

TOWN OF STOWE, VERMONT

AUDIT REPORT

JUNE 30, 2019

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stowe, Vermont, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Stowe, Vermont's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Fund, which is a major fund, and represents forty-five percent (45%), thirty-six percent (36%) and eighty percent (80%), respectfully, of the assets, net position and revenues of the business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric Fund, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. The financial statements of the Electric Fund were not audited in accordance with "Government Auditing Standards". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors dated January 18, 2020, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stowe, Vermont, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 12, the budgetary comparison information on Schedule 1, the Schedule of Proportionate Share of the Net Pension Liability on Schedule 2 and the Schedule of Contributions on Schedule 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

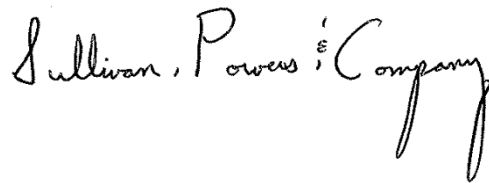
Other Information

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

Other Reporting Required by "Government Auditing Standards"

In accordance with "Government Auditing Standards", we have also issued our report dated January 27, 2020 on our consideration of the Town of Stowe, Vermont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Town of Stowe, Vermont's internal control over financial reporting and compliance.

January 27, 2020
Montpelier, Vermont
VT Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in dark ink and is positioned to the right of the date and address information.

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Our discussion and analysis of the Town of Stowe, Vermont's financial performance provides an overview of the Town's financial activities for the fiscal year ending June 30, 2019. The Town of Stowe Electric Fund has been audited separately as of and for the year ended June 30, 2019 and is incorporated into this report. Their financial statements are included in the Town Report.

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

Financial Highlights

Government-Wide (Exhibits A and B)

- The Town's assets exceeded liabilities on June 30, 2019 by \$62,803,674 (Total Net Position). Of this amount, \$27,584,233 represents governmental activities and \$35,219,441 represents our water, sewer and electric departments (business-type activities). Of these amounts, \$1,309,265 of governmental activities funds and \$9,888,053 of business type activities funds are unrestricted net position and may be used to meet the Town's future obligations.
- The net position of governmental activities increased by \$2,001,551 in FY 19. The increase is due mainly to the addition of capital assets above depreciation and a reduction to long term debt through principal payment. The Business-Type activities increased their net position by \$4,581,761, with contributions by Water \$1,007,113, Sewer \$190,813 and \$3,383,835 by Electric.

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

- The General Fund balance increased \$156,870. The General Fund balance at the end of FY 19 was \$1,079,866, of which \$511,187 being either nonspendable, restricted or assigned and not available for current expenditures, leaving an unassigned surplus of \$568,679.
- The Capital Fund balance increased by \$5,203,849 in FY 19. The total amount in this fund at year-end was \$6,414,196 of which \$1,118,423 is committed for future projects, \$5,260,653 is restricted for current project and \$35,120 is assigned for current projects.
- The Water Fund ended the fiscal year with a net position balance of \$7,491,425 an increase of \$1,007,113.
- The Sewer Fund ended the fiscal year with a net position balance of \$14,892,796, an increase of \$190,813.
- The Electric Fund ended the fiscal year with a net position balance of \$12,835,220 an increase of \$3,383,835.

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Overview of the Town's Financial Statements

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

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

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

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

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

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

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

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

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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

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

	Governmental Activities		Business Type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Assets						
Current & Other Assets	11,613,740	5,174,447	17,989,911	34,992,667	29,603,651	40,167,114
Capital Assets	34,702,980	32,176,621	37,975,019	37,023,214	72,677,999	69,199,835
Total Assets	46,316,720	37,351,068	55,964,930	72,015,881	102,281,650	109,366,949
Deferred Outflows of Resources	805,056	826,460	59,016	56,227	864,072	882,687
Liabilities						
Current Liabilities	1,451,975	651,440	1,798,171	2,231,079	3,250,146	2,882,519
Long Term Liabilities	18,027,522	11,871,298	18,933,627	39,039,862	36,961,149	50,911,160
Total Liabilities	19,479,497	12,522,738	20,731,798	41,270,941	40,211,295	53,793,679
Deferred Inflows of Resources	58,046	72,108	72,707	163,487	130,753	235,595
Net Position						
Invested in Capital Assets Net of Related Debt	24,417,383	22,444,621	23,989,662	21,485,134	48,407,045	43,929,755
Restricted	1,857,585	1,721,407	1,341,726	-	3,199,311	1,721,407
Unrestricted	1,309,265	1,416,654	9,888,053	9,152,546	11,197,318	10,569,200
Total Net assets	27,584,233	25,582,682	35,219,441	30,637,680	62,803,674	56,220,362

As stated above, total net position was \$62,803,674 at the end of fiscal year 2019. This figure can be used as a way to calculate whether or not the financial condition of the Town is improving or deteriorating.

The largest portion of the Town's total net position is in its investment in capital assets \$48,407,045 (77.1%). These assets are used to provide services to its citizens (e.g. land, buildings, equipment, and infrastructure). These assets are not available for future spending.

At the end of fiscal year 2019, the Town of Stowe has positive balances in all four categories of total net position for the entire government and all individual funds.

