

Village of Morrisville, Vermont

FINANCIAL STATEMENTS

December 31, 2017

Village of Morrisville, Vermont
FINANCIAL STATEMENTS
December 31, 2017

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Kittell Branagan & Sargent

Certified Public Accountants

Vermont License # 167

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Village of Morrisville, Vermont
Morrisville, Vermont

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 Village of Morrisville, Vermont, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Village of Morrisville, Vermont, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on page 37, schedule of proportionate share of the net pension liability on page 38, and schedule of contributions on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Morrisville, Vermont's basic financial statements. The Schedules of Operations, Maintenance and General Expenses – Electric Fund, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Operations, Maintenance and General Expenses – Electric Fund, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules of Operations, Maintenance and General Expenses – Electric Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Kittell Brangan + Sargent

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

This section of the Village of Morrisville Water & Light Department's (MWL) annual financial report presents management's discussion and analysis of the Department's financial performance for the years ended on December 31, 2017 and 2016. Please read it in conjunction with the financial statements that follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Morrisville's basic financial statements. The Village of Morrisville's basic financial statements comprise of three components: (1) village-wide financial statements, (2) fund financial statements and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Village-wide financial statements. The village-wide financial statements are designed to provide the reader with a broad overview of the Village's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* presents information showing how the Village's net position changed during the recent fiscal year. 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 cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected receivables or earned but unused vacation leave).

The *statement of cash flows* presents information relating to the actual sources of cash generated by the Village during the fiscal year and how that cash was used. This statement is segregated by cash flows from operating, investing and financing activities.

The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* presenting further detail of some of the data summarized in the basic financial statements.

Both of the village-wide financial statements distinguish functions of the Village of Morrisville that are principally supported by taxes (*governmental activities*) from other functions that are intended to recover its costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Morrisville are very small in scope and primarily provide support for the office of the Village Clerk-Treasurer and an occasional special Village project. The business-type activities of the Village of Morrisville include electric, water and wastewater operations.

The village-wide financial statements are designed to include not only the Village of Morrisville itself (*known as the primary government*), but also any legally separate entities for which the Village of Morrisville is financially accountable (*known as component units*). The Village of Morrisville has no such entities that qualify as component units.

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

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 Village, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Morrisville can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the village-wide financial statements. However, unlike the village-wide financial statements, governmental fund accounting financial statements focus on near-term inflows and outflows of spendable resources, as well as the balances of spendable resources at the end of the fiscal period. Such information may be useful in evaluating the Village's near-term financing requirements.

The focus of the governmental funds is narrower than that of the village-wide financial statements. Therefore, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the in the village-wide financial statements. By doing this, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide reconciliation between the governmental funds and governmental activities.

The Village of Morrisville adopts an annual budget for its general fund. A budgetary comparison statement has been provided as required supplementary information.

Proprietary funds. The Village maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the village-wide financial statements. The Village is engaged in three business-type activities, i.e. production and distribution of electricity, water distribution and the collection and treatment of wastewater. Each activity is accounted for as separate funds known as *enterprise funds*.

Proprietary funds provide the same type of information as the village-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Electric Fund, Water Fund and Wastewater Fund.

Financial Highlights

In order to operate at maximum efficiency certain personnel, materials and equipment are shared among the three enterprise funds. Costs for these items are allocated among the operating areas as fairly as reasonably possible. Settlement of shared costs is completed within normal payment cycles.

Village-wide Financial Statements

A summary of the Village's net position at December 31, 2017 is shown below:

| | <i>Government Activities</i> | <i>Business Activities</i> | <i>Total</i> |
|--------------------------|----------------------------------|--------------------------------|---------------------|
| Current assets | \$ 1,206 | \$ 5,124,833 | \$ 5,126,039 |
| Capital Assets, net | - | 25,373,778 | 25,373,778 |
| Restricted cash | 1,428 | 549,630 | 551,058 |
| Other Non Current Assets | - | 4,752,391 | 4,752,391 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 2,634</u> | <u>\$35,800,632</u> | <u>\$35,803,266</u> |

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

| | <u>Government Activities</u> | <u>Business Activities</u> | <u>Total</u> |
|--------------------------------|----------------------------------|--------------------------------|---------------------|
| Deferred Outflows of Resources | \$ - | \$ 291,009 | \$ 291,009 |
| Current liabilities | - | 1,358,954 | 1,358,954 |
| Long-term liabilities | <u>-</u> | <u>8,813,568</u> | <u>8,813,568</u> |
| Total liabilities | <u>-</u> | <u>10,172,522</u> | <u>10,172,522</u> |
| Deferred Inflows of Resources | <u>-</u> | <u>170,235</u> | <u>170,235</u> |
| Net Position | | | |
| Board designated | - | 16,493,312 | 16,493,312 |
| Restricted | 1,428 | 1,210,121 | 1,211,549 |
| Unrestricted | <u>1,206</u> | <u>8,045,451</u> | <u>8,046,657</u> |
| Total Net Position | <u>\$ 2,634</u> | <u>\$25,748,884</u> | <u>\$25,751,518</u> |

A summary of the Village's revenue and expenses is shown below:

| | <u>Government Activities</u> | <u>Business Activities</u> | <u>Total</u> |
|--------------------------------|----------------------------------|--------------------------------|---------------------|
| Property taxes | \$ 17,132 | \$ - | \$ 17,132 |
| Sales & other oper. revenues | <u>1,102</u> | <u>8,752,503</u> | <u>8,753,605</u> |
| Total Revenues | <u>18,234</u> | <u>8,752,503</u> | <u>8,770,737</u> |
| Operating expenses | <u>21,898</u> | <u>7,931,153</u> | <u>7,953,051</u> |
| Operating income (loss) | (3,664) | 821,350 | 817,686 |
| Non-operating income (expense) | <u>-</u> | <u>692,326</u> | <u>692,326</u> |
| Net Position | <u>\$ (3,664)</u> | <u>\$ 1,513,676</u> | <u>\$ 1,510,012</u> |

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

Electric Department. The net position of the department increased during 2017 by \$1,341,966. A summary of the Electric Department's revenue and expenses is shown below:

| | <u>2017</u> | <u>2016</u> | <u>% Change</u> |
|----------------------------------|---------------------|-------------------|-----------------|
| Sales & other operating revenues | \$ 7,072,815 | \$ 7,107,431 | -0.49% |
| Operating expenses | <u>6,585,639</u> | <u>6,936,353</u> | <u>-5.06%</u> |
| Operating income (loss) | <u>487,176</u> | <u>171,078</u> | 184.77% |
| | | | |
| Non-operating income (expense) | <u>854,790</u> | <u>667,252</u> | <u>28.11%</u> |
| | | | |
| Net position | <u>\$ 1,341,966</u> | <u>\$ 838,330</u> | <u>60.08%</u> |

As noted earlier the net position may serve over time as a useful indicator of the Department's financial position. At the end of 2017, the Department's assets exceeded liabilities by \$16,574,410. A summary of the Department's net position is shown below:

| | <u>2017</u> | <u>2016</u> | <u>% Change</u> |
|----------------------------------------|---------------------|---------------------|-----------------|
| Utility plant & equipment | \$11,331,599 | \$11,501,640 | -1.48% |
| Current assets | 3,371,637 | 2,575,215 | 30.93% |
| Restricted cash | 549,630 | 608,470 | -9.67% |
| Other Non-Current Assets | 4,738,957 | 4,025,764 | 17.72% |
| Deferred Outflows of Resources | <u>253,670</u> | <u>146,534</u> | <u>73.11%</u> |
| | | | |
| Total Assets and Deferred Outflows | <u>\$20,245,493</u> | <u>\$18,857,623</u> | <u>7.36%</u> |
| | | | |
| Long-term Liabilities | \$ 2,565,232 | \$ 2,628,278 | -2.40% |
| Current Liabilities | 950,312 | 835,193 | 13.78% |
| Deferred Inflows of Resources | <u>155,539</u> | <u>161,709</u> | <u>-3.82%</u> |
| | | | |
| Total liabilities and Deferred Inflows | <u>\$ 3,671,083</u> | <u>\$ 3,625,180</u> | <u>1.27%</u> |
| | | | |
| Net Position | | | |
| Restricted | \$ 661,977 | \$ 668,012 | -0.90% |
| Unreserved | <u>15,912,433</u> | <u>14,564,431</u> | <u>9.26%</u> |
| | | | |
| Total net position | <u>\$16,574,410</u> | <u>\$15,232,443</u> | <u>8.81%</u> |

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

Water Department. The net position of the Water Department increased \$100,089. A summary of the Water Department's revenue and expenses is shown below:

| | <u>2017</u> | <u>2016</u> | <u>% Change</u> |
|----------------------------------|-----------------------|-----------------------|--------------------|
| Sales & other operating revenues | \$ 597,179 | \$ 596,351 | 0.14% |
| Operating expenses | <u>482,662</u> | <u>486,539</u> | <u>-0.80%</u> |
| Operating income (loss) | 114,517 | 109,812 | 4.28% |
| Non-operating income (expense) | <u>(14,428)</u> | <u>92,990</u> | <u>115.52%</u> |
| Net Position | <u>\$ 100,089</u> | <u>\$ 202,802</u> | <u>-50.65%</u> |

At the end of 2017, the Department's assets exceeded liabilities by \$3,553,895. A summary of the Department's net position is shown below:

| | <u>2017</u> | <u>2016</u> | <u>% Change</u> |
|--------------------------------------------|-------------------------|-------------------------|-------------------|
| Utility plant & equipment | \$ 5,051,887 | \$ 5,127,855 | -1.48% |
| Current assets | 680,779 | 626,496 | 8.66% |
| Other Non-Current Assets | 13,434 | - | 100.00% |
| Deferred Outflows of Resources | <u>21,163</u> | <u>13,197</u> | <u>60.36%</u> |
| Total Assets and Deferred Outflows | <u>\$ 5,767,263</u> | <u>\$ 5,767,548</u> | <u>0.00%</u> |
| Long-term Liabilities | \$ 2,028,797 | \$ 2,153,748 | -5.80% |
| Current Liabilities | 175,481 | 151,777 | 15.62% |
| Deferred Inflows of Resources | <u>9,090</u> | <u>8,217</u> | <u>10.62%</u> |
| Total liabilities and Deferred Inflows | <u>\$ 2,213,368</u> | <u>\$ 2,313,742</u> | <u>-4.34%</u> |
| Net Position | | | |
| Restricted | \$ 31,284 | \$ 41,819 | -25.19% |
| Unreserved | <u>3,522,611</u> | <u>3,411,987</u> | <u>3.24%</u> |
| Total net position | <u>\$ 3,553,895</u> | <u>\$ 3,453,806</u> | <u>2.90%</u> |

