ 1,480,316</b>

The Sewer Fund disposed of capital assets with a cost and accumulated depreciation of \$16,640 and \$9,152, 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.

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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 electric power to 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.

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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.

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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.

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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 15<sup>th</sup>. 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.

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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, the Recreation Scholarship Fund and the FEMA 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 \$159,000 in order to utilize a portion of the previous year's surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

**C. Separate Financial Statements**

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

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

The Town's cash and investments as of June 30, 2018 consisted of the following:

Restricted Cash:	
Deposits with Financial Institutions	\$ <u>472,696</u>
Unrestricted Cash:	
Deposits with Financial Institutions	7,348,089
Deposits with Investment Company	28,542
Cash on Hand	<u>3,183</u>
Total Unrestricted Cash	<u>7,379,814</u>
Total Cash	<u>7,852,510</u>
Investments:	
Municipal Bonds	46,702
Corporate Bonds	76,050
Mutual Funds – Equities	861,763
Common Stock	<u>562,248</u>
Total Investments	<u>1,546,763</u>
Total Cash and Investments	<u>\$9,399,273</u>

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**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.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$ 887,022	\$ 890,525
Insured by Letter of Credit Issued by Federal Home Loan Bank	4,539,527	4,936,306
Uninsured, Collateralized - Electric Department	2,295,000	2,295,000
Uninsured, Uncollateralized	<u>127,778</u>	<u>160,155</u>
Total	<u>\$7,849,327</u>	<u>\$8,281,986</u>

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

\$160,155 of uninsured, uncollateralized cash could be offset by debt at the respective bank.

The book balance is comprised of the following:

Restricted Cash – Deposits with Financial Institutions	\$ 472,696
Cash – Deposits with Financial Institutions	7,348,089
Cash – Deposits with Investment Company	<u>28,542</u>
Total	<u>\$7,849,327</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 common stock is 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.

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Investment Type	Remaining Maturity		Total
	Less Than 1 Year	1-5 Years	
Municipal Bonds	\$ 0	\$ 46,702	\$ 46,702
Corporate Bonds	25,603	50,447	76,050
Total	\$ 25,603	\$ 97,149	\$ 122,752

**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 common stock is 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, 2018						Total
	BBB	BBB-	BB	BB-	B+	B	
Municipal Bonds	\$ 0	\$ 26,778	\$ 0	\$ 0	\$ 0	\$ 19,924	\$ 46,702
Corporate Bonds	10,046	0	46,045	9,890	10,069	0	76,050
Total	\$ 10,046	\$ 26,778	\$ 46,045	\$ 9,890	\$ 10,069	\$ 19,924	\$ 122,752

**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 mutual funds are open-ended and, therefore, are excluded from the concentration of credit risk analysis. The Town has \$373,680, (66%), 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, 2018 is \$75,000.

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, 2018 is \$397,696.

Total restricted cash in the Electric Fund as of June 30, 2018 is \$472,696.

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**B. Receivables**

Receivables as of June 30, 2018, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Delinquent Taxes Receivable	\$ 430,219	\$ 0	\$ 430,219
Interest Receivable	33,341	0	33,341
Local Option Sales Tax Receivable	135,978	0	135,978
Ambulance Receivable	102,337	0	102,337
Grants Receivable	114,124	0	114,124
Accounts Receivable	19,847	0	19,847
Billed Services	0	1,383,908	1,383,908
Unbilled Services	0	1,222,358	1,222,358
Accrued Interest Receivable	0	156,591	156,591
Allowance for Doubtful Accounts - Ambulance	(38,000)	0	(38,000)
Allowance for Doubtful Accounts - Water/Sewer	0	(16,698)	(16,698)
	<u>797,846</u>	<u>2,746,159</u>	<u>3,544,005</u>
Total	\$ <u>797,846</u>	\$ <u>2,746,159</u>	\$ <u>3,544,005</u>

**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>147,000</u>
Total	882,000
Less: Allowance for Doubtful Loans/Interest	<u>(882,000)</u>
Reported Value at June 30, 2018	\$ <u><u>0</u></u>

**Business-type Activities**

The Town has two (2) outstanding sewer loans totaling \$5,168 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%.

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The Town also has seventy-three (73) outstanding sewer loans totaling \$2,617,095 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 eighteen (18) outstanding loans totaling \$72,339 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, 2018 is \$2,694,602. The Town estimates that \$558,889 will be collected during fiscal year 2019 and the remainder of \$2,135,713 in future years. The Town has determined that all but nine (9) loans are collectible as they have a lien on the home or business on all except those nine (9) loans. The Town has an allowance for doubtful loans of \$12,698 for the unsecured loans, however, all loans are current.

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

<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
\$ 3,328,639	\$ 0	\$ 634,037	\$ 2,694,602

**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, 2018.

	<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	1,041,836	10,418,360
VT Transco, LLC - Class B - Membership Units	1,325,971	<u>13,259,710</u>
Total		<u>\$ 24,036,042</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</u> <u>Period</u>	<u>Current</u> <u>Amortization</u>	<u>Unamortized</u> <u>Balance</u>
Bond Issuance Costs	20 Years	\$760	\$17,131