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

**Town of Stowe, Vermont
Statement of Activities**

	Governmental Activities		Business Type Activities		Total	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Revenues						
<u>Program Revenues</u>						
Charges for Services	1,418,023	1,258,039	16,962,217	15,568,723	18,380,240	16,826,762
Operating Grants & Contributions	288,221	394,950	-	-	288,221	394,950
Capital Grants & Contributions	845,487	83,125	-	-	845,487	83,125
<u>General Revenues</u>						
Property Taxes	9,168,336	8,957,770	-	-	9,168,336	8,957,770
Penalties & Interest on Delinquent Taxes	176,406	134,913	-	-	176,406	134,913
Local Options Tax	1,005,209	951,249	-	-	1,005,209	951,249
General State Grants	444,568	412,607	-	-	444,568	412,607
Investment Earnings	55,153	120,336	765,140	632,916	820,293	753,252
LCP Equity Dividends	-	-	495,940	1,080,704	495,940	1,080,704
Gain on Sale of Assets	-	-	1,735,346	-	1,735,346	-
Moscow Bridge Settlement	-	58,000	-	-	-	58,000
Insurance Proceeds	736,967	30,735	-	-	736,967	30,735
Other Revenue	10,742	5,003	-	-	10,742	5,003
Total Revenues	14,149,112	12,406,727	19,958,643	17,282,343	34,107,755	29,689,070
Expenditures						
<u>Governmental Activities</u>						
General Government	2,448,995	2,407,032	-	-	2,448,995	2,407,032
Public Safety	3,392,523	3,310,461	-	-	3,392,523	3,310,461
Public Works	2,894,904	2,872,051	-	-	2,894,904	2,872,051
Culture & Recreation	3,030,645	2,500,991	-	-	3,030,645	2,500,991
Cemeteries	24,422	30,884	-	-	24,422	30,884
Interest	398,072	382,887	-	-	398,072	382,887
<u>Business Type Activities</u>						
Water	-	-	941,441	946,481	941,441	946,481
Sewer	-	-	1,771,666	1,679,325	1,771,666	1,679,325
Electric	-	-	12,621,775	14,009,470	12,621,775	14,009,470
Total Expenditures	12,189,561	11,504,306	15,334,882	16,635,276	27,524,443	28,139,582
Transfers In/(Out)	42,000	42,000	(42,000)	(42,000)	-	-
Changes in Net Position	2,001,551	944,421	4,581,761	605,067	6,583,312	1,549,488
Net Position - Beginning of Year	25,582,682	24,638,261	30,637,680	30,032,613	56,220,362	54,670,874
Net Position - End of Year	27,584,233	25,582,682	35,219,441	30,637,680	62,803,674	56,220,362

Governmental activities: Governmental activities increased the Town's net position by \$2,001,551 in FY19. The Town increased by \$2,526,359 its inventory of capital assets net of current year depreciation (funded with \$845,487 of capital contributions and grants). Major additions included the Lower Village Sidewalks, Main Street Sidewalks, Main Street Utility Underground, and purchase of land for gravel pit among other infrastructure improvements and equipment purchases.

Business-type activities: Business-type activities increased the Town's net position by \$4,581,761 in FY19, with contributions by Water \$1,007,113, Sewer \$190,813, and Electric \$3,383,835.

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Financial Analysis of Major Funds

General Fund

The General Fund fund balance increased by \$156,870 during the year. The total fund balance at year-end was \$1,079,866. Of this amount, \$172,159 is nonspendable inventory and prepaid expenses and \$23,069 is restricted for library development expenses. There is \$120,571 committed for annual leave reserves, \$166,783 assigned to reduce property taxes in fiscal year 2020 and \$28,605 for library operations, leaving \$568,679 available for future expenses.

Actual Revenues were higher by \$223,679 compared to budgets. Revenues coming in over budget included; Administration, \$64,324, because of larger PILOT payments due to increased valuation of State owned lands and increased collection of delinquent tax interest; EMS \$10,171 for transport fees and covering special events; Fire \$13,979 for insurance claim proceeds; Highway, \$5,892, Insurance claims; Library donations \$3,955; Listers \$10,484 Land Use Tax Change, Mountain Rescue, \$4,055 provided additional services to State of Vermont; Parks \$2,540 additional services provided for field lining; Planning, \$502, Logging revenue from Trail maintenance of Sterling Forest; Police, \$95,044, non-federal grants and donations traffic and special event coverage; Recreation \$29,206 increased attendance at Summer Camp, Afterschool and Youth programs; Town Clerk, \$23,213, increased interest income from cash flow; and Zoning \$17,884 for increased number of applications . Revenues coming in under budget included Arena (\$12,800), due to lower reservations from groups for ice time rentals; Property taxes (\$44,084) due to increase in delinquent taxes owed to Town.

Expenditures were \$45,946 over budget. Expenditures coming in under budget were in the following departments: Administration, \$33,347, reduced legal costs; Cemetery, \$10,599, budget error for grounds maintenance; Community Affairs \$750, no submission for payment by one nonprofit organization; EMS \$3,393 overall net of all expenses lower; Insurance \$5,665 Property & Liability Insurance collective pool lower claims experience ; Library, \$18,880, staffing transitions; Listers \$1,958 underspent outside consultants; Parks \$47,085 less vehicle maintenance and difficulty in hiring seasonal staff; Planning \$3,615 under budget on outside consultants; Police, \$4,698 lower vehicle expenses; Public Safety Building, \$11,693 IT support costs underspent; Public Works Admin, \$11,011 under budget on outside consultants; Street Lights \$3,589 for lower electricity usage with additional conversion to LED bulbs, Town Clerk \$31,865 for staff transitions, and Zoning, \$10,198, staffing transitions. Expenditures coming in over budget were, Accounting/IT (\$30,704) for transition from part time to full time staff; Akeley Building , (\$21,065), for unexpected building repairs; Arena (\$36,556) for ice system maintenance and unexpected 7% electricity rate increase; Cultural Campus (\$32,996) Ski Museum slate roof repairs, higher equipment repairs in Historical Building and Ski Museum; Highway, (\$108,799) for Winter Salt, Crushing Services and higher level of heavy equipment repairs; Mountain Rescue (\$9,413) for support of State of Vermont requested rescues, training and vehicle expenses; Recreation, (\$3,780) for additional expenses to support increased participation in programs.

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Capital Fund

The Capital fund ended with a balance of \$6,414,196 in FY 19. This Fund balance increased \$5,203,849 and was funded with \$1,005,209 of local option taxes, Bond proceeds of \$6,600,000, and \$12,301 of interest. The capital expenditures were \$2,098,781 which included Main street utility relocation and sidewalk reconstruction, transfer out of \$350,000 for arena debt payment, Land purchase for gravel pit expansion, and the lower village sidewalk construction.