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

Wastewater Department. The net position of the Wastewater Department increased \$71,621 in 2017. A summary of the Wastewater Department's revenues and expenses are shown below:

| | <u>2017</u> | <u>2016</u> | <u>% Change</u> |
|----------------------------------|----------------------|----------------------|--------------------|
| Sales & other operating revenues | \$ 1,082,509 | \$ 1,048,307 | 3.26% |
| Operating expenses | <u>862,852</u> | <u>873,619</u> | <u>-1.23%</u> |
| Operating income (loss) | 219,657 | 174,688 | 25.74% |
| Non-operating income (expense) | <u>(148,036)</u> | <u>(125,744)</u> | <u>-17.73%</u> |
| Net position | <u>\$ 71,621</u> | <u>\$ 48,944</u> | <u>174.18%</u> |

At the end of 2017, the Department's assets exceeded liabilities by \$5,620,579. A summary of the Department's net position is shown below:

| | <u>2017</u> | <u>2016</u> | <u>% Change</u> |
|--------------------------------------------|-------------------------|-------------------------|-------------------|
| Utility plant & equipment | \$ 8,990,292 | \$ 9,163,676 | -1.89% |
| Construction Surcharge Receivable | - | 8,400 | -100.00% |
| Current assets | 1,072,417 | 1,000,426 | 7.20% |
| Deferred Outflows of Resources | <u>16,176</u> | <u>8,846</u> | <u>82.86%</u> |
| Total Assets and Deferred Outflows | <u>\$10,078,885</u> | <u>\$10,181,348</u> | <u>-1.01%</u> |
| | <u>2017</u> | <u>2016</u> | <u>% Change</u> |
| Long-term Liabilities | \$ 4,219,539 | \$ 4,370,075 | -3.44% |
| Current Liabilities | 233,161 | 257,056 | -9.30% |
| Deferred Inflows of Resources | <u>5,606</u> | <u>5,259</u> | <u>6.60%</u> |
| Total liabilities and Deferred Inflows | <u>\$ 4,458,306</u> | <u>\$ 4,632,390</u> | <u>-3.76%</u> |
| Net Position | | | |
| Restricted | \$ 516,860 | \$ 468,275 | 10.38% |
| Unreserved | <u>5,103,719</u> | <u>5,080,683</u> | <u>0.45%</u> |
| Total net position | <u>\$ 5,620,579</u> | <u>\$ 5,548,958</u> | <u>1.29%</u> |

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

Financial Analysis

Electric Department. The Electric Department recorded a net position of \$1,341,966 during 2017 (vs. a net position of \$838,330 in 2016). Total revenues were down just slightly in 2017, while total operating expenses decreased approximately 5%. Sales revenues were down just under .5% due to decreased kWh sales. Net metering customers increased in 2017 by 26 new customers, bringing the total net metering customers to 84. Total operating expenses decreased by approximately 5%. The majority of this decrease is due to purchased power costs which decreased due to increased Hydro generation over 2016 and purchasing new power contracts with a lower price to replace older expiring contracts. Offsetting the decreased power costs is an increase in costs in other areas, most notably in administrative costs. An additional staff member was hired in the 3rd quarter of 2016, so a full year costs is reflected in 2017. In addition, there was an increase in expenses for recording the Pension Plan cost in accordance with GASB 68.

In 2017, additions to assets totaled just under \$300k and included cost to wreck out substation #2, voltage conversion work, the roof replacement at the Green River plant, and other misc. projects.

Water Department. The Water Department earned a net position of approximately \$100,000 during 2017 (vs. a net position of \$203,000 in 2016). Operating revenue and expenses were right in line with 2016, showing just a \$5k increase to operating income between the two years. The biggest contributor to the decrease in Net Position resulted from the sale of two properties that took place in 2016 which did not recur in 2017. In addition, there was a loss on the retirement of the office roof that was replaced.

The Water Department added approximately \$175k in asset additions in 2017, which included the water line replacement on West High Street, the replacement of the office roof and the purchase of a new truck.

Wastewater Department. The Wastewater Department's net position during 2017 was approximately \$72,000 (vs. a net position of \$49,000 in 2016). Operating revenues increased approximately \$34,000 in 2017 due to a full year of a 10.5% increase on usage only that went into effect July 1, 2016. Operating expenses dropped less than 1% in 2017 vs 2016 and is not attributable to any one category. Other operating income (expense) decreased approximately \$22,000 and is due mostly entirely to a decrease in sewer allocation fees from the previous year.

The Wastewater Department had approximately \$167k in additions to plant in 2017, which included a sewer line replacement on West High Street, the re-design and installation of the outfall pipe at the Wastewater Treatment plant, a couple new manholes and equipment purchased for the wastewater treatment plant.

Economic Factors and Next Year's (2018) Budgets and Rates. At this time, we do not anticipate a need for a rate increase in any of the Departments for 2018.

Power supply costs represent 65% of our electric expenses and the greatest variable for the overall performance of the Electric Department. The latest forecast shows power supply costs will be stable over the next few years for the Electric Department due to long term power contracts in its portfolio. Significant increases in transmission costs are projected and we are implementing strategies to reduce transmission expenses. Energy rates in the New England market were stable in 2017 with lower natural gas and oil prices. This trend is expected to continue for 2018.

For the Electric department, it is anticipated that our capital budget will focus on, increasing the capacity of Substation #3, improving system reliability by installing circuit breakers at Substation #5 and completing a system study that provides a plan/guide for system upgrades needed over the next 10 years. In addition, we plan to add security cameras at several substation/hydro plants and we are anticipating additional costs for the Hydro Re-licensing process (see below).

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

We have been working on renewing our Hydro license with the Federal Energy Regulatory Commission (FERC) for the operation of our hydro plants since 2010. Our current license expired in April 2015. In August of 2016, the VT Agency of Natural Resources (ANR) issued a Water Quality Certification (WQC) for our hydro. The WQC contains conditions that MW&L believe will make its hydro uneconomic to operate. We filed an appeal of the conditions in the WQC to the VT Environmental Court in September 2016. We have hired legal counsel to represent our interests in this disagreement and environmental consultants to conduct additional studies. We continue to operate under our existing license. Our case will be heard in Environmental Court in 2018.

We are continuing efforts to sell non-performing property assets. No additional sales were completed in 2017. We are discussing the sale of one of the Trombley property lots with a potential purchaser. We renewed a purchase and sale agreement on the Gristmill building that involves the relocation of the building to a new location away from the hydro dam. The sale is pending the renewal of our hydro license as described above. We hope to be able to receive FERC approval to make a project boundary change to complete the sale in 2018 or 2019.

In 2017, the Water and Wastewater department completed work on West High Street to allow the Town to rebuild Route 100 just south of the Village in 2018. The water department will replace the main lines on lower Bridge Street in 2018 in addition to doing maintenance work on the 1.5 million gallon reservoir. The Sewer department will also have minor capital improvements with plans to complete a system expansion study and inspect facilities on Main and Portland Streets in preparation for the Town's repaving projects in 2019. In addition, efforts will continue for sampling/testing to determine source of high level biochemical oxygen demand levels being recorded at the waste water plant.

Requests for Information. This financial report is designed to provide a general overview of the Village of Morrisville's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Controller of the of the Morrisville Water and Light Department, 857 Elmore Street, Morrisville, VT 05661. (802) 888-3348.

Craig Myotte, General Manager
Morrisville Water & Light Dept.

Penny Jones, Controller
Morrisville Water & Light Dept.

Sara Haskins, Clerk-Treasurer
Village of Morrisville

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

| | Governmental Activities | Business-Type Activities | Total |
|-------------------------------------------------------|----------------------------|-----------------------------|---------------|
| <u>ASSETS AND DEFERRED OUTFLOWS</u> | | | |
| CURRENT ASSETS: | | | |
| Cash | \$ 1,206 | \$ 3,303,445 | \$ 3,304,651 |
| Accounts receivable, net | - | 648,725 | 648,725 |
| Notes receivable | - | 61,106 | 61,106 |
| Other receivables | - | 204,143 | 204,143 |
| Unbilled revenues | - | 492,193 | 492,193 |
| Inventories | - | 270,297 | 270,297 |
| Prepaid expenses | - | 57,026 | 57,026 |
| Other current assets | - | 87,898 | 87,898 |
| TOTAL CURRENT ASSETS | 1,206 | 5,124,833 | 5,126,039 |
| NON-CURRENT ASSETS | | | |
| Construction surcharge receiveable | - | 13,434 | 13,434 |
| Restricted cash | 1,428 | 549,630 | 551,058 |
| Investments | - | 3,999,118 | 3,999,118 |
| Relicensing costs | - | 739,839 | 739,839 |
| Capital assets, net | - | 25,373,778 | 25,373,778 |
| TOTAL NON-CURRENT ASSETS | 1,428 | 30,675,799 | 30,677,227 |
| TOTAL ASSETS | 2,634 | 35,800,632 | 35,803,266 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| | - | 291,009 | 291,009 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | \$ 2,634 | \$ 36,091,641 | \$ 36,094,275 |
| <u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u> | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | \$ - | \$ 497,832 | \$ 497,832 |
| Due to other funds | - | 135,698 | 135,698 |
| Accrued interest payable | - | 70,882 | 70,882 |
| Accrued expenses | - | 131,694 | 131,694 |
| Current portion bonds & notes payable | - | 522,848 | 522,848 |
| TOTAL CURRENT LIABILITIES | - | 1,358,954 | 1,358,954 |
| LONG-TERM LIABILITIES | | | |
| Net pension liability | - | 455,950 | 455,950 |
| Bonds & notes payable | - | 8,357,618 | 8,357,618 |
| TOTAL LONG-TERM LIABILITIES | - | 8,813,568 | 8,813,568 |
| TOTAL LIABILITIES | - | 10,172,522 | 10,172,522 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| VMERS pension | - | 6,867 | 6,867 |
| Customer deposits | - | 163,368 | 163,368 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | - | 170,235 | 170,235 |
| NET POSITION | | | |
| Net invested in capital assets | - | 16,493,312 | 16,493,312 |
| Restricted | 1,428 | 1,210,121 | 1,211,549 |
| Unrestricted | 1,206 | 8,045,451 | 8,046,657 |
| TOTAL NET POSITION | 2,634 | 25,748,884 | 25,751,518 |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION | \$ 2,634 | \$ 36,091,641 | \$ 36,094,275 |

See Accompanying Notes to Financial Statements.