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**F. Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 6,283,294	\$ 0	\$ 0	\$ 6,283,294
Construction in Progress	259,384	407,674	225,848	441,210
Antiques	80,000	0	0	80,000
Total Capital Assets, Not Being Depreciated	<u>6,622,678</u>	<u>407,674</u>	<u>225,848</u>	<u>6,804,504</u>
Capital Assets, Being Depreciated:				
Land Improvements	788,038	59,324	24,545	822,817
Buildings and Building Improvements	18,163,333	371,501	0	18,534,834
Machinery and Equipment	7,007,567	12,962	0	7,020,529
Infrastructure	9,764,373	581,388	355,325	9,990,436
Totals	<u>35,723,311</u>	<u>1,025,175</u>	<u>379,870</u>	<u>36,368,616</u>
Less Accumulated Depreciation for:				
Land Improvements	264,369	494,600	12,272	746,697
Buildings and Building Improvements	3,761,248	391,266	0	4,152,514
Machinery and Equipment	3,396,981	23,215	0	3,420,196
Infrastructure	2,464,672	382,741	170,321	2,677,092
Totals	<u>9,887,270</u>	<u>1,291,822</u>	<u>182,593</u>	<u>10,996,499</u>
Total Capital Assets, Being Depreciated	<u>25,836,041</u>	<u>(266,647)</u>	<u>197,277</u>	<u>25,372,117</u>
Governmental Activities Capital Assets, Net	<u>\$ 32,458,719</u>	<u>\$ 141,027</u>	<u>\$ 423,125</u>	<u>\$ 32,176,621</u>
<b>Business-type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 52,525	\$ 0	\$ 0	\$ 52,525
Construction in Progress	981,009	640,192	51,762	1,569,439
Total Capital Assets, Not Being Depreciated	<u>1,033,534</u>	<u>640,192</u>	<u>51,762</u>	<u>1,621,964</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	3,205,262	65,121	16,640	3,253,743
Distribution and Collection Systems	36,761,805	1,270,330	0	38,032,135
Totals	<u>55,832,515</u>	<u>1,335,451</u>	<u>16,640</u>	<u>57,151,326</u>
Less Accumulated Depreciation for:				
Land Improvements	1,854	1,112	0	2,966
Buildings and Building Improvements	5,721,161	271,433	0	5,992,594
Machinery and Equipment	2,208,563	199,823	9,152	2,399,234
Distribution and Collection Systems	12,536,578	818,704	0	13,355,282
Totals	<u>20,468,156</u>	<u>1,291,072</u>	<u>9,152</u>	<u>21,750,076</u>
Total Capital Assets, Being Depreciated	<u>35,364,359</u>	<u>44,379</u>	<u>7,488</u>	<u>35,401,250</u>
Business-type Activities Capital Assets, Net	<u>\$ 36,397,893</u>	<u>\$ 684,571</u>	<u>\$ 59,250</u>	<u>\$ 37,023,214</u>

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Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 31,506	Water	\$ 211,151
Public Safety	342,354	Sewer	525,040
Public Works	552,247	Electric	<u>554,881</u>
Culture and Recreation	363,894		
Cemetery	<u>1,821</u>		
 Total Depreciation Expense - Governmental Activities	 <u>\$ 1,291,822</u>	 Total Depreciation Expense - Business-type Activities	 <u>\$ 1,291,072</u>

**G. Interfund Balances and Activity**

The composition of interfund balances as of June 30, 2018 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 4,095,548
Capital Fund	1,107,854	0
Non-Major Governmental Funds	547,056	29,724
Water Fund	123,738	0
Sewer Fund	2,505,670	0
Electric Fund	<u>0</u>	<u>159,046</u>
 Total	 <u>\$ 4,284,318</u>	 <u>\$ 4,284,318</u>

Interfund transfers during the year ended June 30, 2018 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	Equipment Fund	410,000	Annual Contribution
Library Operations Fund	General Fund	28,464	* Annual Contribution
Capital Fund	General Fund	350,000	Fund Debt Service
Appraisal Fund	General Fund	3,000	Fund Appraisal Expenses
Cemetery Fund	General Fund	7,000	Annual Contribution
Library Endowment Fund	Library Operations Fund	7,950	* Transfer Earnings
Electric Fund	General Fund	<u>42,000</u>	PILOT
 Total		 <u>\$ 969,414</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.

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**H. Deferred Outflows of Resources**

Deferred outflows of resources in the governmental activities consists of \$22,146 from the difference between the expected and actual experience, \$253,555 from the difference between the projected and actual investment earnings, \$318,700 from changes in assumptions and \$1,705 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 \$230,354 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$826,460.

Deferred outflows of resources in the business-type activities consists of \$1,507 from the difference between the expected and actual experience, \$17,250 from the difference between the projected and actual investment earnings, \$21,682 from changes in assumptions and \$116 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 \$15,672 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the business-type activities is \$56,227.

Deferred outflows of resources in the Water Fund consists of \$1,143 from the difference between the expected and actual experience, \$13,080 from the difference between the projected and actual investment earnings, \$16,440 from changes in assumptions and \$88 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$11,883 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Water Fund is \$42,634.

Deferred outflows of resources in the Sewer Fund consists of \$364 from the difference between the expected and actual experience, \$4,170 from the difference between the projected and actual investment earnings, \$5,242 from changes in assumptions and \$28 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 \$3,789 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Sewer Fund is \$13,593.

**I. Unearned Revenue**

Unearned revenue in the General Fund consists of \$19,458 of advertising fees and \$67,102 of recreation fees received in advance. Total unearned revenue in the General Fund is \$86,560.

**J. Deferred Inflows of Resources**

Deferred inflows of resources in the governmental activities consists of \$20,117 of prepaid property taxes. It also includes \$37,686 from the difference between the expected and actual experience and \$14,305 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 \$72,108.

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Deferred inflows of resources in the business-type activities consists of \$2,564 from the difference between the expected and actual experience and \$973 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), \$145,000 from the contribution from Spruce Peak Realty, LLC for the transmission facility construction and update costs, as described as follows, and \$14,950 from the refinancing of a capital improvement note, as described as follows. Total deferred inflows in the business-type activities is \$163,487.

Deferred inflows of resources in the General Fund consists of \$237,400 of delinquent property taxes, penalties and interest on those taxes, \$44,200 of ambulance fees, \$500 of miscellaneous fees and \$14,137 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$20,117 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$316,354.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$3,216 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Water Fund consists of \$1,944 from the difference between the expected and actual experience and \$738 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 Water Fund is \$2,682.

Deferred inflows of resources in the Sewer Fund consists of \$620 from the difference between the expected and actual experience and \$235 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 Sewer Fund is \$855.

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, 2018 is \$145,000.

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, 2018 is \$14,950.

### **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.

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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.