Water Fund

The Water Fund had operating income of \$794,238, non-operating revenue connection fees of \$281,363, interest expense of (\$73,995), and investment income of \$5,507, resulting in an increase in net position of \$1,007,113.

Sewer Fund

The Sewer Fund had an operating loss of (\$29,917) which when added to non-operating revenues of connection fees \$199,766 plus investment income of \$20,964, resulted in an increase to Net position of \$190,813.

Electric Fund

The Electric Fund had operating income of \$550,046. Operating revenues were up \$458,673 and expenditures were down \$1,020,456 between FY19 and FY18, which increased operating income by \$1,479,129. Non-operating revenues and expenses increased the net position by \$2,875,789 less a transfer of \$42,000 between Electric Fund and General Fund, to an overall increase in net position of \$3,383,835.

Other Non-Major Governmental Funds

Police DEA Fund	\$ 19,631
Appraisal Fund	205,331
Records Preservation Fund	69,403
Equipment Fund	397,173
Cemetery Fund	532,492
Library Endowment Fund	<u>1,056,713</u>
Total	<u>\$ 2,280,743</u>

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Capital Asset Administration

The Town of Stowe's investment in capital assets for its governmental activities as of June 30, 2019 totaled \$34,702,980 (net of depreciation) and \$37,975,019 for the business type activities. These assets include land, buildings and building improvements, roads and bridges, vehicles, machinery, equipment, antiques and furniture, and utility distribution and collection systems.

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

Building & Improvements - Akeley Building Bathrooms
Building & Improvements - Akeley Building Chimneys South
Building & Improvements - Akeley Building Fire System
Building & Improvements - Ski Museum Slate Roof
Building & Improvements - Ski Museum Windings
Equipment - Arena Ice Cube Compressor
Equipment - Copy Machines
Equipment - EMS Infusion Pump
Equipment - Highway Spaulding Hot Box
Equipment - Mountain Rescue ATV
Infrastructure - Cady Hill Trails Restoration
Infrastructure - Highway Cliff Street Guardrails
Infrastructure - Highway Lower Sanborn Culvert
Infrastructure - Highway Lower Sanborn Paving
Infrastructure - Highway Stagecoach Culverts
Infrastructure - Highway Stagecoach Paving
Infrastructure - Highway Stowe Hollow Culverts
Infrastructure - Highway Stowe Hollow Paving
Land Improvements - Akeley Building Flag Pole
Vehicles - Fire Ford F550 Utility Truck
Vehicles - Highway 10 Wheel Dump Truck
Vehicles - Police Chevy Tahoe Patrol SUV
Vehicles - Police Ford F150 Patrol Truck

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

Sold, Retired or Traded:

2003 Fire Chevy Silverado
2004 Parks Exmark Mower
2006 Mountain Rescue Ski-Doo Skandic Snowmobile
2006 Parks Toro Mower
2012 Parks Exmark Mower

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

The Water fund had \$183,222 of capital asset additions, which includes Pump Station & Water Plant Generators, Truck and Auto Metering Equipment.

The Sewer fund had \$75,001 of capital asset additions, which includes Auto Metering Equipment, SCADA Level transmitter and Ultraviolet Lamp System.

The Electric fund had capital asset additions of \$1,949,804, For the fiscal year ending June 30, 2019, Stowe Electric Department expended \$181,161 for Land, \$2,056,851 towards the new office and garage. \$173,493 for equipment and \$565,985 was expended on distribution and transmission improvements. Infrastructure – transmission reduction (\$1,027,686) relate to Stowe Electric Department's sale of ownership share of the Highgate Converter.

Debt Administration

As of June 30, 2019, long-term debt of governmental activities of the Town of Stowe was \$15,546,250. As of June 30, 2018, the governmental activities debt was \$9,732,000. During the year, the Town paid \$785,750 on older bonds and notes, and issued a new bond for \$6,600,000 for Main Street Sidewalk and Underground Utility project in FY 2019.

The Business type activities had bonds and notes outstanding with a total principal debt of \$18,552,595. At the beginning of the fiscal year there was \$38,699,361 in outstanding debt. During the year the Town paid \$20,546,766 on older bonds and notes and a new note was issued for \$400,000 and no new bonds were issued.

Economic Factors and FY 20 Budgets and Rates

- The Town of Stowe growth for the Grand List has averaged 1.82% over the last 5 years. The 2019 Grand List growth was estimated to be 1%, actual growth was 1.07%. For the 2020 Grand List, we are estimating a growth rate of 1.50%.
- Employees who fall under the Personnel Regulations, Police Association Contract, and the IBEW Agreement are scheduled to receive a 2.3% pay increase, plus any step increase they may be eligible for in FY 20.
- Health insurance rates have been budgeted to increase around 3.80% for Blue Cross VHP plan and decrease 4.50% for Blue Cross VFP plan for first half of FY20 and second half of FY20 is based on 5.34% increase, based three year premium changes for FY 2020. All employees pay a portion of the health care premiums, 10% for Blue Cross Blue Shield VHP plan or 5% for VFP plan.
- Dental insurance is budgeted with a 1.6% increase. Short Term/Long Term disability insurance are not expected to increase from FY19 rates. All employees contribute 5% toward their dental coverage.
- The Worker's Compensation Loss modification rate increased from .92 to 1.22 for calendar year 2019 an increase of \$94,372, with WC rate changes adding \$12,596 along with PACIF discount and adjustment (\$36,025) for net impact of \$70,943, all of which contributed to increased budget for FY 2020.
- Prices for #2 fuel oil, diesel fuel, propane and gasoline were estimated using a three year average price at October 31st.

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

These factors were taken into consideration in preparing the fiscal year 2020 budgets. The General Fund expense for FY 20 is \$12,421,091, an increase of 5.07%. Non-Tax Revenues have been budgeted at \$2,710,952, a 9.11% increase, and used \$166,783 surplus carryforward of the General Fund, leaving an amount to be raised by taxation of \$9,543,356.