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

| | | | Net (Expense) Revenue and Changes in Net Position | | | |
|-------------------------------------|--------------|-------------------------|------------------------------------------------------|----------------------------|-----------------------------|---------------|
| Functions/Programs | Expenses | Charges for Services | Capital Grants | Governmental Activities | Business-Type Activities | Total |
| Governmental activities | \$ 21,898 | \$ - | \$ - | \$ (21,898) | \$ - | \$ (21,898) |
| Business-type activities: | | | | | | |
| Electric | 6,585,639 | 7,072,815 | 1,655 | - | 488,831 | 488,831 |
| Water | 482,662 | 597,179 | - | - | 114,517 | 114,517 |
| Wastewater | 862,852 | 1,082,509 | - | - | 219,657 | 219,657 |
| Total business-type activities | \$ 7,931,153 | \$ 8,752,503 | \$ 1,655 | - | 823,005 | 823,005 |
| General revenues and expenses: | | | | | | |
| Property taxes | | | | 17,132 | - | 17,132 |
| Interest income | | | | 3 | 757,836 | 757,839 |
| Interest expense | | | | - | (348,116) | (348,116) |
| Gain on disposal of asset | | | | - | (15,561) | (15,561) |
| Miscellaneous income | | | | 1,099 | 296,512 | 297,611 |
| Total general revenues and expenses | | | | 18,234 | 690,671 | 708,905 |
| Change in Net Position | | | | (3,664) | 1,513,676 | 1,510,012 |
| Net Position, beginning of year | | | | 6,298 | 24,235,208 | 24,241,506 |
| Net Position, end of year | | | | \$ 2,634 | \$ 25,748,884 | \$ 25,751,518 |

See Accompanying Notes to Financial Statements.

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

| | <u>General Fund</u> | <u>Total Governmental Funds</u> |
|-------------------------------------------|-------------------------|-----------------------------------------|
| ASSETS | | |
| Cash | \$ 1,206 | \$ 1,206 |
| Restricted Cash | <u>1,428</u> | <u>1,428</u> |
| TOTAL ASSETS | <u><u>\$ 2,634</u></u> | <u><u>\$ 2,634</u></u> |
| FUND BALANCE | | |
| Restricted | \$ 1,428 | \$ 1,428 |
| Unassigned | <u>1,206</u> | <u>1,206</u> |
| TOTAL FUND BALANCE | <u><u>2,634</u></u> | <u><u>2,634</u></u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u><u>\$ 2,634</u></u> | <u><u>\$ 2,634</u></u> |

See Accompanying Notes to Financial Statements.

Village of Morrisville, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2017

| | <u>General Fund</u> | <u>Total Governmental Funds</u> |
|---------------------------------|-------------------------|-----------------------------------------|
| REVENUES | | |
| Property taxes | \$ 17,132 | \$ 17,132 |
| Miscellaneous | 1,099 | 1,099 |
| Interest | <u>3</u> | <u>3</u> |
| TOTAL REVENUES | 18,234 | 18,234 |
| EXPENDITURES | | |
| General government | <u>21,898</u> | <u>21,898</u> |
| NET CHANGE IN FUND BALANCE | (3,664) | (3,664) |
| FUND BALANCE, BEGINNING OF YEAR | <u>6,298</u> | <u>6,298</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$ 2,634</u></u> | <u><u>\$ 2,634</u></u> |

See Accompanying Notes to Financial Statements.

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

ASSETS AND DEFERRED OUTFLOWS

| | Enterprise Funds | | | Totals |
|-------------------------------------------------------|------------------|---------------|--------------------|---------------|
| | Electric Fund | Water Fund | Wastewater Fund | |
| <u>ASSETS</u> | | | | |
| CURRENT ASSETS: | | | | |
| Cash | \$ 1,844,505 | \$ 515,194 | \$ 943,746 | \$ 3,303,445 |
| Accounts receivable, net | 553,391 | 38,148 | 57,186 | 648,725 |
| Notes receivable | - | 61,106 | - | 61,106 |
| Other receivables | 202,964 | 1,179 | - | 204,143 |
| Unbilled revenues | 384,542 | 36,323 | 71,328 | 492,193 |
| Inventories | 241,565 | 28,732 | - | 270,297 |
| Prepaid expenses | 56,772 | 97 | 157 | 57,026 |
| Other current assets | 87,898 | - | - | 87,898 |
| TOTAL CURRENT ASSETS | 3,371,637 | 680,779 | 1,072,417 | 5,124,833 |
| NON-CURRENT ASSETS | | | | |
| Construction surcharge receivable | - | 13,434 | - | 13,434 |
| Restricted cash | 549,630 | - | - | 549,630 |
| Investments | 3,999,118 | - | - | 3,999,118 |
| Relicensing costs | 739,839 | - | - | 739,839 |
| Capital assets, net | 11,331,599 | 5,051,887 | 8,990,292 | 25,373,778 |
| TOTAL NON-CURRENT ASSETS | 16,620,186 | 5,065,321 | 8,990,292 | 30,675,799 |
| TOTAL ASSETS | 19,991,823 | 5,746,100 | 10,062,709 | 35,800,632 |
| DEFERRED OUTFLOWS OF RESOURCES | 253,670 | 21,163 | 16,176 | 291,009 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS | \$ 20,245,493 | \$ 5,767,263 | \$ 10,078,885 | \$ 36,091,641 |
| <u>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</u> | | | | |
| CURRENT LIABILITIES: | | | | |
| Accounts payable | \$ 453,235 | \$ 31,833 | \$ 12,764 | \$ 497,832 |
| Due to / (from) other funds | 136,607 | (3,242) | 2,333 | 135,698 |
| Accrued interest payable | 5,377 | 9,027 | 56,478 | 70,882 |
| Accrued expenses | 131,694 | - | - | 131,694 |
| Current portion bonds & notes payable | 223,399 | 137,863 | 161,586 | 522,848 |
| TOTAL CURRENT LIABILITIES | 950,312 | 175,481 | 233,161 | 1,358,954 |
| LONG-TERM LIABILITIES | | | | |
| Net pension liability | 394,248 | 35,930 | 25,772 | 455,950 |
| Bonds & notes payable | 2,170,984 | 1,992,867 | 4,193,767 | 8,357,618 |
| TOTAL LONG-TERM LIABILITIES | 2,565,232 | 2,028,797 | 4,219,539 | 8,813,568 |
| TOTAL LIABILITIES | 3,515,544 | 2,204,278 | 4,452,700 | 10,172,522 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| VMERS pension | 5,986 | 499 | 382 | 6,867 |
| Customer deposits | 149,553 | 8,591 | 5,224 | 163,368 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 155,539 | 9,090 | 5,606 | 170,235 |
| NET POSITION | | | | |
| Net invested in capital assets | 14,225,803 | 2,934,591 | 4,634,939 | 21,795,333 |
| Restricted | 661,977 | 31,284 | 516,860 | 1,210,121 |
| Unrestricted | 1,686,630 | 588,020 | 468,780 | 2,743,430 |
| TOTAL NET POSITION | 16,574,410 | 3,553,895 | 5,620,579 | 25,748,884 |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION | \$ 20,245,493 | \$ 5,767,263 | \$ 10,078,885 | \$ 36,091,641 |

See Accompanying Notes to Financial Statements.

Village of Morrisville, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN NET POSITION - PROPRIETARY FUNDS
 For the Year Ended December 31, 2017

| | Enterprise Funds | | | |
|----------------------------------------------|----------------------|---------------------|---------------------|----------------------|
| | Electric | Water | Wastewater | Total |
| OPERATING REVENUE | | | | |
| Charges for Services | \$ 6,940,009 | \$ 592,925 | \$ 1,079,527 | \$ 8,612,461 |
| Other Operating Revenue | <u>132,806</u> | <u>4,254</u> | <u>2,982</u> | <u>140,042</u> |
| TOTAL OPERATING REVENUE | <u>7,072,815</u> | <u>597,179</u> | <u>1,082,509</u> | <u>8,752,503</u> |
| OPERATING EXPENSES | | | | |
| Production | 4,123,799 | 70,064 | 416,660 | 4,610,523 |
| Transmission | 29,578 | - | - | 29,578 |
| Distribution | 441,361 | 82,375 | - | 523,736 |
| Customer Account Expenses | 294,255 | 20,856 | 32,901 | 348,012 |
| Administrative & General | 831,462 | 94,136 | 80,698 | 1,006,296 |
| Depreciation Expense | 539,626 | 191,206 | 332,593 | 1,063,425 |
| Taxes | <u>325,558</u> | <u>24,025</u> | <u>-</u> | <u>349,583</u> |
| TOTAL OPERATING EXPENSES | <u>6,585,639</u> | <u>482,662</u> | <u>862,852</u> | <u>7,931,153</u> |
| INCOME FROM OPERATIONS | <u>487,176</u> | <u>114,517</u> | <u>219,657</u> | <u>821,350</u> |
| NON-OPERATING REVENUE (EXPENSE) | | | | |
| Investment Income | 189,769 | - | - | 189,769 |
| Gain(Loss) on Disposal of Assets | 8,043 | (15,759) | (7,845) | (15,561) |
| Rental Income | - | 62,400 | - | 62,400 |
| Interest and Dividend Income | 750,290 | 4,676 | 2,870 | 757,836 |
| Grant Income | 1,655 | - | - | 1,655 |
| Interest Expense | (94,967) | (65,745) | (187,404) | (348,116) |
| Reserve Allocation Fees | <u>-</u> | <u>-</u> | <u>44,343</u> | <u>44,343</u> |
| TOTAL NON-OPERATING REVENUE (EXPENSE) | <u>854,790</u> | <u>(14,428)</u> | <u>(148,036)</u> | <u>692,326</u> |
| INCREASE IN NET POSITION | 1,341,966 | 100,089 | 71,621 | 1,513,676 |
| NET POSITION, BEGINNING OF YEAR | <u>15,232,444</u> | <u>3,453,806</u> | <u>5,548,958</u> | <u>24,235,208</u> |
| NET POSITION, END OF YEAR | <u>\$ 16,574,410</u> | <u>\$ 3,553,895</u> | <u>\$ 5,620,579</u> | <u>\$ 25,748,884</u> |

See Accompanying Notes to Financial Statements.