Long-term liabilities outstanding as of June 30, 2018 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	\$ 45,000	\$ 0	\$ 15,000	\$ 30,000
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	125,000	0	25,000	100,000

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, 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	\$ 160,000	\$ 0	\$ 20,000	\$ 140,000
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	275,000	0	25,000	250,000
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	4,320,000	0	360,000	3,960,000
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	3,200,000	0	200,000	3,000,000
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>2,392,750</u>	<u>0</u>	<u>140,750</u>	<u>2,252,000</u>
Total Governmental Activities	<u>\$10,517,750</u>	<u>\$ 0</u>	<u>\$785,750</u>	<u>\$9,732,000</u>

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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	\$ 503,279	\$ 0	\$ 125,820	\$ 377,459
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	1,513,222	0	170,171	1,343,051
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Improvements, Principal Payments of \$18,273 Payable on April 1 Annually, 0% Interest, Due April, 2024	127,914	0	18,273	109,641
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	960,000	0	160,000	800,000
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	485,900	0	42,385	443,515
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Improvements, Principal Payments of \$51,330 Payable on December 15 Annually, 0% Interest, Due and Paid December, 2017	51,330	0	51,330	0

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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, Sewer Improvements, Principal Payments of \$103,550 Payable on July 1 Annually, 0% Interest, Due July, 2020	\$ 414,200	\$ 0	\$ 103,550	\$ 310,650
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Improvements, Principal Payments of \$691,682 Payable on April 1 Annually, 0% Interest, Due April, 2028	7,608,509	0	691,682	6,916,827
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	3,055,000	0	135,000	2,920,000
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	3,049,920	0	127,080	2,922,840
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 \$17,970, Interest at 6.5%, Due December, 2020	737,611	0	34,473	703,138
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$20,773, Interest at 6.5%, Due February, 2020	804,103	0	41,818	762,285

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$7,439, Interest at 4.1%, Due November, 2024	\$ 370,091	\$ 0	\$ 14,619	\$ 355,472
Note Payable, Union Bank, Operating Capital, Quarterly Principal and Interest Payments of \$23,215, Interest at 2.99%, Due May, 2027	800,000	0	70,208	729,792
Note Payable, Union Bank, Electric Upgrades, Quarterly Principal and Interest Payments of \$15,928, Interest at 4.2%, Due December, 2027	0	825,000	20,309	804,691
Note Payable, Union Bank, Electric Upgrades, Annual Principal and Interest Payments of \$57,870, Interest at 2.75%, Due May, 2028	<u>0</u>	<u>500,000</u>	<u>0</u>	<u>500,000</u>
Total Business-type Activities	<u>\$39,181,079</u>	<u>\$1,325,000</u>	<u>\$1,806,718</u>	<u>\$38,699,361</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General Obligation Bonds Payable	\$ 10,517,750	\$ 0	\$ 785,750	\$ 9,732,000	\$ 785,750
Compensated Absences Payable	720,026	0	103,068	616,958	0
Net Pension Liability	<u>1,612,269</u>	<u>0</u>	<u>89,929</u>	<u>1,522,340</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 12,850,045</u>	<u>\$ 0</u>	<u>\$ 978,747</u>	<u>\$ 11,871,298</u>	<u>\$ 785,750</u>
<b>Business-type Activities</b>					
General Obligation Bonds Payable	\$ 17,769,274	\$ 0	\$ 1,625,291	\$ 16,143,983	\$ 1,580,340
Notes Payable	21,411,805	1,325,000	181,427	22,555,378	18,957,883
Compensated Absences Payable	223,376	13,554	0	236,930	0
Net Pension Liability	<u>124,902</u>	<u>0</u>	<u>21,331</u>	<u>103,571</u>	<u>0</u>
Total Business-type Activities Long-term Liabilities	<u>\$ 39,529,357</u>	<u>\$ 1,338,554</u>	<u>\$ 1,828,049</u>	<u>\$ 39,039,862</u>	<u>\$ 20,538,223</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.

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Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 785,750	\$ 351,870	\$ 20,538,223	\$ 1,078,265
2020	785,750	307,803	2,503,901	378,921
2021	770,750	283,627	2,386,770	306,023
2022	770,750	257,279	1,839,345	242,229
2023	745,750	229,400	1,894,480	237,569
2024-2028	3,668,750	704,101	6,314,602	727,682
2029-2033	2,063,750	180,920	1,310,400	380,321
2034-2038	140,750	344	1,310,400	187,548
2039-2041	0	0	601,240	17,982
Total	\$ <u>9,732,000</u>	\$ <u>2,315,344</u>	\$ <u>38,699,361</u>	\$ <u>3,556,540</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.

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.

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

Major Funds

General Fund:	
Nonspendable Prepaid Expenses	\$ 18,064
Nonspendable Inventory	<u>185,325</u>
Total General Fund	<u>203,389</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>\$453,684</u>

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

Major Funds

General Fund:	
Restricted for Library Development by Donations	\$ <u>27,296</u>

Non-Major Funds

Special Revenue Funds:	
Restricted for Police Expenses by Agreement (Source of Revenue is Grant Revenue)	18,238
Restricted for Records Preservation Expenses by Statute (Source of Revenue is Recording Fees)	<u>62,488</u>
Total Special Revenue Funds	<u>80,726</u>

Permanent Funds:	
Restricted for Cemetery Fund by Trust Agreements – Expendable Portion	293,045
Restricted for Library Endowment Fund by Trust Agreements – Expendable Portion	<u>1,070,045</u>
Total Permanent Funds	<u>1,363,090</u>
Total Non-Major Funds	<u>1,443,816</u>
Total Restricted Fund Balances	<u>\$1,471,112</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>58,548</u>
Capital Projects Funds:	
Committed for Capital Projects by the Voters	<u>1,210,347</u>
 <u>Non-Major Funds</u>	
Equipment Fund:	
Committed for Equipment Expenditures by the Voters	<u>270,738</u>
Total Committed Fund Balances	<u>\$1,539,633</u>

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

Major Funds

General Fund:	
Assigned to Reduce Property Taxes in Fiscal Year 2019	\$166,783
Assigned for Library Operations Expenses	<u>19,511</u>
Total General Fund	<u>186,294</u>

Non-Major Funds

Special Revenue Funds:	
Assigned for Appraisal Expenses	<u>173,774</u>
Total Assigned Fund Balances	<u>\$360,068</u>

The unassigned deficit of \$3,216 in the Grant Fund will be funded with the collection of grant revenues.