2019 was the year construction in Stowe, beginning nearly as soon as the snow melted and continuing well into November, the first phases of the Town's multi-million-dollar bond project to replace the sidewalks along Route 100 on Main Street and Maple Street, as well as installing underground conduit so that utility lines can be run underground. Over the winter, lines have already started being pulled through those conduits, and we hope by 2021 that the utility lines and poles on Main Street will be only a memory.

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

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

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

TOWN OF STOWE, VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2019

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash	\$ 6,248,530	\$ 1,635,805	\$ 7,884,335
Restricted Cash and Cash Equivalents	6,000,195	2,041,479	8,041,674
Investments	1,447,260	0	1,447,260
Deposits with Insurance Company	3,600	0	3,600
Receivables (Net of Allowance for Uncollectibles)	1,135,840	2,601,192	3,737,032
Loans Receivable	0	2,236,647	2,236,647
Internal Balances	(3,393,844)	3,393,844	0
Prepaid Expenses	15,882	24,123	40,005
Inventory	156,277	304,802	461,079
Investment in Associated Companies	0	5,735,542	5,735,542
Deferred Charges	0	16,477	16,477
Capital Assets:			
Land and Easements	6,595,942	52,525	6,648,467
Construction in Progress	2,769,711	362,578	3,132,289
Antiques	80,000	0	80,000
Other Capital Assets, (Net of Accumulated Depreciation)	<u>25,257,327</u>	<u>37,559,916</u>	<u>62,817,243</u>
Total Assets	<u>46,316,720</u>	<u>55,964,930</u>	<u>102,281,650</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>805,056</u>	<u>59,016</u>	<u>864,072</u>
Total Deferred Outflows of Resources	<u>805,056</u>	<u>59,016</u>	<u>864,072</u>
 <u>LIABILITIES</u>			
Accounts Payable	1,067,138	1,397,587	2,464,725
Accrued Payroll and Benefits Payable	195,331	65,034	260,365
Other Accrued Expenses	0	142,110	142,110
Unearned Revenue	80,192	0	80,192
Due to Others	0	87,876	87,876
Accrued Interest Payable	109,314	105,564	214,878
Noncurrent Liabilities:			
Due within One Year	1,005,750	2,516,144	3,521,894
Due in More than One Year	<u>17,021,772</u>	<u>16,417,483</u>	<u>33,439,255</u>
Total Liabilities	<u>19,479,497</u>	<u>20,731,798</u>	<u>40,211,295</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	21,124	0	21,124
Deferred Contribution for Capital Assets	0	70,000	70,000
Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>36,922</u>	<u>2,707</u>	<u>39,629</u>
Total Deferred Inflows of Resources	<u>58,046</u>	<u>72,707</u>	<u>130,753</u>
 <u>NET POSITION</u>			
Net Investment in Capital Assets	24,417,383	23,989,662	48,407,045
Restricted:			
Public Works	156,277	0	156,277
Culture and Recreation	1,079,782	0	1,079,782
Cemetery	532,492	0	532,492
Electric Capital Projects	0	1,341,726	1,341,726
Other	89,034	0	89,034
Unrestricted	<u>1,309,265</u>	<u>9,888,053</u>	<u>11,197,318</u>
Total Net Position	<u>\$ 27,584,233</u>	<u>\$ 35,219,441</u>	<u>\$ 62,803,674</u>

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

TOWN OF STOWE, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Primary Government:							
Governmental Activities:							
General Government	\$ 2,448,995	\$ 393,593	\$ 33,568	\$ 0	\$ (2,021,834)	\$ 0	\$ (2,021,834)
Public Safety	3,392,523	444,170	22,168	0	(2,926,185)	0	(2,926,185)
Public Works	2,894,904	6,573	218,650	845,487	(1,824,194)	0	(1,824,194)
Culture and Recreation	3,030,645	562,322	13,835	0	(2,454,488)	0	(2,454,488)
Cemetery	24,422	11,365	0	0	(13,057)	0	(13,057)
Interest on Long-term Debt	398,072	0	0	0	(398,072)	0	(398,072)
Total Governmental Activities	<u>12,189,561</u>	<u>1,418,023</u>	<u>288,221</u>	<u>845,487</u>	<u>(9,637,830)</u>	<u>0</u>	<u>(9,637,830)</u>
Business-type Activities:							
Water	941,441	1,943,047	0	0	0	1,001,606	1,001,606
Sewer	1,771,666	1,941,515	0	0	0	169,849	169,849
Electric	12,621,775	13,077,655	0	0	0	455,880	455,880
Total Business-type Activities	<u>15,334,882</u>	<u>16,962,217</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,627,335</u>	<u>1,627,335</u>
Total Primary Government	<u>\$ 27,524,443</u>	<u>\$ 18,380,240</u>	<u>\$ 288,221</u>	<u>\$ 845,487</u>	<u>(9,637,830)</u>	<u>1,627,335</u>	<u>(8,010,495)</u>
General Revenues:							
Property Taxes					9,168,336	0	9,168,336
Interest on Delinquent Taxes					176,406	0	176,406
Local Option Sales Tax					1,005,209	0	1,005,209
General State Grants					444,568	0	444,568
Unrestricted Investment Earnings					55,153	765,140	820,293
LCP Equity Dividends					0	495,940	495,940
Gain on Sale of Assets					0	1,735,346	1,735,346
Insurance Proceeds					736,967	0	736,967
Other Revenues					10,742	0	10,742
Transfers:					42,000	(42,000)	0
Total General Revenues and Transfers					<u>11,639,381</u>	<u>2,954,426</u>	<u>14,593,807</u>
Change in Net Position					2,001,551	4,581,761	6,583,312
Net Position - July 1, 2018					<u>25,582,682</u>	<u>30,637,680</u>	<u>56,220,362</u>
Net Position - June 30, 2019					<u>\$ 27,584,233</u>	<u>\$ 35,219,441</u>	<u>\$ 62,803,674</u>