Village of Morrisville, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
 For the Year Ended December 31, 2017

| | Business-Type Activities | | | |
|-------------------------------------------------------------------------------|--------------------------|-------------------|-------------------|---------------------|
| | Electric | Water | Wastewater | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers | \$ 6,919,068 | \$ 577,064 | \$ 1,077,198 | \$ 8,573,330 |
| Cash payments to suppliers for purchased power, materials and services | (4,905,856) | (165,737) | (499,558) | (5,571,151) |
| Cash payments to employees | (974,615) | (79,056) | (60,429) | (1,114,100) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>1,038,597</u> | <u>332,271</u> | <u>517,211</u> | <u>1,888,079</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING AND NON-OPERATING ACTIVITIES | | | | |
| Receipts of other income | 189,769 | 46,640 | 44,343 | 280,752 |
| Change in due to/from other funds | 10,505 | (7,806) | (1,347) | 1,352 |
| NET CASH PROVIDED BY NON- CAPITAL FINANCING ACTIVITIES | <u>200,274</u> | <u>38,834</u> | <u>42,996</u> | <u>282,104</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisitions and construction of capital projects | (390,583) | (128,603) | (178,960) | (698,146) |
| Relicensing costs | (147,500) | - | - | (147,500) |
| Proceeds from sale | 21,000 | - | - | 21,000 |
| Proceeds from grants | 1,655 | - | - | 1,655 |
| Reserve Allocation Fees | - | - | 44,343 | 44,343 |
| Note receivable for land sale | - | 5,598 | - | 5,598 |
| Net change in restricted cash | 58,840 | - | - | 58,840 |
| Principal payments on long-term debt | (225,046) | (136,361) | (156,886) | (518,293) |
| Interest paid | (97,160) | (66,442) | (189,339) | (352,941) |
| NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(778,794)</u> | <u>(325,808)</u> | <u>(480,842)</u> | <u>(1,585,444)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchases of additional investments | (565,693) | - | - | (565,693) |
| Receipt of interest and dividends | 750,290 | 4,676 | 2,870 | 757,836 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>184,597</u> | <u>4,676</u> | <u>2,870</u> | <u>192,143</u> |
| NET INCREASE IN CASH | 644,674 | 49,973 | 82,235 | 776,882 |
| CASH - BEGINNING OF YEAR | <u>1,199,831</u> | <u>465,221</u> | <u>861,511</u> | <u>2,526,563</u> |
| CASH - END OF YEAR | <u>\$ 1,844,505</u> | <u>\$ 515,194</u> | <u>\$ 943,746</u> | <u>\$ 3,303,445</u> |

See Accompanying Notes to Financial Statements.

Village of Morrisville, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2017

| | Business-Type Activities | | | |
|---------------------------------------------------------------------------------------------------|--------------------------|-------------------|-------------------|---------------------|
| | Electric | Water | Wastewater | Total |
| Reconciliation of operating income (loss) to net cash Provided (used) by operating activities | | | | |
| Operating income | \$ 487,176 | \$ 114,517 | \$ 219,657 | \$ 821,350 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Depreciation | 539,626 | 191,206 | 332,593 | 1,063,425 |
| Gain/(Loss) on Disposal of Assets | 8,043 | 15,759 | (7,845) | 15,957 |
| (Increase)Decrease in: | | | | |
| Receivables, net | (124,207) | (6,906) | (3,220) | (134,333) |
| Unbilled revenues | (25,933) | (919) | (2,572) | (29,424) |
| Inventories | (1,695) | (2,087) | - | (3,782) |
| Prepaid expenses | 343 | (97) | (157) | 89 |
| Other current assets | (257) | - | - | (257) |
| Construction surcharge receivable | - | (13,434) | - | (13,434) |
| Deferred outflows | (107,136) | (7,966) | (7,330) | (122,432) |
| Increase(Decrease) in: | | | | |
| Accounts payable | 133,925 | 30,913 | (25,142) | 139,696 |
| Accrued expenses | (28,371) | - | - | (28,371) |
| Deferred inflows | (2,563) | (2,563) | (134) | (5,260) |
| Net pension liability | 163,253 | 12,704 | 10,880 | 186,837 |
| Customer deposits | (3,607) | 1,144 | 481 | (1,982) |
| Net cash provided by operating activities | <u>\$ 1,038,597</u> | <u>\$ 332,271</u> | <u>\$ 517,211</u> | <u>\$ 1,888,079</u> |

See Accompanying Notes to Financial Statements.

Village of Morrisville, Vermont
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
December 31, 2017

| | <u>Amy Wade Trust Fund</u> |
|-----------------------------------------|--------------------------------|
| <u>ASSETS</u> | |
| Due from other funds | <u>\$ 135,698</u> |
| TOTAL ASSETS | <u>\$ 135,698</u> |
| <u>LIABILITIES AND NET POSITION</u> | |
| NET POSITION | <u>\$ 135,698</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 135,698</u> |

See Accompanying Notes to Financial Statements.

Village of Morrisville, Vermont
 FUND FINANCIAL STATEMENTS
 STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
 For the Year Ended December 31, 2017

| | <u>Amy Wade Trust Fund</u> |
|---------------------------------|--------------------------------|
| ADDITIONS | |
| Investment income | \$ 1,102 |
| Donations | <u>250</u> |
| TOTAL ADDITIONS | <u>1,352</u> |
| CHANGE IN NET POSITION | 1,352 |
| NET POSITION, BEGINNING OF YEAR | <u>134,346</u> |
| NET POSITION, END OF YEAR | <u><u>\$ 135,698</u></u> |

See Accompanying Notes to Financial Statements.

Village of Morrisville, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Morrisville, Vermont was incorporated in 1888 under the laws of the State of Vermont. The Village uses the Trustee-Treasurer form of government and provides the following services; electric, water, wastewater, and general administrative services. Public education services are provided by an independent Village School District.

The Electric Department of the Village of Morrisville, Vermont is subject to the regulatory authority of the Vermont Public Service Board (VPSB) and the Federal Energy Regulatory Commission (FERC), with respect to the Department's accounting records, rates, and operations. The accounting policies of the Department conform to accounting principles generally accepted in the United States of America, as applied to the case of regulated public utilities, and are in accordance with the accounting requirements and rate-making practices of the regulatory authority having jurisdiction.

A description of the significant accounting policies follows.

A. Reporting Entity

In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility.

The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Village is able to exercise oversight responsibilities.

B. Village-wide and Fund Financial Statements

The village-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on both the governmental and business-type activities of the Village. For the most part, the effect of inter-fund activity has been removed from these statements. Fiduciary funds are not included in the Village-Wide financial statements.

The statement of activities demonstrates the degree to which the direct expense of a given program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Village of Morrisville, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Village reports the electric fund, water fund and wastewater funds as major proprietary fund types.

Fiduciary funds consist of the Amy Wade Trust Fund to be used for the beautification of village streets and properties.

C. Measurement focus, basis of accounting, and financial statement presentation

The Village-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Village receives cash.

The Village's proprietary funds are accounted for using the economic resources measurement focus. Accordingly, these funds report all assets and liabilities on their balance sheets. These funds use the accrual basis of accounting. Revenues are recognized when they are earned and become measurable and expenses are recognized when incurred, if measurable. The electric, water and wastewater funds bill for services on a monthly basis and accounts for that revenue when billed. This billing method does not capture all amounts receivable by the Village at the end of each fiscal year. The unbilled amounts for usage from the last billing period to the end of the year are accrued in the Electric Department. Unbilled revenues are not significant for the Water and Wastewater Funds.

The Village's proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the Village's electric, water and wastewater fund consists of charges for services (including connection fees) and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

Village of Morrisville, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The expendable trust fund is accounted for in essentially the same manner as the governmental funds, using the same measurement focus and basis of accounting. The nonexpendable trust funds are accounted for in essentially the same manner as the proprietary funds.

D. Budgetary Accounting

The Village approves the budget for the general fund at the annual Village meeting. The tax rate is determined by the trustees, based on the budget, other appropriations and the amount of the grand list. Formal budgetary accounting is employed as a management control device during the year for the general fund.

E. Estimated unbilled revenues

The Village records in the electric, water, and sewer fund, an estimate of unbilled revenues for services rendered through the end of the year.

F. Inventories

Inventories, composed of various parts used in the utility systems, are stated at the lower of cost or market using the average cost method.

G. Cash

The cash deposits in the Village's accounts as of December 31, 2017 consisted of the following:

| | Book Balance | Bank Balance |
|---------------------------------------------|-----------------|-----------------|
| Insured (FDIC) | \$ 263,123 | \$ 263,123 |
| Loan offset | 1,567,545 | 1,567,545 |
| Collateralized by securities in bank's name | 2,025,041 | 2,212,273 |
| TOTAL | \$ 3,855,709 | \$ 4,042,941 |

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

H. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Village of Morrisville, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|-------------------------|---------|
| Buildings | 30 – 50 |
| Infrastructure | 30 – 50 |
| Water and Sewer System | 30 – 50 |
| Machinery and Equipment | 3 – 10 |

The Village has elected to report infrastructure prospectively as allowed under GASB 34. Therefore, infrastructure only includes expenditures capitalized beginning January 1, 2003.

I. Investment

The Village owns 1,870 shares of Class B common stock, 369 shares of Class C common and 1,004 shares of Class C preferred stock in the Vermont Electric Power Company. The investment is accounted for at cost less annual return of capital payments received. The cost at December 31, 2017 is \$221,130.

The Village owns 132,638 Class A units and 168,813 Class B units in Vermont Transco, LLC recorded at a cost of \$3,014,510. The Village also owns 76,347 units in Vermont Transco, LLC which are held by VPPSA for the benefit of the Village and recorded at a cost of \$763,478.

The Village’s investment policy is to invest primarily in cash and CD’s. Other investments are used only for investments related to purchased power cost.

J. Fund equity

In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts that can be spent only for specific purposes because of laws, regulations or externally imposed conditions by grantors or creditors.

Unassigned – All amounts not included in any other classification

When both restricted and unassigned resources are available for use, it is the Village’s policy to use restricted resources first, then unassigned resources as needed.

K. Interfund charges

The Electric Department shares common personnel, office facilities and equipment with the Water and Wastewater Departments. Management represents that the costs shared with these departments are reasonable. Shared costs are billed and paid within normal payment cycles.

Village of Morrisville, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. Compensated Absences

Village employees are entitled to vacation leave based upon the length of employment. Earned, but unused, vacation leave is paid upon retirement or termination of employment. Vacation amounting to \$26,923 has been accrued as of December 31, 2017.

N. Property Taxes

Property taxes are due in one installment to the Treasurer on or before November 15th.

NOTE 2 INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual Fund Interfund Receivable and Payable balances are as follows at December 31, 2017:

| | Interfund Receivables | Interfund Payables |
|-----------------|--------------------------|-----------------------|
| Trust Fund | \$ 135,698 | \$ - |
| Electric Fund | - | 136,607 |
| Water Fund | - | (3,242) |
| Wastewater Fund | - | 2,333 |
| TOTAL | \$ 135,698 | \$ 135,698 |

The Village generally maintains one cash account in the Electric Fund to pay expenditures and receive payments for efficiency. All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) repayments between funds are made.