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**M. Restricted and Designated Net Position**

The restricted net position of the Town as of June 30, 2018 consisted of the following:

Governmental Activities:

Restricted for Library Development by Donations	\$ 27,296
Restricted for Police Expenses by Agreement	18,238
Restricted for Records Preservation Expenses by Statute	62,488
Restricted for Cemetery Fund by Trust Agreements – Non-Expendable Portion – Estimated	215,000
Restricted for Cemetery Fund by Trust Agreements – Expendable Portion	293,045
Restricted for Library Endowment Fund by Trust Agreements – Non-Expendable Portion	35,295
Restricted for Library Endowment Fund by Trust Agreements – Expendable Portion	<u>1,070,045</u>
Total Governmental Activities	<u>\$1,721,407</u>

The designated net position of the Town as of June 30, 2018 consisted of the following:

Business-type Activities:

Water Fund:

Designated for Investment in Long-term Loans Receivable	\$ 72,339
Designated for Water Capital	421,712
Designations in Excess of Unrestricted Net Position	<u>(164,875)</u>
Total Water Fund	<u>329,176</u>

Sewer Fund:

Designated for Investment in Long-term Loans Receivable	2,609,565
Designated for Sewer Capital	339,247
Designated for Sewer Operations	<u>2,321,777</u>
Total Sewer Fund	<u>5,270,589</u>

Electric Fund:

Designated for Electric Operations	<u>3,552,781</u>
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Total Business-type Activities	<u>\$9,152,546</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, 2018, the retirement system consisted of 423 participating employers.

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

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

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

**Pension Liability, Pension Expense and Deferred Outflows and Inflows of Resources**

As of June 30, 2017, the measurement date selected by the State of Vermont, VMERS was funded at 83.64% and had a plan fiduciary net position of \$619,510,342 and a total pension liability of \$740,665,894 resulting in a net position liability of \$121,155,552. As of June 30, 2018, the Town's proportionate share of this was 1.3420% resulting in a net pension liability of \$1,625,911. The net pension liability was measured as of June 30, 2017, 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. The Town's proportion of 1.3420% was an increase of 0.0078 from its proportion measured as of the prior year.

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For the year ended June 30, 2018, the Town recognized pension expense of \$545,352 which was comprised of \$391,411 determined by the State of Vermont's actuary and \$153,941 of employer contributions made by the Town in excess of the amount required. The total employer contribution made by the Town was \$399,967. For the year ended June 30, 2018, 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 12.10% resulting in a lower contribution for members (5.15%) and the employer contribution for Group D at 12.85% resulting in a lower contribution for members (8.35%).

As of June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 23,653	\$ 40,250
Net difference between projected and actual investment earnings on pension assets	270,805	0
Changes in assumptions	340,382	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,821	15,278
Town's required employer contributions made subsequent to the measurement date	246,026	0
	\$ 882,687	\$ 55,528

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$246,026 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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>	
2019	\$209,700
2020	302,299
2021	82,878
2022	<u>(13,744)</u>
Total	<u>\$581,133</u>

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**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.

**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.

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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**

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation, a decrease from 7.95% in the prior year.

Salary increases: 5% per year.

Mortality – The mortality tables were updated for the current year from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement:

Death in Active Service: Groups B and C – 98% of RP-2014 blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017. Group D – RP-2014 Blue Collar Annuitant Table with generation projection using Scale SSA-2017.

Healthy Post-Retirement: Groups B and C – 98% of RP-2014 blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational projection using Scale SSA-2017. Group D – 100% of RP-2014 Healthy Annuitant with generational projection using Scale SSA-2017.

Disabled Post-Retirement: Groups B, C and D – RP-2014 Disabled Mortality Table with generational projection using Scale SSA-2017.

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

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.30% per annum for Groups B, C and D members, a decrease from 1.8% in the prior year (beginning at normal retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Groups B and D who receive a disability retirement benefit, and at age 55 for members of Group C who receive a disability retirement benefit). The January 1, 2018 COLA is assumed to be 0.75% for all groups.

Actuarial Cost Method: Entry age actuarial cost method. Entry age is the age at date of employment or, if date is unknown, current age minus years of service. Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary, with normal cost determined using the plan of benefits applicable to each participant.

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

Inflation: 2.50%, a decrease from 3% in the prior year.

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	16%	6.07%
Non-US Equity	16%	7.42%
Global Equity	9%	6.85%
Real Estate	8%	4.62%
Private Markets	15%	7.80%
Hedge Funds	8%	3.95%
Risk Parity	4%	4.84%

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Discount Rate – The discount rate used to measure the total pension liability was 7.50%, a decrease from 7.95% in the prior year. In accordance with paragraph 29 of GASB 68, professional judgement was applied to determine that the System’s projected fiduciary net position exceeds projected benefit payments for current active and inactive members for all years. The analysis was based on the expectation that employers will continue to contribute at the rates set by the Board, which exceed the actuarially determined contribution, which is comprised on an employer normal cost payment and a payment to reduce the unfunded liability to zero by June 30, 2038. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$2,902,956	\$1,625,911	\$566,807

**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 \$4,805,036 while covered payroll was \$817,284. Pension expense was \$86,632. There is one employee who has chosen to be covered under the Electric Department’s pension plan. The Town’s expense for this employee was \$9,090.