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

TOWN OF STOWE, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 6,106,516	\$ 0	\$ 142,014	\$ 6,248,530
Restricted Cash Equivalents	0	6,000,195	0	6,000,195
Investments	0	0	1,447,260	1,447,260
Deposits with Insurance Company	3,600	0	0	3,600
Receivables (Net of Allowance for Uncollectibles)	993,531	142,309	0	1,135,840
Due from Other Funds	0	984,834	711,538	1,696,372
Prepaid Expenses	15,882	0	0	15,882
Inventory	<u>156,277</u>	<u>0</u>	<u>0</u>	<u>156,277</u>
Total Assets	<u>\$ 7,275,806</u>	<u>\$ 7,127,338</u>	<u>\$ 2,300,812</u>	<u>\$ 16,703,956</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 333,996	\$ 713,142	\$ 20,000	\$ 1,067,138
Accrued Payroll and Benefits Payable	195,331	0	0	195,331
Due to Other Funds	5,090,147	0	69	5,090,216
Unearned Revenue	<u>80,192</u>	<u>0</u>	<u>0</u>	<u>80,192</u>
Total Liabilities	<u>5,699,666</u>	<u>713,142</u>	<u>20,069</u>	<u>6,432,877</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Property Taxes	21,124	0	0	21,124
Unavailable Property Taxes and Interest	279,900	0	0	279,900
Unavailable Ambulance Fees	74,500	0	0	74,500
Unavailable Fees	25	0	0	25
Unavailable Insurance Proceeds	<u>120,725</u>	<u>0</u>	<u>0</u>	<u>120,725</u>
Total Deferred Inflows of Resources	<u>496,274</u>	<u>0</u>	<u>0</u>	<u>496,274</u>
<u>FUND BALANCES</u>				
Nonspendable	172,159	0	250,295	422,454
Restricted	23,069	5,260,653	1,427,944	6,711,666
Committed	120,571	1,118,423	397,173	1,636,167
Assigned	195,388	35,120	205,331	435,839
Unassigned	<u>568,679</u>	<u>0</u>	<u>0</u>	<u>568,679</u>
Total Fund Balances	<u>1,079,866</u>	<u>6,414,196</u>	<u>2,280,743</u>	<u>9,774,805</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,275,806</u>	<u>\$ 7,127,338</u>	<u>\$ 2,300,812</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:				
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.				34,702,980
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.				475,150
Long-term and Accrued Liabilities, Including Bonds Payable and the Net Pension Liability, are not Due or Payable in the Current Period and, Therefore, are not Reported in the Funds.				(18,136,836)
Deferred Outflows and Inflows of Resources related to the Town's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.				<u>768,134</u>
Net Position of Governmental Activities				<u>\$ 27,584,233</u>

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

TOWN OF STOWE, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 9,125,836	\$ 0	\$ 0	\$ 9,125,836
Interest on Delinquent Taxes	176,406	0	0	176,406
Local Option Sales Tax	0	1,005,209	0	1,005,209
Intergovernmental	779,276	0	269,950	1,049,226
Charges for Services	835,295	0	11,170	846,465
Permits, Licenses and Fees	514,963	0	8,972	523,935
Fines and Forfeits	7,618	0	0	7,618
Investment Income/(Loss)	46,393	12,301	(3,541)	55,153
Donations	3,722	0	0	3,722
Other	28,921	0	0	28,921
Total Revenues	<u>11,518,430</u>	<u>1,017,510</u>	<u>286,551</u>	<u>12,822,491</u>
Expenditures:				
General Government	2,382,735	0	2,893	2,385,628
Public Safety	2,843,655	0	500	2,844,155
Public Works	2,292,980	0	0	2,292,980
Culture and Recreation	2,601,025	0	6,113	2,607,138
Cemetery	19,620	0	2,337	21,957
Capital Outlay:				
General Government	72,500	5,848	0	78,348
Public Safety	9,330	0	138,976	148,306
Public Works	483,706	2,074,086	383,524	2,941,316
Culture and Recreation	96,182	18,847	0	115,029
Debt Service:				
Principal	785,750	0	0	785,750
Interest	354,071	0	0	354,071
Total Expenditures	<u>11,941,554</u>	<u>2,098,781</u>	<u>534,343</u>	<u>14,574,678</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(423,124)</u>	<u>(1,081,271)</u>	<u>(247,792)</u>	<u>(1,752,187)</u>
Other Financing Sources/(Uses):				
Proceeds from Long-term Debt	0	6,600,000	0	6,600,000
Insurance Proceeds	616,242	0	0	616,242
Transfers In	418,872	35,120	420,000	873,992
Transfers Out	(455,120)	(350,000)	(26,872)	(831,992)
Total Other Financing Sources/(Uses)	<u>579,994</u>	<u>6,285,120</u>	<u>393,128</u>	<u>7,258,242</u>
Net Change in Fund Balances	156,870	5,203,849	145,336	5,506,055
Fund Balances - July 1, 2018	<u>922,996</u>	<u>1,210,347</u>	<u>2,135,407</u>	<u>4,268,750</u>
Fund Balances - June 30, 2019	<u>\$ 1,079,866</u>	<u>\$ 6,414,196</u>	<u>\$ 2,280,743</u>	<u>\$ 9,774,805</u>

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

TOWN OF STOWE, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

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

Net change in fund balances - total government funds (Exhibit D)	\$ 5,506,055
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$3,282,999) is allocated over their estimated useful lives and reported as depreciation expense (\$1,364,962). This is the amount by which capital outlays exceeded depreciation in the current period.	1,918,037
The net effect of various transactions involving capital assets (i.e., sales, losses on disposal of assets and trade-ins) is to reduce net position.	(11,860)
The effect of donations of capital assets is to increase net position. The State of Vermont is currently constructing bridges for the Town.	620,182
The issuance of long-term debt (\$6,600,000) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$785,750) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(5,814,250)
Governmental funds report employer pension contributions as expenditures (\$218,306). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$508,315) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.	(290,009)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	175,697
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(102,301)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 2,001,551</u>