Village of Morrisville, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 CAPITAL ASSETS

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

| Business-type activities: | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|----------------------------------------------|------------------------------|------------------|------------------|---------------------------|
| Electric Fund: | | | | |
| Capital assets, not being depreciated | | | | |
| Land and land rights | \$ 552,371 | \$ - | \$ - | \$ 552,371 |
| Property held for sale | 86,712 | - | - | 86,712 |
| License fees | 18,394 | - | - | 18,394 |
| Construction in progress | <u>212,382</u> | <u>505,600</u> | <u>(466,269)</u> | <u>251,713</u> |
| Total capital assets, not being depreciated | <u>869,859</u> | <u>505,600</u> | <u>(466,269)</u> | <u>909,190</u> |
| Capital assets, being depreciated | | | | |
| Hydro production plant | 8,481,186 | 50,521 | (7,041) | 8,524,666 |
| Transmission plant | 3,253,333 | 34,320 | (9,875) | 3,277,778 |
| Distribution plant | 9,012,363 | 168,839 | (73,808) | 9,107,394 |
| General plant | <u>2,114,341</u> | <u>101,231</u> | <u>(34,249)</u> | <u>2,181,323</u> |
| Total capital assets, being depreciated | 22,861,223 | 354,911 | (124,973) | 23,091,161 |
| Accumulated depreciation for capital assets | <u>(12,229,442)</u> | <u>(539,626)</u> | <u>100,316</u> | <u>(12,668,752)</u> |
| Total capital assets, being depreciated, net | <u>10,631,781</u> | <u>(184,715)</u> | <u>(24,657)</u> | <u>10,422,409</u> |
| Electric fund, capital assets, net | <u>11,501,640</u> | <u>320,885</u> | <u>(490,926)</u> | <u>11,331,599</u> |
| Water Fund: | | | | |
| Capital assets, not being depreciated | | | | |
| Land and land rights | 779,290 | - | - | 779,290 |
| Construction in progress | <u>77,234</u> | <u>161,812</u> | <u>(205,018)</u> | <u>34,028</u> |
| Total capital assets, not being depreciated | <u>856,524</u> | <u>161,812</u> | <u>(205,018)</u> | <u>813,318</u> |

Village of Morrisville, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 CAPITAL ASSETS (continued)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|------------------------------------------------------|-----------------------------|--------------------------|----------------------------|----------------------------|
| Capital assets, being depreciated | | | | |
| Utility plant | 869,121 | 81,401 | (66,477) | 884,045 |
| Water system and lines | <u>6,320,123</u> | <u>94,538</u> | <u>(2,216)</u> | <u>6,412,445</u> |
| Total capital assets, being depreciated | <u>7,189,244</u> | <u>175,939</u> | <u>(68,693)</u> | <u>7,296,490</u> |
| Accumulated depreciation for capital assets | <u>(2,917,914)</u> | <u>(191,206)</u> | <u>51,199</u> | <u>(3,057,921)</u> |
| Total capital assets, being depreciated, net | <u>4,271,330</u> | <u>(15,267)</u> | <u>(17,494)</u> | <u>4,238,569</u> |
| Water fund, capital assets, net | <u>5,127,854</u> | <u>146,545</u> | <u>(222,512)</u> | <u>5,051,887</u> |
| Wastewater Fund: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | 2,987 | - | - | 2,987 |
| Construction in progress | <u>-</u> | <u>167,412</u> | <u>(167,412)</u> | <u>-</u> |
| Total capital assets, not being depreciated | <u>2,987</u> | <u>167,412</u> | <u>(167,412)</u> | <u>2,987</u> |
| Capital assets, being depreciated | | | | |
| Treatment plant | 8,438,531 | 64,469 | (9,468) | 8,493,532 |
| Collection system | 4,583,744 | 102,585 | - | 4,686,329 |
| Force mains | <u>48,929</u> | <u>-</u> | <u>-</u> | <u>48,929</u> |
| Total capital assets, being depreciated | <u>13,071,204</u> | <u>167,054</u> | <u>(9,468)</u> | <u>13,228,790</u> |
| Accumulated depreciation for capital assets | <u>(3,910,515)</u> | <u>(332,593)</u> | <u>1,623</u> | <u>(4,241,485)</u> |
| Total capital assets, being depreciated, net | <u>9,160,689</u> | <u>(165,539)</u> | <u>(7,845)</u> | <u>8,987,305</u> |
| Wastewater fund, capital assets, net | <u>9,163,676</u> | <u>1,873</u> | <u>(175,257)</u> | <u>8,990,292</u> |
| Business-type Activities, Capital Assets, Net | <u><u>\$ 25,793,170</u></u> | <u><u>\$ 469,303</u></u> | <u><u>\$ (888,695)</u></u> | <u><u>\$25,373,778</u></u> |

Village of Morrisville, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

| | |
|---------------------------------|---------------------|
| Business-type Activities: | |
| Electric | \$ 539,626 |
| Water | 191,206 |
| Wastewater | <u>332,593</u> |
| Total Business-type Activities: | <u>\$ 1,063,425</u> |

NOTE 4 LONG-TERM DEBT

Long-term debt consists of the following at December 31, 2017:

| Business-type activities: | Balance 12/31/16 | Additions | Principal Repayments | Balance 12/31/17 | Current Portion |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------|-------------------------|---------------------|--------------------|
| Electric Fund: | | | | | |
| Various interest rates Series 1 Vermont municipal bond, payable to the Bank of NY, requiring annual principal repayments ranging from \$60,000 to \$65,000 plus interest through 2025 | | | | | |
| | \$ 540,000 | \$ - | \$ (60,000) | \$ 480,000 | \$ 60,000 |
| 4.25% municipal note payable to Union Bank monthly payments of \$15,480 including interest, due December 1, 2032. Effective January 3, 2013, the monthly principal and interest payment will be \$4,671 extending the due date to January 1, 2033 | | | | | |
| | 653,668 | - | (31,797) | 621,871 | 30,150 |
| Various interest rates Series 1 Vermont municipal bond, payable to the Bank of NY, requiring annual repayments ranging from \$127,919 to \$133,249 plus interest through 2027 | | | | | |
| | <u>1,425,761</u> | <u>-</u> | <u>(133,249)</u> | <u>1,292,512</u> | <u>133,249</u> |
| TOTAL ELECTRIC FUND | | | | | |
| LONG-TERM DEBT | <u>\$ 2,619,429</u> | <u>\$ -</u> | <u>\$ (225,046)</u> | <u>\$2,394,383</u> | <u>\$ 223,399</u> |

Village of Morrisville, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 LONG-TERM DEBT (continued)

| | Balance 12/31/16 | Additions | Principal Repayments | Balance 12/31/17 | Current Portion |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------|----------------------------|---------------------------|--------------------------|
| Water Fund: | | | | | |
| 4.25% mortgage payable to Union Bank, monthly payments of \$4,195 including interest, due November 2, 2029 | \$ 553,411 | \$ - | \$ (27,413) | \$ 525,998 | \$ 28,424 |
| 4.25% system improvement bond, payable to the US Dept of Agriculture, requiring semi-annual payments of \$11,897 including interest, beginning 3/1/2010 through 9/1/2039 | 347,186 | - | (9,151) | 338,035 | 9,533 |
| Construction loan with the Vermont municipal bond bank, project is incomplete, to date all funds are not fully drawn, interest will be payable at (-3%), due November 2041 | 367,446 | - | (20,681) | 346,765 | 20,060 |
| 2.85% note payable to Union Bank, annual payments of \$19,886 including interest, beginning 07/1/2015 through 07/1/2034. | 276,662 | - | (11,603) | 265,059 | 12,333 |
| Various interest rates Series 1 Vermont municipal bond, payable to the Bank of NY, requiring annual principal repayments ranging from \$64,812 to \$67,513 plus interest through 2027. | <u>722,386</u> | <u>-</u> | <u>(67,513)</u> | <u>654,873</u> | <u>67,513</u> |
| TOTAL WATER FUND LONG-TERM DEBT | <u>\$ 2,267,091</u> | <u>\$ -</u> | <u>\$ (136,361)</u> | <u>\$2,130,730</u> | <u>\$ 137,863</u> |

Village of Morrisville, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 LONG-TERM DEBT (continued)

| | Balance 12/31/16 | Additions | Principal Repayments | Balance 12/31/17 | Current Portion |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------|----------------------------|---------------------------|--------------------------|
| Wastewater Fund: | | | | | |
| 4.25% system improvement bond, payable to the US Dept of Agriculture, requiring semi-annual payments of \$131,141 including interest, beginning 3/1/2010 through 9/1/2039 | \$ 3,824,000 | \$ - | \$ (100,879) | \$3,723,121 | \$ 105,153 |
| Various interest rates Series 1 Vermont municipal bond, payable to the Bank of NY, requiring annual principal repayments ranging from \$47,269 to \$49,239 plus interest through 2027. | 526,853 | - | (49,239) | 477,614 | 49,239 |
| 2.85% note payable to Union Bank, annual payments of \$11,600 including interest, beginning 07/1/2015 through 07/1/2034. | 161,386 | - | (6,768) | 154,618 | 7,194 |
| TOTAL WASTEWATER FUND LONG-TERM DEBT | <u>\$ 4,512,239</u> | <u>\$ -</u> | <u>\$ (156,886)</u> | <u>\$4,355,353</u> | <u>\$ 161,586</u> |

The annual requirement to amortize all debts outstanding as of December 31, 2017 is as follows:

| | General Obligation Bonds | Notes Payable | Interest | Total |
|-----------|--------------------------------|----------------------------|---------------------------|-----------------------------|
| 2018 | \$ 444,747 | \$ 78,101 | \$ 361,401 | \$ 884,249 |
| 2019 | 449,072 | 81,196 | 339,847 | 870,115 |
| 2020 | 448,623 | 84,417 | 317,678 | 850,718 |
| 2021 | 448,417 | 87,768 | 293,688 | 829,873 |
| 2022 | 453,454 | 91,259 | 272,250 | 816,963 |
| 2023-2027 | 2,232,192 | 513,801 | 1,009,727 | 3,755,720 |
| 2028-2032 | 1,021,177 | 567,571 | 531,572 | 2,120,320 |
| 2033-2037 | 1,234,006 | 63,433 | 248,917 | 1,546,356 |
| 2038-2042 | 581,232 | - | 29,691 | 610,923 |
| | <u>\$7,312,920</u> | <u>\$ 1,567,546</u> | <u>\$3,404,771</u> | <u>\$ 12,285,237</u> |

Village of Morrisville, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 4 LONG-TERM DEBT (continued)

Bond Sinking Fund

The Vermont Municipal Bond Bank Agreement requires the Village to maintain a Bond Sinking Fund. At December 31, 2017, \$549,630 was in various Certificate of Deposits for this purpose. This is included in restricted cash.

NOTE 5 PURCHASED POWER

Village of Morrisville Water & Light Department (the Electric Department) is a member of the Vermont Public Power Supply Authority (“VPPSA”). The Electric Department pays a proportionate share of VPPSA’s operating costs and holds a seat on the VPPSA Board of Directors.