**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.

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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, 2018 was \$1,424,455. The Electric Department's pension contributions for the years ended June 30, 2018, 2017 and 2016 were \$150,095, \$130,020 and \$111,054, respectively. The total fees relating to the pension plan for the years ended June 30, 2017, 2016 and 2015 were \$800, \$500 and \$450, 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 2018 was as follows:

	<u>Residential</u>	<u>Non-Residential</u>
Education	1.5244	1.5841
Farmers Contracts	0.0048	0.0048
Town	<u>0.4128</u>	<u>0.4128</u>
Total	<u>1.9420</u>	<u>2.0017</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:

2019	\$74,412
2020	76,644
2021	78,948
2022	81,324
2023	83,764

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 \$4,888.

**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.

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**G. CONCENTRATION OF REVENUE**

The Electric Department's largest customer represents approximately 23.8% of operating revenue and 13.8% 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, 2018 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. Given the greater degree of market price volatility exhibited since the original Hydro Quebec contract was agreed, this pricing approach should be beneficial to Stowe as the contract will be limited to how "out of market" it might become for both Hydro Quebec and Stowe. This is an important contract quality in the current market environment, and it reduces potential rate pressure to Stowe. 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.

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<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

Highgate has finished the increase of transfer capacity. The schedule was approved by the ISO-NE; the MW's increased to 255MW, with this adjustment the contract shifted to the second option of bilateral amounts on November 2016. The following table is the new portion for Stowe.

<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	1.238
Period 2	11/1/2015	10/31/2016	2.890
Period 3	11/1/2016	10/31/2020	2.990
Period 4	11/1/2020	10/31/2030	2.990
Period 5	11/1/2030	10/31/2035	2.135
Period 6	11/1/2035	10/31/2038	0.483

**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). Effective December 23, 2017, this contract was renewed to extend through April 30, 2032. This renewal did not negotiate for the Environmental Attributes, and therefore SED cannot claim St. Lawrence towards RES beginning on December 23, 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. SED is able to use Niagara Environmental Attributes towards RES compliance.

**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 1.4554%, which started November 1, 2017 and ran through October 31, 2018. The prior percent, which ran from November 1, 2016 through October 31, 2017 was 1.3360%. The VEPPI contracts are priced with relatively high energy rates and modest fixed costs.

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

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**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, 2016 through October 31, 2017 was 1.3360% and increased to 1.4554% for November 1, 2017 through October 31, 2018) 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.

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

**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.

**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.

TOWN OF STOWE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**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.

**Phase 1 Hydro-Quebec Interconnection:**

SED has entered into contracts with Vermont Electric Power Company (VELCO) to participate in 0.09578% of Phase I portion 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.

TOWN OF STOWE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**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 purchased additional ownership of the Converter. SED purchased the portion VPPSA's share and became a joint owner with VELCO and Burlington Electric Department.

**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.

**Sources of Energy**

The percentages of energy (kWh) acquired for the year ended June 30, 2018 was as follows:

<u>Resource</u>	<u>FCM</u>	<u>Description</u>	<u>(MWH)</u>	<u>kWh's</u>	<u>% of Total Resources</u>	<u>Fuel</u>	<u>Location</u>	<u>Termination Date</u>
NYPA - Niagara		Block	3,408	3,407,921	4.4%	Hydro	Roseton	2025
NYPA - St. Lawrence		Block	80	79,765	0.1%	Hydro	Roseton	Life of Unit
VEPPI	0.328	PURPA	3,952	3,952,363	5.1%	Wood/Hydro	VT Nodes	Exp. Varies
VEPPI - SPEED		Load Reducer	0	0	0.0%	Hydro		Exp. Varies
HQ PPA Contract		ISO Bilateral	17,462	17,461,600	22.6%	Hydro	HQ Highgate 120	2038
McNeil	1.560	Wood Unit	7,929	7,929,126	10.3%	Wood	Essex	Life of Unit
Stony 1A/1B/1C	4.916	Dispatchable	2,128	2,127,649	2.8%	Natural Gas	Stonybrk 115	Life of Unit
NextEra Seabrook	2.000	ISO Bilateral	17,519	17,519,357	22.7%	Nuclear		2035
Miller Hydro Purchase	0.210	Run of River	2,217	2,217,404	2.9%	Hydro		2021
Saddleback Purchase	0.017	Wind	2,098	2,097,889	2.7%	Wind	Carthage, ME	2035
Bilateral Purchase - Mtn		ISO Bilateral	7,634	7,633,610	9.9%			2017
ISO Energy Net Interchange		ISO Bilateral	12,697	12,697,034	16.5%			
Totals			<u>77,124</u>	<u>77,123,718</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.

TOWN OF STOWE, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018

**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.

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
    - 2017 the compliance for SED was 41,915, SED retired 41,914 RECs. The one less REC was due to the St. Lawrence renewal that did not include Renewable Attributes.
- 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
    - 2017 the compliance for SED was 762 RECs, SED retired 762 RECs
- Tier III: Meet 12% of sales with "energy transformation projects" in 2032 (2% in 2019)
  - 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 27, 2018, SED went under contract to sell their portion of the Highgate Converter Facilities, located in Highgate, Vermont to VELCO for \$2,722,502. As of October 18, 2018, \$500,000 has been received.

On September 15, 2018, SED obtained a \$1,500,000 line of credit with Union Bank with an interest rate of 1.79% and a maturity date of September 15, 2019.

On July 10, 2018, the Town purchased property for \$299,900 for the purpose of expanding their gravel pit.

At a special meeting on November 6, 2018, voters approved the issuance of bonds or notes in an amount not to exceed \$3.4 million, subject to reduction from the receipt of available State and Federal grants-in-aid, for the purpose of financing the cost of constructing sidewalks, curbs and associated betterments on the Town's class 1 highways. Voters also approved bonds or notes in an amount not to exceed \$3.2 million for the purpose of financing the cost of relocating and removing overhead utility lines, equipment and related apparatus on Main Street.