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

TOWN OF STOWE, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Water Fund	Sewer Fund	Electric Fund	Total
ASSETS				
Current Assets:				
Cash	\$ 0	\$ 0	\$ 1,635,805	\$ 1,635,805
Restricted Cash	0		2,041,479	2,041,479
Receivables (Net of Allowance for Uncollectibles)	119,296	134,270	891,875	1,145,441
Unbilled Receivables	142,435	141,913	969,232	1,253,580
Loans Receivable - Current Portion	160,861	566,330	0	727,191
Accrued Interest Receivable	0	0	202,171	202,171
Due from Other Funds	657,027	2,890,588	0	3,547,615
Prepaid Expenses	0	0	24,123	24,123
Inventory	54,348	16,553	233,901	304,802
Total Current Assets	1,133,967	3,749,654	5,998,586	10,882,207
Noncurrent Assets:				
Loans Receivable - Noncurrent Portion	29,272	1,480,184	0	1,509,456
Investment in Associated Companies	0	0	5,735,542	5,735,542
Deferred Charges	0	0	16,477	16,477
Capital Assets:				
Land	8,647	43,878	0	52,525
Construction in Progress	169,725	55,458	137,395	362,578
Land Improvements	0	7,787	0	7,787
Buildings and Building Improvements	0	15,584,232	4,052,706	19,636,938
Machinery and Equipment	289,699	916,773	2,256,880	3,463,352
Distribution and Collection Systems	12,180,088	10,882,065	14,395,985	37,458,138
Less: Accumulated Depreciation	(3,436,381)	(11,282,280)	(8,287,638)	(23,006,299)
Total Noncurrent Assets	9,241,050	17,688,097	18,307,347	45,236,494
Total Assets	10,375,017	21,437,751	24,305,933	56,118,701
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources Related to the Town's Participation in VMERS				
	44,068	14,948	0	59,016
Total Deferred Outflows of Resources	44,068	14,948	0	59,016
LIABILITIES				
Current Liabilities:				
Accounts Payable	99,724	46,397	1,251,466	1,397,587
Accrued Payroll and Benefits Payable	5,188	7,945	51,901	65,034
Other Accrued Expenses	0	0	142,110	142,110
Due to Other Funds	0	0	153,771	153,771
Due to Others	87,876	0	0	87,876
Accrued Interest Payable	51,123	0	54,441	105,564
Notes Payable - Current Portion	0	0	929,236	929,236
General Obligation Bonds Payable - Current Portion	529,595	795,233	262,080	1,586,908
Total Current Liabilities	773,506	849,575	2,845,005	4,468,086
Noncurrent Liabilities:				
Compensated Absences Payable	32,230	39,097	177,312	248,639
Net Pension Liability	98,859	33,534	0	132,393
Notes Payable - Noncurrent Portion	0	0	3,059,716	3,059,716
General Obligation Bonds Payable - Noncurrent Portion	2,021,044	5,637,011	5,318,680	12,976,735
Total Noncurrent Liabilities	2,152,133	5,709,642	8,555,708	16,417,483
Total Liabilities	2,925,639	6,559,217	11,400,713	20,885,569
DEFERRED INFLOWS OF RESOURCES				
Deferred Contribution for Capital Assets				
	0	0	70,000	70,000
Deferred Inflows of Resources Related to the Town's Participation in VMERS				
	2,021	686	0	2,707
Total Deferred Inflows of Resources	2,021	686	70,000	72,707
NET POSITION				
Net Investment in Capital Assets				
Restricted	6,661,139	9,775,669	7,552,854	23,989,662
Unrestricted	0	0	1,341,726	1,341,726
	830,286	5,117,127	3,940,640	9,888,053
Total Net Position	\$ 7,491,425	\$ 14,892,796	\$ 12,835,220	\$ 35,219,441

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

TOWN OF STOWE, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Water Fund	Sewer Fund	Electric Fund	Total
Operating Revenues:				
Charges for Services	\$ 1,661,684	\$ 1,741,749	\$ 12,149,283	\$ 15,552,716
Total Operating Revenues	<u>1,661,684</u>	<u>1,741,749</u>	<u>12,149,283</u>	<u>15,552,716</u>
Operating Expenses:				
Administrative	86,401	93,909	1,704,307	1,884,617
Power	0	0	8,096,397	8,096,397
Distribution and Collection	552,190	1,151,798	1,107,723	2,811,711
Taxes	0	0	118,585	118,585
Depreciation and Amortization	<u>228,855</u>	<u>525,959</u>	<u>572,225</u>	<u>1,327,039</u>
Total Operating Expenses	<u>867,446</u>	<u>1,771,666</u>	<u>11,599,237</u>	<u>14,238,349</u>
Operating Income/(Loss)	<u>794,238</u>	<u>(29,917)</u>	<u>550,046</u>	<u>1,314,367</u>
Non-Operating Revenues/(Expenses):				
Connection Fees and Related Interest	281,363	199,766	0	481,129
LCP Equity Dividends	0	0	495,940	495,940
Gain on Sale of Assets	0	0	1,735,346	1,735,346
Other Income	0	0	928,372	928,372
Investment Income	5,507	20,964	738,669	765,140
Interest Expense	<u>(73,995)</u>	<u>0</u>	<u>(1,022,538)</u>	<u>(1,096,533)</u>
Total Non-Operating Revenues/(Expenses)	<u>212,875</u>	<u>220,730</u>	<u>2,875,789</u>	<u>3,309,394</u>
Net Income/(Loss) Before Transfers	1,007,113	190,813	3,425,835	4,623,761
Transfers Out	<u>0</u>	<u>0</u>	<u>(42,000)</u>	<u>(42,000)</u>
Change in Net Position	1,007,113	190,813	3,383,835	4,581,761
Net Position - July 1, 2018	<u>6,484,312</u>	<u>14,701,983</u>	<u>9,451,385</u>	<u>30,637,680</u>
Net Position - June 30, 2019	<u>\$ 7,491,425</u>	<u>\$ 14,892,796</u>	<u>\$ 12,835,220</u>	<u>\$ 35,219,441</u>