The Electric Department has entered into a Central Dispatch Agreement (CDA) with VPPSA for the economic dispatch of its generating sources. Under the CDA, the Electric Department authorizes VPPSA to act as its billing agent with regard to its generating sources and transmission providers. VPPSA continues to provide dispatch services to the Electric Department under the terms of the CDA between the Electric Department and VPPSA dated 8/9/2001.

In addition, the Electric Department is a participant in the Highgate Converter Project through which they receive transmission services. The Electric Department’s annual commitment for its participating share of the Highgate Converter Project is included in the Department’s purchased power costs.

The energy sold through the Electric Department is obtained from a combination of sources. While about 19% of the energy in 2017 was generated by the Electric Department’s internal hydro facilities, most is provided by other sources through power purchase contracts. A summary of the major power agreements as of December 31, 2017 follows:

In 2010 a statewide Hydro Quebec contract was negotiated and executed. In 2012, energy deliveries began to slowly phase in, and in 2015 they began ramping up as existing VJO schedules expired. Morrisville’s entitlements under the new contract are as follows:

| Time Period | Entitlement (kW) |
|----------------------------|------------------|
| Nov 1, 2012 – Oct 31, 2015 | 28 |
| Nov 1, 2015 – Oct 31, 2016 | 345 |
| Nov 1, 2016 – Oct 31, 2020 | 407 |
| Nov 1, 2020 – Oct 31, 2030 | 407 |
| Nov 1, 2030 – Oct 31, 2035 | 420 |
| Nov 1, 2035 – Oct 31, 2038 | 103 |

Village of Morrisville, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 PURCHASED POWER (continued)

Morrisville's hydroelectric facilities are located in Morrisville, Vermont. Two of the plants are located on the Lamoille River. Plant #2 is in the village area, and Cady's Falls is at the west end of Lake Lamoille. Both of these facilities are run-of-river. The third facility, H.K. Sanders, is at the Green River Reservoir and is a storage facility. There are strict water permits that mandate the amounts of water that flow through the Sanders and Cady's Falls units. Morrisville owns the facilities and utilizes all of the output from the three hydro plants.

The Electric Department has agreements with VPPSA to purchase a portion of the power produced by the McNeil wood-burning generating facility. The McNeil plant is located in Burlington, Vermont. The Department is committed to 2.64% of operating costs of the 54 MW McNeil plant through VPPSA's joint ownership share of the facility.

The Electric Department has an agreement with VPPSA to purchase 15.65% of a contract for the output of a landfill gas-fired generator located at the City of Fitchburg Landfill in Westminister, MA. In 2012, Morrisville began receiving energy, capacity, and renewable energy credits under the terms of this contract. Contracted delivery is for 3 MW firm delivery for the first five years, with up to 4.5 MW delivered on a unit contingent basis through the term of the contract.

The New York Power Authority ("NYPA") provides power to the utilities in Vermont under two contracts. The Electric Department's share of the first contract is an 11 kW entitlement to the Robert Moses Project (a.k.a St. Lawrence), expiring April 30, 2032. The Electric Department's share of the second contract has been a 511 kW entitlement to the Niagara Project. Effective September 1, 2007, the Niagara contract was renewed through September 1, 2025.

The Electric Department is required to purchase power from small power producers through the Vermont Electric Power Producers, Inc. ("VEPPI"), in accordance with PSB Rule #4.100. The Electric Department's share of VEPPI power through October 31, 2017 was 0.82%. Beginning November 1, 2017 until October 31, 2018 the Electric Department's share is 0.80%.

The Electric Department is also required to purchase power from small power producers through the Vermont Sustainably Priced Energy Development Standard Offer Program, in accordance with PSB Rule #4.300. The Electric Department's share of Standard Offer power through October 31, 2017 was 0.89%. Beginning November 1, 2017 until October 31, 2018 the Electric Department's share is 0.88 %.

The Electric Department has an agreement with VPPSA to purchase a portion of the power produced by Project 10, a peaking generating facility located in Swanton, Vermont. Under this agreement, the Electric Department is obligated for a share of the costs of the facility. The Electric Department's share of Project 10 benefits and costs is 9%.

Village of Morrisville, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 PURCHASED POWER (continued)

Under contract, the Electric Department purchases 0.352% of the power from the Massachusetts Municipal Wholesale Electric Company's ("MMWEC") 352 megawatt Stony Brook Intermediate Project. The facility is located in Central Massachusetts. This facility has the capability of generating electricity from either natural gas or fuel oil, while natural gas is the primary source of fuel. The Stony Brook owners completed construction of a gas pipeline extension which enables the facility to operate multiple units on natural gas. However, during the winter the facility's generation is a mix of natural gas and oil. This is due to the fact that natural gas is not fully available during winter peak periods. The units predominately generate on natural gas. The Electric Department has a contingency commitment to make debt service payments whether or not the units are operating.

In addition to the above resources, the Electric Department purchases system power from various other entities under short-term (5 year or less) agreements.

The percentage of energy (MWH) acquired from the above sources for the year ended December 31, 2017 was as follows:

| <u>Resource</u> | <u>mWh</u> | <u>Percent</u> | <u>Expiration</u> |
|------------------------------|-------------------|--------------------|-------------------|
| Fitchburg Waste Management | 5,549 | 11.18 % | 12/31/2031 |
| HQ US | 2,377 | 4.79 % | 10/31/2038 |
| Market Purchases | 901 | 1.82 % | Varies |
| McNeil | 7,039 | 14.19 % | Life of Unit |
| NYPA - Niagara | 3,823 | 7.70 % | 9/1/2025 |
| NYPA - St. Lawrence | 95 | 0.19 % | 4/30/2032 |
| Planned Purchase 10 | 3,438 | 6.93 % | 12/31/2017 |
| Planned Purchase 12 | 2,529 | 5.10 % | 12/31/2018 |
| Planned Purchase 14 | 3,476 | 7.01 % | 12/31/2019 |
| Planned Purchase 8 | 7,202 | 14.52 % | 12/31/2017 |
| Project 10 | 53 | 0.11 % | Life of Unit |
| Ryegate | 1,443 | 2.91 % | 10/31/2021 |
| Standard Offer | 91 | 0.18 % | Varies |
| Standard Offer Load Reducers | 836 | 1.69 % | Varies |
| Stonybrook | 346 | 0.70 % | Life of Unit |
| VEPPI | <u>1,182</u> | <u>2.38 %</u> | Varies |
| Subtotal Resources | <u>40,380</u> | <u>81.39 %</u> | |

Village of Morrisville, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 5 PURCHASED POWER (continued)

| <u>Resource</u> | <u>mWh</u> | <u>Percent</u> | <u>Expiration</u> |
|-------------------------------|----------------------|------------------------|-------------------|
| Internal | | | |
| Morrisville Cadys Falls Hydro | 2,168 | 4.37 % | |
| Morrisville Plant 2 | 5,807 | 11.70 % | |
| Morrisville Sanders Hydro | <u>1,260</u> | <u>2.54 %</u> | |
| Subtotal Internal | <u>9,235</u> | <u>18.61 %</u> | |
| Total Resources Available | <u><u>49,615</u></u> | <u><u>100.00 %</u></u> | |

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

TOTAL SUPPLY COSTS

| | |
|------------------------------|-------------------------|
| Fitchburg Waste Management | \$ 521,479 |
| HQ US | 121,657 |
| Market Purchases | 33,592 |
| McNeil | 474,747 |
| NYPA - Niagara | 93,830 |
| NYPA - St. Lawrence | 2,445 |
| Planned Purchase 10 | 162,274 |
| Planned Purchase 12 | 116,389 |
| Planned Purchase 14 | 144,249 |
| Planned Purchase 8 | 444,490 |
| Project 10 | 329,171 |
| Ryagate | 143,806 |
| Standard Offer | 16,658 |
| Standard Offer Load Reducers | 182,624 |
| Stonybrook | 60,542 |
| VEPPI | 128,052 |
| Seabrook | <u>115,298</u> |
| Subtotal Power Supply | <u><u>3,091,303</u></u> |

Village of Morrisville, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 PURCHASED POWER (continued)

TRANSMISSION COSTS

| | |
|----------------------------------|------------------|
| Highgate PTF Credit | (25,703) |
| Highgate Transmission | 28,478 |
| LCSF Fixed Charge | 230,000 |
| LCSF Equity Overbuy Return | 289,996 |
| Nepool/ISO Transmission | 770,118 |
| Phase 1 | 2,609 |
| Velco '91 | 59,101 |
| VELCO - Substation Participation | 13,490 |
| Subtotal Transmission | <u>1,368,089</u> |

VPPSA AND OTHER COSTS

| | |
|-----------------------------------------|------------------|
| Resource Settlement Credits | (3,009,606) |
| Load Settlement Charges | 1,680,467 |
| Other Load and Market Charges/(Credits) | 780,915 |
| HQ Participant Charges | 1,735 |
| ISO Sched I,II,III | 51,619 |
| Renewable Energy Credits | (55,426) |
| RES Requirements | 5,721 |
| VELCO Services | 857 |
| ISO Misc | (994) |
| Misc Resettlements | 168 |
| VPPSA CDA Fee | 77,021 |
| Subtotal VPPSA and Other | <u>(467,523)</u> |

TOTAL POWER SUPPLY AND TRANSMISSION \$ 3,991,869

Morrisville has elected to participate the purchase of energy for delivery beginning in January 2018 from Seabrook Nuclear Power Plant in Seabrook, NH. The expected energy delivered from this contract which begins delivery on January 1, 2018 and is not reflected in the 2017 Power Supply Audit Note is summarized in the table below:

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------------|-----------|-----------|-----------|-----------|-----------|
| On-Peak kWh | 2,358,245 | 2,358,245 | 2,370,375 | 2,367,505 | 2,358,257 |
| Off-Peak kWh | 1,797,117 | 1,787,117 | 1,789,058 | 1,790,965 | 1,797,109 |
| Total kWh | 4,155,362 | 4,145,362 | 4,159,433 | 4,158,470 | 4,155,366 |

Morrisville has also elected to participate in the 20-year purchase of unit contingent energy and capacity from six hydro facilities located in New England owned by KEI (Maine) Power Management. Morrisville is expected to receive around 3,144,000 kWh annually from these plants, beginning January 2018.

Village of Morrisville, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 PURCHASED POWER (continued)

For many years, VELCO offered stock to the Vermont distribution companies when it undertook a financing. The distribution companies were encouraged to acquire VELCO stock for several reasons. First, the FERC-approved dividend rate substantially exceeds the cost of money used to purchase the stock. Second, as shareholders of VELCO, the municipalities have a voice in the operation of VELCO through the “municipal representative” director who has historically been elected to the VELCO Board. Finally, if each of VELCO’s Vermont customers own its’ load ratio share of stock, then VELCO and its customers can avoid disputes at FERC over the rate of return on equity of VELCO. In 2006, VELCO created Vt. Transco, a Limited Liability Company. Whereas VELCO previously offered stock, all future financings would be funded by the offer of membership units in Vt. Transco, LLC.