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, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 8,946,836	\$ 8,937,870	\$ (8,966)
Administration	762,804	776,868	14,064
Town Clerk	166,760	168,054	1,294
Accounting/Finance	20,000	20,000	0
Fire	750	19,192	18,442
Highway Department	184,800	259,854	75,054
Listers' Office	1,500	1,421	(79)
Library	1,464	3,087	1,623
Rescue/EMS	206,030	182,324	(23,706)
Mountain Rescue	0	2,333	2,333
Cultural Campus	1,825	2,983	1,158
Planning Department	3,500	5,517	2,017
Zoning	52,510	59,439	6,929
Police Department	114,800	129,974	15,174
Cemetery	1,200	715	(485)
Public Works Administration	45,500	46,485	985
Parks and Grounds	47,600	43,707	(3,893)
Recreation	151,950	154,206	2,256
Stowe Arena	368,250	325,420	(42,830)
Transfer from Capital Fund - Local Option Taxes	350,000	350,000	0
Transfer from Library Operations Fund	27,000	28,464	1,464
Transfer from Appraisal Fund	3,000	3,000	0
<b>Total Revenues</b>	<b>11,458,079</b>	<b>11,520,913</b>	<b>62,834</b>
Expenditures:			
Administration	439,594	395,583	44,011
Elections	2,972	2,347	625
Town Clerk	337,113	276,427	60,686
Health/Zoning	140,640	138,276	2,364
Listers' Office	109,839	107,371	2,468
Treasurer/Finance	263,956	273,636	(9,680)
Planning	148,278	141,332	6,946
Public Safety Building	147,101	157,624	(10,523)
Police Department	1,756,166	1,769,341	(13,175)
Fire Department	222,425	213,033	9,392
Emergency Medical Service	650,811	632,036	18,775
Mountain Rescue	20,400	24,200	(3,800)
Emergency Management	1,965	3,007	(1,042)
Highway	2,129,318	2,282,643	(153,325)
Public Works	338,976	323,445	15,531
Akeley Memorial Building	167,730	167,521	209

See Disclaimer in Accompanying Independent Auditor's Report.

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, 2018

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures/(Cont'd):			
Cultural Campus	\$ 79,248	\$ 82,708	\$ (3,460)
Street Lights	18,086	13,713	4,373
Solid Waste	596	592	4
Cemeteries	31,304	36,661	(5,357)
Community Affairs	133,022	129,022	4,000
General Government	528,618	531,455	(2,837)
Parks and Grounds	505,243	470,773	34,470
Recreation	465,255	438,499	26,756
Arena	504,957	543,394	(38,437)
Library	587,537	541,690	45,847
Debt Management	1,164,740	1,157,723	7,017
Insurances	191,189	191,608	(419)
Transfer to Annual Leave Fund	120,000	120,000	0
Transfer to Equipment Fund	410,000	410,000	0
	<u>11,617,079</u>	<u>11,575,660</u>	<u>41,419</u>
Total Expenditures			
Excess/(Deficiency) of Revenues			
Over Expenditures	\$ <u>(159,000)</u>	(54,747)	\$ <u>104,253</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Annual Leave Fund Income		463	
Annual Leave Fund Transfer In		120,000	
Annual Leave Fund Expenses		(167,252)	
Library Operations Fund Income		37,477	
Library Operations Fund Expenses		(8,376)	
Library Operations Fund Transfer In		7,950	
Library Operations Fund Transfer Out		(28,464)	
Recreation Scholarship Fund Income		2,147	
Recreation Scholarship Fund Expenses		(5,849)	
Recreation Scholarship Fund Transfer In		1,000	
FEMA Fund Income		94,837	
FEMA Fund Expenses		<u>(92,862)</u>	
Net Change in Fund Balance		(93,676)	
Fund Balance - July 1, 2017		<u>1,016,672</u>	
Fund Balance - June 30, 2018		\$ <u>922,996</u>	

The reconciling items are due to combining four (4) funds, the Annual Leave Fund, the Library Operations Fund, the Recreation Scholarship Fund and the FEMA 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, 2018

	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	1.3420%	1.3498%	1.3825%	1.4096%
Town's Proportionate Share of the Net Pension Liability	\$ 1,625,911	\$ 1,737,171	\$ 1,065,864	\$ 128,646
Town's Covered Employee Payroll	\$ 3,468,811	\$ 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	46.8723%	54.3309%	35.5612%	4.5257%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.64%	80.95%	87.42%	98.32%

**Notes to Schedule**

Benefit Changes: None.

Changes in Assumptions and Methods: The following changes were effective for the June 30, 2017 valuation date:

- Assumed inflation was lowered from 3.0% to 2.5%.
- The investment return assumption was lowered from 7.95% to 7.50%.
- Assumed COLA increases were lowered from 1.50% to 1.15% for Group A members and from 1.80% to 1.3% for Group B, C and D members.
- The mortality tables were updated from variations of RP-2000 with static projection to variations of RP-2014 with generational improvement.

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

TOWN OF STOWE, VERMONT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS  
 VMERS DEFINED BENEFIT PLAN  
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 246,026	\$ 219,161	\$ 205,062	\$ 192,329
Contributions in Relation to the Actuarially Determined Contributions	<u>246,026</u>	<u>219,161</u>	<u>205,062</u>	<u>192,329</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 3,468,811	\$ 3,197,390	\$ 2,997,269	\$ 2,842,541
Contributions as a Percentage of Town's Covered Employee Payroll	7.093%	6.854%	6.842%	6.766%