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

TOWN OF STOWE, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Water Fund	Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 1,718,885	\$ 1,703,976	\$ 12,408,278	\$ 15,831,139
Payments for Purchased Power	0	0	(8,096,397)	(8,096,397)
Payments for Goods and Services	(257,748)	(709,880)	(2,260,441)	(3,228,069)
Payments for Interfund Services	(50,250)	(51,250)	0	(101,500)
Payments for Wages and Benefits	(314,123)	(481,175)	(1,311,676)	(2,106,974)
Net Cash Provided by Operating Activities	1,096,764	461,671	739,764	2,298,199
Cash Flows From Noncapital Financing Activities:				
Other Receipts	0	0	838,422	838,422
Decrease/(Increase) in Due from Other Funds	(533,289)	(384,918)	0	(918,207)
(Decrease)/Increase in Due to Other Funds	0	0	(5,275)	(5,275)
Transfers Paid to Other Funds	0	0	(42,000)	(42,000)
LCP Equity Dividends	0	0	495,940	495,940
Net Cash Provided/(Used) by Noncapital Financing Activities	(533,289)	(384,918)	1,287,087	368,880
Cash Flows From Capital and Related Financing Activities:				
Payments Received on Loans Receivable and Connection Fees	163,569	762,817	0	926,386
Proceeds from Long-term Debt	0	0	400,000	400,000
Proceeds from Sale of Capital Assets	0	0	2,721,478	2,721,478
Acquisition and Construction of Capital Assets	(127,726)	(65,301)	(2,977,490)	(3,170,517)
Principal Paid on General Obligation Bonds Payable	(523,027)	(795,233)	(262,080)	(1,580,340)
Principal Paid on Notes Payable	0	0	(18,966,426)	(18,966,426)
Interest Paid on General Obligation Bonds Payable	(81,798)	0	(173,117)	(254,915)
Interest Paid on Notes Payable	0	0	(844,820)	(844,820)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(568,982)	(97,717)	(20,102,455)	(20,769,154)
Cash Flows From Investing Activities:				
Net Sale/(Purchase) of Capital Stock	0	0	18,300,500	18,300,500
Receipt of Interest and Dividends	5,507	20,964	693,089	719,560
Net Cash Provided by Investing Activities	5,507	20,964	18,993,589	19,020,060
Net Increase in Cash	0	0	917,985	917,985
Cash - July 1, 2018	0	0	2,759,299	2,759,299
Cash - June 30, 2019	\$ 0	\$ 0	\$ 3,677,284	\$ 3,677,284
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:				
Operating Income/(Loss)	\$ 794,238	\$ (29,917)	\$ 550,046	\$ 1,314,367
Depreciation and Amortization	228,855	525,959	572,225	1,327,039
(Increase)/Decrease in Receivables	(30,675)	(37,773)	258,995	190,547
(Increase)/Decrease in Prepaid Expenses	0	0	(8,001)	(8,001)
(Increase)/Decrease in Inventory	5,842	(6,702)	(38,294)	(39,154)
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	(1,434)	(1,355)	0	(2,789)
Increase/(Decrease) in Accounts Payable	(15,621)	392	(550,668)	(565,897)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	1,551	(1,008)	(26,625)	(26,082)
Increase/(Decrease) in Other Accrued Expenses	0	0	(19,408)	(19,408)
Increase/(Decrease) in Due to Others	87,876	0	0	87,876
Increase/(Decrease) in Compensated Absences Payable	6,466	3,749	1,494	11,709
Increase/(Decrease) in Net Pension Liability	20,327	8,495	0	28,822
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	(661)	(169)	0	(830)
Net Cash Provided by Operating Activities	\$ 1,096,764	\$ 461,671	\$ 739,764	\$ 2,298,199

The Water Fund traded-in of capital assets with a cost and accumulated depreciation of \$33,608 and \$28,608, respectively.

There was \$84,105 of capital acquisitions in the Water Fund included in accounts payable at June 30, 2019.

There was \$9,700 of capital acquisitions in the Sewer Fund included in accounts payable at June 30, 2019.

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

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

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

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

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

The Town reports on the following major governmental funds:

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

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

The Town reports on the following major enterprise funds:

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

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

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

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

TOWN OF STOWE, VERMONT
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C. Measurement Focus

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

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

D. Basis of Accounting

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

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

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

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

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

The Electric Department is under the jurisdiction of the Federal Energy Regulatory Commission (FERC) and the Vermont Public Service Board (VPSB) with respect to rates and accounting practices. In accordance with Statement of Financial Accounting Standards No. 71 "Accounting for the Effects of Certain Types of Regulations," the Electric Department records certain assets and liabilities in accordance with the economic effect of the rate making process. As such, regulators may permit incurred costs or benefits, typically treated as expenses or income by unregulated entities, to be deferred and expensed or benefited in future periods. Costs are deferred as regulatory assets when the Electric Department concludes that future revenue will be provided to permit recovery of the previously incurred cost. Revenue may also be deferred as regulatory liabilities that would be returned to customers by reducing future revenue requirements. The Electric Department analyzes the evidence supporting deferral, including provisions for recovery in regulatory orders, regulatory precedent, other regulatory correspondence and legal representations.

E. Use of Estimates

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

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

1. Cash

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

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

TOWN OF STOWE, VERMONT
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2. Investments

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

3. Receivables

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

4. Unbilled Receivables and Revenue Recognition

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

5. Internal Balances

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

6. Pensions

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

7. Inventories and Prepaid Expenses

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

TOWN OF STOWE, VERMONT
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Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, “deferred outflows of resources”, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then. These amounts are deferred and recognized as an outflow of resources in the future periods to which the outflows are related.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, “deferred inflows of resources”, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the future periods to which the inflows are related or when the amounts become available.

9. Capital Assets

Capital assets are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated acquisition value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are not capitalized. Infrastructure assets are reported starting with fiscal year ended June 30, 2004. The Town has elected to not report major general infrastructure assets retroactively.

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

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

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

TOWN OF STOWE, VERMONT
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The Town does not capitalize its library books because the books are considered a collection.