In 2007, Vt. Transco, LLC offered \$113.5 Million of equity in the form of membership units to the Vermont Distribution companies. At the time of the offer, each member had the opportunity to purchase Transco units. As an alternative to purchasing the equity itself, a member of the Vermont Public Power Supply Authority (“VPPSA”) had the authority to elect to have VPPSA acquire the units as allowed by the Vt. Transco, LLC operating agreement and a separate TRANSCO equity agreement between the member and VPPSA. The latter agreement does not eliminate the municipality’s right to purchase equity in Vt. Transco; it simply provides the option to have VPPSA purchase the units for the benefit of the member and defines the terms should it be advantageous to do so. The Village of Morrisville opted to purchase 30,140 Class A units and 38,360 Class B units itself. The remaining units available were purchased by VPPSA. During 2010 VPPSA purchased an additional \$394,220 of these units for the benefit of the Village of Morrisville, Vermont. In January 2013, VPPSA purchased additional Vermont Transco, LLC equity units on behalf of the Village. The total cost was \$400,180. These units were purchased from VPPSA by the Village in 2014.

During 2014, the Village also purchased additional Vermont Transco, LLC \$494,100 equity units. This amount represents units valued at \$253,500 that were previously assigned to VELCO in 2013 and units valued at \$240,600 that were offered to the Village in 2014.

During 2016, the Village purchased additional Vermont Transco, LLC \$431,840 equity units.

During 2017, the Village purchased additional Vermont Transco, LLC \$416,300 equity units.

The remaining units are owned by VPPSA, the associated debt is an obligation of VPPSA and VPPSA will receive the distributions related to the units. However, as outlined in the Transco Equity Agreement and further recognized by the Vt. Public Service Board in Docket 7340, the Village of Morrisville, Vermont will receive all the benefits of the units related to their load share. The distributions received by VPPSA related to these units shall be used first, to cover VPPSA’s debt service costs related to those units, and second, all net earnings from the investment will be recorded as investment income. In addition, as principal is paid on this debt, the member will record an investment in others with an offsetting credit to miscellaneous income. The balance at December 31, 2017 is \$763,478.

Village of Morrisville, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 6 RESTRICTED NET POSITION

Net Position is restricted at December 31, 2017 as follows:

| | |
|-----------------------------------------|---------------------|
| Electric Fund: | |
| Vehicle replacement | \$ 112,347 |
| Bond sinking fund | <u>549,630</u> |
| Total Electric Fund | <u>661,977</u> |
| Water Fund - Vehicle replacement | <u>31,284</u> |
| Wastewater Fund - Sewer allocation fees | <u>516,860</u> |
| | <u>\$ 1,210,121</u> |
| General Fund: | |
| Village projects | <u>\$ 1,428</u> |

NOTE 7 COMMITMENTS

On December 19, 2014, the Village entered into an operation and maintenance agreement for Wastewater Treatment Facilities with a third party to operate and maintain the Wastewater Treatment Facility through 2019. The terms of the agreement may be automatically extended for additional consecutive five-year terms. Under the terms of the new agreement, \$18,095 per month is due with annual increases based on CPI each year at January 1st. The rate for 2017 was \$18,421. The rate will increase in 2018 to \$18,881.

NOTE 8 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 the electric department with a fixed cap on its share of the specific facility project cost, requires VPPSA to purchase and hold for ten years \$4,634,000 of VT Transco, LLC equity, and eliminates VPPSA 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 debt service requirements on the equity loan will be contributed to the project cost. The order requires the equity to be repurchased from VPPSA, 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 the electric department for the specific facility cost will be \$230,000 for the ten year period.

Village of Morrisville, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 9 RETIREMENT - VMERS

Information Required Under GASB Statement No. 68

Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions requires employers participating in a cost-sharing, multiple-employer defined benefit pension plan to recognize their proportional share of total pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The schedules below have been prepared to provide Village of Morrisville, Vermont's proportional share of the overall amounts of the VMERS plan. Village of Morrisville, Vermont's portion has been allocated based on Village of Morrisville, Vermont's proportional share of employer contributions to the total contributions to VMERS during the fiscal year.

Reporting Date, Measurement Date, and Valuation Date

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the Village of Morrisville, Vermont's reporting date (December 31st) and for the Village of Morrisville, Vermont's reporting period December 31, 2017. These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of December 31, 2017, the State has chosen to use the end of the prior fiscal year (June 30, 2016) as the measurement date, and the year ended June 30, 2016 as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2015, to the measurement date of June 30, 2016.

Schedule A – Employers' Allocation as of June 30, 2015

| Fiscal Year Ended June 30, 2015 | | | | |
|---------------------------------|---------------------|-------------------------|-----------------------------|-----------------------|
| Employer Contributions | Employer Proportion | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| \$ 49,142 | 0.35155% | \$ 2,155,018 | \$ 1,883,985 | \$ 271,033 |

| Fiscal Year Ended June 30, 2015 | | | |
|---------------------------------|------------------------|--------------------------------------------------------|--------------------------------------------------------|
| Total Deferred Outflows | Total Deferred Inflows | Net Pension Liability 1% Decrease (7.15% Disc Rate) | Net Pension Liability 1% Decrease (9.15% Disc Rate) |
| \$ 114,905 | \$ (9,835) | \$ 541,370 | \$ 44,413 |

Village of Morrisville, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 9 RETIREMENT - VMERS (continued)

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

| Fiscal Year Ended June 30, 2016 | | | | |
|---------------------------------|---------------------|-------------------------|-----------------------------|-----------------------|
| Employer Contributions | Employer Proportion | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| \$ 54,030 | 35.55000% | \$ 2,402,129 | \$ 1,944,619 | \$ 457,510 |

| Fiscal Year Ended June 30, 2016 | | | |
|---------------------------------|------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Total Deferred Outflows | Total Deferred Inflows | Net Pension Liability 1% Decrease (6.95% Disc Rate) | Net Pension Liability 1% Decrease (8.95% Disc Rate) |
| \$ 232,534 | \$ (6,867) | \$ 759,513 | \$ 204,645 |

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

| Deferred Outflows of Resources | | | | | | | |
|--------------------------------|-----------------------|---------------------------------------------------|------------------------|---------------------|-------------------------------------------------------------|-----------------------------------------------------------------------------------------|-------------------------|
| Employer Proportion | Net Pension Liability | Difference Between Expected and Actual Experience | Changes in Assumptions | Changes in Benefits | Difference Between Projected and Actual Investment Earnings | Changes in Proportional Share of Contributions and Proportionate Share of Contributions | Total Deferred Outflows |
| 35.55000% | \$ 457,510 | \$ 9,399 | \$ 73,475 | \$ - | \$ 148,347 | \$ 1,314 | \$ 232,534 |

| Deferred Inflows of Resources | | | | | |
|---------------------------------------------------|------------------------|---------------------|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|------------------------|
| Difference Between Expected and Actual Experience | Changes in Assumptions | Changes in Benefits | Difference Between Projected and Actual Investment Earnings | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Inflows |
| \$ - | \$ - | \$ - | \$ - | \$ (6,867) | \$ (6,867) |

Village of Morrisville, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 9 RETIREMENT – VMERS (continued)

| Pension Expense Recognized | | |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Proportionate Share of Pension Plan Expense | Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total |
| \$ 122,441 | \$ (2,530) | \$ 119,911 |

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

| Fiscal Year Ending June 30, | | | | | |
|-----------------------------|----------|----------|----------|------|------------|
| 2017 | 2018 | 2019 | 2020 | 2021 | Thereafter |
| \$57,674 | \$57,674 | \$84,723 | \$25,596 | \$ - | \$ - |

Schedule E – Contribution History for Fiscal Years 2014-2016

| FY 2016 | FY 2015 | FY 2014 |
|----------|----------|----------|
| \$47,058 | \$46,958 | \$47,058 |

The schedule of employer allocations and schedule of pension amounts by employer are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The schedules present amounts that are elements of the financial statements of the Vermont Municipal Employees’ Retirement System (VMERS) or its participating employers. VMERS does not issue stand-alone financial reports, but instead are included as part of the State of Vermont’s Comprehensive Annual Financial Report (CAFR). The CAFR can be viewed on the State’s Department of Finance & Management website at:

[http://finance.vermont.gov/reports and publications/cafr](http://finance.vermont.gov/reports_and_publications/cafr)

Plan Description

The Vermont Municipal Employees’ Retirement System is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution’s operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2016, the retirement system consisted of 441 participating employers.

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

Village of Morrisville, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 9 RETIREMENT - VMERS (continued)

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

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

Summary of System Provisions

Membership Full time employees of participating municipalities. Municipality elects coverage under Groups A, B, C or D provisions.

Creditable service Service as a member plus purchased service.

Average Final Compensation (AFC) Group A – average annual compensation during highest 5 consecutive years.

Groups B and C – average annual compensation during highest 3 consecutive years.

Group D – average annual compensation during highest 2 consecutive years.

Service Retirement Allowance

Eligibility Group A – The earlier of age 65 with 5 years of service or age 55 with 35 years of service.

Group B – The earlier of age 62 with 5 years of service or age 55 with 30 years of service.

Groups C and D – Age 55 with 5 years of service.

Amount Group A – 1.4% of AFC x service

Group B – 1.7% of AFC x service as Group B member plus percentage earned as Group A member x AFC

Group C – 2.5% of AFC x service as a Group C member plus percentage earned as a Group A or B member x AFC

Village of Morrisville, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 9 RETIREMENT - VMERS (continued)

Group D – 2.5% of AFC x service as a Group D member plus percentage earned as a Group A, B or C member x AFC

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

Early Retirement Allowance

Eligibility

Age 55 with 5 years of service for Groups A and B; age 50 with 20 years of service for Group D.

Amount

Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes Normal Retirement Age for Group A and B member, and payable without reduction to Group D members.

Vested Retirement Allowance

Eligibility

5 years of service.

Amount

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

Disability Retirement Allowance

Eligibility

5 years of service and disability as determined by Retirement Board.

Amount

Immediate allowance based on AFC and service to date of disability; children's benefit of 10% of AFC payable to up to three minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

Death Benefit

Eligibility

Death after 5 years of service.