**Notes to Schedule**

Valuation Date: June 30, 2017

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

TOWN OF STOWE, VERMONT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 74,085	\$ 74,085
Investments	0	0	1,546,763	1,546,763
Receivables	22,261	0	0	22,261
Due from Other Funds	<u>256,318</u>	<u>290,738</u>	<u>0</u>	<u>547,056</u>
Total Assets	<u>\$ 278,579</u>	<u>\$ 290,738</u>	<u>\$ 1,620,848</u>	<u>\$ 2,190,165</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 1,818	\$ 20,000	\$ 0	\$ 21,818
Due to Other Funds	<u>22,261</u>	<u>0</u>	<u>7,463</u>	<u>29,724</u>
Total Liabilities	<u>24,079</u>	<u>20,000</u>	<u>7,463</u>	<u>51,542</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Grants	<u>3,216</u>	<u>0</u>	<u>0</u>	<u>3,216</u>
Total Deferred Inflows of Resources	<u>3,216</u>	<u>0</u>	<u>0</u>	<u>3,216</u>
<u>FUND BALANCES</u>				
Nonspendable	0	0	250,295	250,295
Restricted	80,726	0	1,363,090	1,443,816
Committed	0	270,738	0	270,738
Assigned	173,774	0	0	173,774
Unassigned/(Deficit)	<u>(3,216)</u>	<u>0</u>	<u>0</u>	<u>(3,216)</u>
Total Fund Balances	<u>251,284</u>	<u>270,738</u>	<u>1,613,385</u>	<u>2,135,407</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 278,579</u>	<u>\$ 290,738</u>	<u>\$ 1,620,848</u>	<u>\$ 2,190,165</u>

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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, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<b>Revenues:</b>				
Intergovernmental	\$ 108,210	\$ 0	\$ 0	\$ 108,210
Charges for Services	0	0	15,785	15,785
Permits, Licenses and Fees	12,363	0	0	12,363
Investment Income	648	1,137	102,208	103,993
Donations	<u>0</u>	<u>15</u>	<u>0</u>	<u>15</u>
<b>Total Revenues</b>	<u>121,221</u>	<u>1,152</u>	<u>117,993</u>	<u>240,366</u>
<b>Expenditures:</b>				
General Government	17,322	0	0	17,322
Public Safety	41,469	0	0	41,469
Culture and Recreation	785	18,312	0	19,097
Cemetery	0	0	3,083	3,083
Capital Outlay:				
Public Safety	11,879	263,825	0	275,704
Public Works	19,045	39,750	0	58,795
Culture and Recreation	<u>0</u>	<u>38,230</u>	<u>0</u>	<u>38,230</u>
<b>Total Expenditures</b>	<u>90,500</u>	<u>360,117</u>	<u>3,083</u>	<u>453,700</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>30,721</u>	<u>(358,965)</u>	<u>114,910</u>	<u>(213,334)</u>
<b>Other Financing Sources/(Uses):</b>				
Proceeds from Sale of Vehicles	0	8,000	0	8,000
Transfers In	0	410,000	0	410,000
Transfers Out	<u>(3,000)</u>	<u>0</u>	<u>(14,950)</u>	<u>(17,950)</u>
<b>Total Other Financing Sources/(Uses)</b>	<u>(3,000)</u>	<u>418,000</u>	<u>(14,950)</u>	<u>400,050</u>
<b>Net Change in Fund Balances</b>	27,721	59,035	99,960	186,716
Fund Balances - July 1, 2017	<u>223,563</u>	<u>211,703</u>	<u>1,513,425</u>	<u>1,948,691</u>
Fund Balances - June 30, 2018	<u>\$ 251,284</u>	<u>\$ 270,738</u>	<u>\$ 1,613,385</u>	<u>\$ 2,135,407</u>

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TOWN OF STOWE, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 JUNE 30, 2018

	Police DEA Fund	Appraisal Fund	Records Preservation Fund	Grant Fund	Total
<u>ASSETS</u>					
Receivables	\$ 0	\$ 0	\$ 0	\$ 22,261	\$ 22,261
Due from Other Funds	<u>18,238</u>	<u>173,774</u>	<u>64,306</u>	<u>0</u>	<u>256,318</u>
Total Assets	<u>\$ 18,238</u>	<u>\$ 173,774</u>	<u>\$ 64,306</u>	<u>\$ 22,261</u>	<u>\$ 278,579</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 0	\$ 1,818	\$ 0	\$ 1,818
Due to Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,261</u>	<u>22,261</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>1,818</u>	<u>22,261</u>	<u>24,079</u>
<u>DEFERRD INFLOWS OF RESOURCES</u>					
Unavailable Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,216</u>	<u>3,216</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,216</u>	<u>3,216</u>
<u>FUND BALANCES</u>					
Restricted	18,238	0	62,488	0	80,726
Assigned	0	173,774	0	0	173,774
Unassigned/(Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,216)</u>	<u>(3,216)</u>
Total Fund Balances/(Deficit)	<u>18,238</u>	<u>173,774</u>	<u>62,488</u>	<u>(3,216)</u>	<u>251,284</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 18,238</u>	<u>\$ 173,774</u>	<u>\$ 64,306</u>	<u>\$ 22,261</u>	<u>\$ 278,579</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, 2018

	Police DEA Fund	Appraisal Fund	Records Preservation Fund	Grant Fund	Total
Revenues:					
Intergovernmental	\$ 780	\$ 36,784	\$ 0	\$ 70,646	\$ 108,210
Permits, Licenses and Fees	0	0	12,363	0	12,363
Investment Income	<u>56</u>	<u>426</u>	<u>166</u>	<u>0</u>	<u>648</u>
Total Revenues	<u>836</u>	<u>37,210</u>	<u>12,529</u>	<u>70,646</u>	<u>121,221</u>
Expenditures:					
General Government	0	0	13,507	3,815	17,322
Public Safety	3,131	0	0	38,338	41,469
Culture and Recreation	0	0	0	785	785
Capital Outlay:					
Public Safety	0	0	0	11,879	11,879
Public Works	<u>0</u>	<u>0</u>	<u>0</u>	<u>19,045</u>	<u>19,045</u>
Total Expenditures	<u>3,131</u>	<u>0</u>	<u>13,507</u>	<u>73,862</u>	<u>90,500</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(2,295)</u>	<u>37,210</u>	<u>(978)</u>	<u>(3,216)</u>	<u>30,721</u>
Other Financing Sources/(Uses):					
Transfers Out	<u>0</u>	<u>(3,000)</u>	<u>0</u>	<u>0</u>	<u>(3,000)</u>
Total Other Financing Sources/(Uses)	<u>0</u>	<u>(3,000)</u>	<u>0</u>	<u>0</u>	<u>(3,000)</u>
Net Change in Fund Balances	(2,295)	34,210	(978)	(3,216)	27,721
Fund Balances - July 1, 2017	<u>20,533</u>	<u>139,564</u>	<u>63,466</u>	<u>0</u>	<u>223,563</u>
Fund Balances/(Deficit) - June 30, 2018	<u>\$ 18,238</u>	<u>\$ 173,774</u>	<u>\$ 62,488</u>	<u>\$ (3,216)</u>	<u>\$ 251,284</u>

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TOWN OF STOWE, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2018

	<u>Equipment Fund</u>	<u>Rink Renovation Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Due from Other Funds	\$ <u>270,738</u>	\$ <u>20,000</u>	\$ <u>290,738</u>
Total Assets	\$ <u><u>270,738</u></u>	\$ <u><u>20,000</u></u>	\$ <u><u>290,738</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ <u>0</u>	\$ <u>20,000</u>	\$ <u>20,000</u>
Total Liabilities	<u>0</u>	<u>20,000</u>	<u>20,000</u>
Fund Balances:			
Committed	<u>270,738</u>	<u>0</u>	<u>270,738</u>
Total Fund Balances	<u>270,738</u>	<u>0</u>	<u>270,738</u>
Total Liabilities and Fund Balances	\$ <u><u>270,738</u></u>	\$ <u><u>20,000</u></u>	\$ <u><u>290,738</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, 2018

	Equipment Fund	Rink Renovation Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:			
Investment Income	\$ 1,029	\$ 108	\$ 1,137
Donations	<u>0</u>	<u>15</u>	<u>15</u>
Total Revenues	<u>1,029</u>	<u>123</u>	<u>1,152</u>
Expenditures:			
Culture and Recreation	0	18,312	18,312
Capital Outlay:			
Public Safety	263,825	0	263,825
Public Works	39,750	0	39,750
Culture and Recreation	<u>38,230</u>	<u>0</u>	<u>38,230</u>
Total Expenditures	<u>341,805</u>	<u>18,312</u>	<u>360,117</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(340,776)</u>	<u>(18,189)</u>	<u>(358,965)</u>
Other Financing Sources:			
Proceeds from Sale of Vehicles	8,000	0	8,000
Transfers In	<u>410,000</u>	<u>0</u>	<u>410,000</u>
Total Other Financing Sources	<u>418,000</u>	<u>0</u>	<u>418,000</u>
Net Change in Fund Balances	77,224	(18,189)	59,035
Fund Balances - July 1, 2017	<u>193,514</u>	<u>18,189</u>	<u>211,703</u>
Fund Balances - June 30, 2018	<u>\$ 270,738</u>	<u>\$ 0</u>	<u>\$ 270,738</u>

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TOWN OF STOWE, VERMONT  
 COMBINING BALANCE SHEET  
 NON-MAJOR PERMANENT FUNDS  
 JUNE 30, 2018

	Cemetery Fund	Library Endowment Fund	Total
<u>ASSETS</u>			
Cash	\$ 74,085	\$ 0	\$ 74,085
Investments	441,423	1,105,340	1,546,763
Total Assets	\$ 515,508	\$ 1,105,340	\$ 1,620,848
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to Other Funds	\$ 7,463	\$ 0	\$ 7,463
Total Liabilities	7,463	0	7,463
Fund Balances:			
Nonspendable	215,000	35,295	250,295
Restricted	293,045	1,070,045	1,363,090
Total Fund Balances	508,045	1,105,340	1,613,385
Total Liabilities and Fund Balances	\$ 515,508	\$ 1,105,340	\$ 1,620,848

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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, 2018

	Cemetery Fund	Library Endowment Fund	Total
Revenues:			
Charges for Services	\$ 15,785	\$ 0	\$ 15,785
Investment Income	<u>14,955</u>	<u>87,253</u>	<u>102,208</u>
Total Revenues	<u>30,740</u>	<u>87,253</u>	<u>117,993</u>
Expenditures:			
Cemetery	<u>3,083</u>	<u>0</u>	<u>3,083</u>
Total Expenditures	<u>3,083</u>	<u>0</u>	<u>3,083</u>
Excess of Revenues Over Expenditures	<u>27,657</u>	<u>87,253</u>	<u>114,910</u>
Other Financing Sources/(Uses):			
Transfers Out	<u>(7,000)</u>	<u>(7,950)</u>	<u>(14,950)</u>
Total Other Financing Sources/(Uses)	<u>(7,000)</u>	<u>(7,950)</u>	<u>(14,950)</u>
Net Change in Fund Balances	20,657	79,303	99,960
Fund Balances - July 1, 2017	<u>487,388</u>	<u>1,026,037</u>	<u>1,513,425</u>
Fund Balances - June 30, 2018	<u>\$ 508,045</u>	<u>\$ 1,105,340</u>	<u>\$ 1,613,385</u>

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VT Lic. #92-000180

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, 2018, 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 21, 2019. 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***

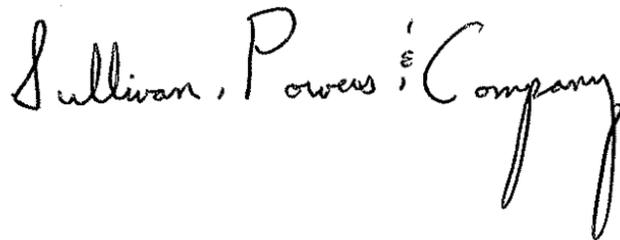
As part of obtaining reasonable assurance about whether the Town of Stowe, Vermont's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 21, 2019.

### ***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 21, 2019  
Montpelier, Vermont  
VT Lic. #92-000180

A handwritten signature in black ink that reads "Sullivan, Powers & Company". The signature is written in a cursive style with a large, stylized flourish at the end of the word "Company".