Village of Morrisville, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 9 RETIREMENT - VMERS (continued)

| | |
|---------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Amount | For Groups A, B and C, reduced early retirement allowance under 100% survivor option commencing immediately or, if greater, survivor's benefit under disability annuity computed as a date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit. |
| Optional Benefit and Death after Retirement | For Groups A, B and C, lifetime allowance or actuarially equivalent 50% or 100% joint or survivor allowance with refund of contribution guarantee. For Group D, lifetime allowance or 70% contingent annuitant option with no reduction. |
| Refund of Contribution | Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions are refunded. |
| Post-Retirement Adjustments | Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in consumer price index but not more than 2% for Group A and 3% for Groups B, C and D. |
| Member Contributions | Group A – 2.5% Group B – 4.875% Group C – 10.00% Group D – 11.35% |
| Employer Contributions | Group A – 4.0% Group B – 5.5% Group C – 7.25% Group D – 9.85% |
| Retirement Stipend | \$25 per month payable at the option of the Board of retirees. |

Significant Actuarial Assumptions and Methods

Interest Rate: 7.95% per annum.

Salary Increases: 5% per year

Village of Morrisville, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 9 RETIREMENT - VMERS (continued)

Deaths:

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

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

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

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

Cost-of-Living Adjustments to Benefits of Terminated Vested and Retired Participants: Assumed to occur at the rate of 1.5% per annum for Group A members and 1.8% per annum for members of Groups B, C and D.

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

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

Note - For funding purposes - A smoothing method is used, under which the value of assets for actuarial purposes equals market value less a five-year phase-in of the differences between actual and assumed investment return. Then value of assets for actuarial purposes may not differ from the market value of assets by more than 20%. (Not for GASB 68)

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

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

Village of Morrisville, Vermont
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE 9 RETIREMENT - VMERS (continued)

Best estimates of arithmetic rates of return for each major asset class included in the target asset allocation as of June 30, 2016 are summarized in the following table:

| Asset Class | Target Asset Allocation |
|----------------|-------------------------|
| Equity | 8.54% |
| Fixed Income | 2.36% |
| Alternatives | 8.35% |
| Multi-strategy | 4.90% |

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

Discount rate

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

The following presents the net pension liability, calculated using the discount rate of 7.95%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower (6.95%) or one percent higher (8.95%):

| 1% Decrease (6.95%) | Discount Rate (7.95%) | 1% Increase (8.95%) |
|---------------------|-----------------------|---------------------|
| \$ 759,513 | \$ 457,510 | \$ 204,645 |

NOTE 10 NOTE RECEIVABLE

On May 19, 2016, the Village sold Land located on Trombley Hill. The Village financed part of the purchase price by signing a promissory note for \$70,000. Monthly principal and interest payments are due to the Village at 5% interest. Payments started on June 1, 2016. The balance due at December 31, 2017 was \$61,106.

NOTE 11 RELICENSING

The current hydro license expired in April 2015. Before FERC can re-issue the license, the State of Vermont Agency of Natural resources needs to issue a Water Quality Certificate. Village of Morrisville, Vermont is currently appealing conditions of the water quality certification. A trial is set for 2018 to appeal the conditions. The relicensing costs as of December 31, 2017 were \$739,839.

Village of Morrisville, Vermont
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 12 SUBSEQUENT EVENTS

In accordance with professional accounting standards, the Village has evaluated subsequent events through March 1, 2018, the date of which the financial statements were available to be issued. All subsequent events requiring recognition as of December 31, 2017, have been incorporated into these financial statements herein.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Morrisville, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For the Year Ended December 31, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|------------------------------------------------------------------------------|----------------------------|-------------------------|-----------------|-------------------|
| REVENUES | | | | |
| Property taxes | \$ 17,098 | \$ 17,098 | \$ 17,132 | \$ 34 |
| Miscellaneous | - | - | 1,099 | 1,099 |
| Interest | - | - | 3 | 3 |
| | <u>17,098</u> | <u>17,098</u> | <u>18,234</u> | <u>1,136</u> |
| TOTAL REVENUES | | | | |
| EXPENDITURES | | | | |
| General government | <u>17,098</u> | <u>17,098</u> | <u>21,898</u> | <u>(4,800)</u> |
| NET CHANGE IN FUND BALANCE | - | - | (3,664) | (3,664) |
| EXCESS OF REVENUES AND OTHER SOURCES UNDER EXPENDITURES AND OTHER USES | - | - | (3,664) | (3,664) |
| FUND BALANCE, BEGINNING OF YEAR | <u>-</u> | <u>-</u> | <u>6,298</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,634</u> | <u>\$ (3,664)</u> |

See Accompanying Notes to Financial Statements.

Village of Morrisville, Vermont
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 For the Year Ended December 31, 2017

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Village's proportion of the net pension liability (asset) | 0.3920 % | 0.3640 % | 0.3516 % | 0.3555 % |
| Village's proportionate share of the net pension liability (asset) | <u>\$ 142,729</u> | <u>\$ 33,224</u> | <u>\$ 271,033</u> | <u>\$ 457,510</u> |
| Village's covered-employee payroll | <u>\$ 970,246</u> | <u>\$ 893,312</u> | <u>\$ 938,305</u> | <u>\$ 975,854</u> |
| Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 14.71 % | 3.72 % | 28.89 % | 46.89 % |
| Plan fiduciary net position as a percentage of the total pension liability | 92.71 % | 98.32 % | 87.42 % | 80.95 % |

Significant Actuarial Assumptions and methods are described in Note 9 to the financial statements. There were no changes in methods or assumptions during the year ended December 31, 2017.

See Accompanying Notes to Financial Statements.

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

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Contractually Required Contributions (Actuarially Determined) | \$ 47,058 | \$ 46,958 | \$ 49,142 | \$ 54,030 |
| Contributions in Relation to the Actuarially Determined Contributions | <u>47,058</u> | <u>46,958</u> | <u>49,142</u> | <u>54,030</u> |
| Covered Employee Payroll | <u>\$ 970,246</u> | <u>\$ 893,312</u> | <u>\$ 938,305</u> | <u>\$ 975,854</u> |
| Contributions as a Percentage of Covered Employee Payroll | 4.85% | 5.26% | 5.24% | 5.54% |

Significant Actuarial Assumptions and methods are described in Note 9 to the financial statements. There were no changes in methods or assumptions during the year ended December 31, 2017.

See Accompanying Notes to Financial Statements.

OTHER SUPPLEMENTARY INFORMATION

Village of Morrisville, Vermont
OTHER SUPPLEMENTARY INFORMATION
SCHEDULES OF OPERATIONS, MAINTENANCE AND
GENERAL EXPENSES - ELECTRIC FUND
For the Year Ended December 31, 2017

| | <u>Operations</u> | <u>Maintenance</u> | <u>Total</u> |
|------------------------------|---------------------|--------------------|---------------------|
| PRODUCTION EXPENSES | | | |
| Station expenses: | | | |
| Supervision & engineering | \$ 10,759 | \$ - | \$ 10,759 |
| Hydro plant | 17,997 | - | 17,997 |
| Electric plant | 29,106 | - | 29,106 |
| Generation | 29,541 | - | 29,541 |
| Reservoirs and dams | - | 7,569 | 7,569 |
| Structures | - | 36,958 | 36,958 |
| | <u>87,403</u> | <u>44,527</u> | <u>131,930</u> |
| Total station expenses | | | |
| Purchased power | <u>3,991,869</u> | <u>-</u> | <u>3,991,869</u> |
| | | | |
| TOTAL PRODUCTION EXPENSES | <u>\$ 4,079,272</u> | <u>\$ 44,527</u> | <u>\$ 4,123,799</u> |
| TRANSMISSION EXPENSES | | | |
| Station | \$ 2,454 | \$ 9,305 | \$ 11,759 |
| Overhead lines | 10,213 | 5,073 | 15,286 |
| Miscellaneous | 702 | 1,831 | 2,533 |
| | <u>13,369</u> | <u>16,209</u> | <u>29,578</u> |
| TOTAL TRANSMISSION EXPENSES | <u>\$ 13,369</u> | <u>\$ 16,209</u> | <u>\$ 29,578</u> |
| DISTRIBUTION EXPENSES | | | |
| Supervision & engineering | \$ 31,441 | \$ 1,164 | \$ 32,605 |
| Station | 5,012 | 3,212 | 8,224 |
| Overhead lines | 6,952 | 267,309 | 274,261 |
| Underground lines | 383 | 1,446 | 1,829 |
| Transformers | - | 1,218 | 1,218 |
| Street lights | 3 | 5,443 | 5,446 |
| Meters | 53,875 | 897 | 54,772 |
| Miscellaneous | 36,375 | 26,631 | 63,006 |
| | <u>134,041</u> | <u>307,320</u> | <u>441,361</u> |
| TOTAL DISTRIBUTION EXPENSES | <u>\$ 134,041</u> | <u>\$ 307,320</u> | <u>\$ 441,361</u> |

Village of Morrisville, Vermont
OTHER SUPPLEMENTARY INFORMATION
SCHEDULES OF OPERATIONS, MAINTENANCE AND
GENERAL EXPENSES - ELECTRIC FUND
For the Year Ended December 31, 2017

| | <u>Operations</u> | <u>Maintenance</u> | <u>Total</u> |
|---------------------------------------------------|---------------------|--------------------|---------------------|
| CUSTOMER ACCOUNT EXPENSES | | | |
| Meter reading | \$ 79,841 | \$ - | \$ 79,841 |
| Customer records & collections | 171,584 | - | 171,584 |
| Uncollected accounts | 11,026 | - | 11,026 |
| Call center | <u>31,804</u> | <u>-</u> | <u>31,804</u> |
| | | | |
| TOTAL CUSTOMER ACCOUNT EXPENSES | <u>\$ 294,255</u> | <u>\$ -</u> | <u>\$ 294,255</u> |
| | | | |
| ADMINISTRATIVE & GENERAL EXPENSES | | | |
| Salaries | \$ 422,380 | \$ - | \$ 422,380 |
| Office supplies | 13,592 | - | 13,592 |
| Administrative expense transferred out | (102,179) | - | (102,179) |
| Outside services | 255,342 | - | 255,342 |
| Property insurance | 68,451 | - | 68,451 |
| Injuries and damages | 18,994 | - | 18,994 |
| Miscellaneous general expense | 51,552 | - | 51,552 |
| Rent | 62,400 | - | 62,400 |
| Maintenance of general plant | - | 35,723 | 35,723 |
| Regulatory commission | <u>5,207</u> | <u>-</u> | <u>5,207</u> |
| | | | |
| TOTAL ADMINISTRATIVE & GENERAL EXPENSES | <u>\$ 795,739</u> | <u>\$ 35,723</u> | <u>\$ 831,462</u> |
| | | | |
| TOTAL OPERATING, MAINTENANCE AND GENERAL EXPENSES | <u>\$ 5,316,676</u> | <u>\$ 403,779</u> | <u>\$ 5,720,455</u> |