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

10. Investments in Associated Companies

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

11. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused annual leave up to eight hundred (800) hours and up to forty (40) hours of comp time for hourly employees. These amounts are pro-rated for part-time employees. Police officers can accumulate up to one thousand forty (1,040) of hours of annual leave and up to one hundred twenty (120) hours of comp-time. The accrual for unused compensated absences, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences is not reported in the governmental fund financial statements. Payments for unused compensated absences in the governmental funds are recorded as expenditures in the year they are paid.

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

12. Long-term Liabilities

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

13. Fund Equity

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

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

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

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

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

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

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

B. Budgeted Deficit

The Town budgeted a current year’s deficiency of revenues over expenditures in the General Fund in the amount of \$166,783 in order to utilize a portion of the previous year’s surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

TOWN OF STOWE, VERMONT
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C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2019 expenditures in the General Fund exceeded appropriations by \$45,946. These over-expenditures were funded by excess revenues.

D. Separate Financial Statements

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

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The Town's cash, cash equivalents and investments as of June 30, 2019 consisted of the following:

Restricted Cash and Cash Equivalents:

Deposits with Financial Institutions	\$ 2,041,479
Money Market Mutual Fund – U.S. Government Securities	<u>6,000,195</u>
Total Restricted Cash and Cash Equivalents	<u>8,041,674</u>

Unrestricted Cash:

Deposits with Financial Institutions	7,780,124
Deposits with Investment Company	99,656
Cash on Hand	<u>4,555</u>
Total Unrestricted Cash	<u>7,884,335</u>

Total Cash and Cash Equivalents 15,926,009

Investments:

Certificates of Deposit	32,202
Common Stock	266,472
Municipal Bonds	62,645
Mutual Funds – Mixed Holdings	<u>1,085,941</u>

Total Investments 1,447,260

Total Cash and Investments \$17,373,269

TOWN OF STOWE, VERMONT
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Custodial Credit Risk

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

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$6,526,177	\$ 6,721,377
Uninsured, Collateralized - Electric Department	3,427,284	3,500,000
Uninsured, Uncollateralized	<u>0</u>	<u>138,601</u>
Total	<u>\$9,953,461</u>	<u>\$10,359,978</u>

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

\$96,216 of uninsured, uncollateralized cash could be offset by debt at the respective bank.

The book balance is comprised of the following:

Restricted Cash – Deposits with Financial Institutions	\$1,847,325
Unrestricted Cash – Deposits with Financial Institutions	7,974,278
Unrestricted Cash – Deposits with Investment Company	99,656
Investments – Certificates of Deposit	<u>32,202</u>
Total	<u>\$9,953,461</u>

Interest Rate Risk

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

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

Investment Type	Remaining Maturity		Total
	1-5 Years	Greater Than 20 Years	
Municipal Bonds	\$ 46,465	\$ 16,180	\$ 62,645

Credit Risk

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

Investment Type	Standard and Poor's Rating as of June 30, 2019			Total
	A+	BBB-	BB-	
Municipal Bonds	\$ 16,180	\$ 26,139	\$ 20,326	\$ 62,645

Concentration of Credit Risk

Concentration of credit risk is the risk that a large percentage of the Town’s investments are held within one security. The Town does not have any limitations on the amount that can be invested in any one issuer. The Town’s certificates of deposit are not subject to concentration of credit risk analysis. The Town’s money market mutual fund and mutual funds are open-ended and, therefore, are also excluded from the concentration of credit risk analysis. The Town has \$266,472, (100%), of their common stock invested in Union Bankshares, Inc. The investments in associated companies held by the Electric Department are described in Note IV.D. There are no other investments in any one issuer that represent more than 5% of total investments.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application.” The hierarchy is based on the valuation inputs used to measure fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The Town’s certificates of deposit are not subject to fair value disclosures.

TOWN OF STOWE, VERMONT
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Level 1 – Unadjusted quoted prices for identical instruments in active markets

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

The Town has the following fair value measurements as of June 30, 2019:

Description	Total	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Common Stock	\$ 266,472	\$ 266,472	\$ 0	\$ 0
Municipal Bonds	62,645	62,645	0	0
Mutual Funds - Mixed Holdings	1,085,941	1,085,941	0	0
Total	\$ 1,415,058	\$ 1,415,058	\$ 0	\$ 0

Restricted Cash and Cash Equivalents

In May, 2009, the Electric Department received a \$4 million bond from the Vermont Municipal Bond Bank for the purpose of funding infrastructure and exclusive facilities. Unspent bond proceeds and the interest earned are restricted and may only be used to pay down the bond. The amount restricted as of June 30, 2019 is \$398,953.

In May, 2018, the Electric Department received a \$500,000 bond from Union Bank for upgrades of capital projects related to the cross-country ski center and circuits 6 & 7. The amount restricted as of June 30, 2019 is \$300,800.

In December, 2018, the Electric Department sold their portion of the Highgate converter. The proceeds from the sale are restricted to fund future capital projects, including the construction of the new office building. The amount restricted as of June 30, 2019 is \$1,341,726.

Total restricted cash in the Electric Fund as of June 30, 2019 is \$2,041,479.

In 2019, the Town received a \$6.6 million bond from the Vermont Municipal Bond Bank for the Village sidewalk project and Main Street overhead utility relocation project. Unspent bond proceeds and the interest earned are restricted for the related projects or may be used to pay down the bond. The amount restricted as of June 30, 2019 is \$6,000,195.

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B. Receivables

Receivables as of June 30, 2019, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Delinquent Taxes Receivable	\$ 654,026	\$ 0	\$ 654,026
Interest Receivable	40,733	0	40,733
Local Option Sales Tax Receivable	142,309	0	142,309
Ambulance Receivable	159,003	0	159,003
Insurance Receivable	130,093	0	130,093
Accounts Receivable	13,092	0	13,092
Billed Services	52,584	1,149,441	1,202,025
Unbilled Services	0	1,253,580	1,253,580
Accrued Interest Receivable	0	202,171	202,171
Allowance for Doubtful Accounts - Ambulance	(56,000)	0	(56,000)
Allowance for Doubtful Accounts - Water/Sewer	0	(4,000)	(4,000)
	<u>1,135,840</u>	<u>2,601,192</u>	<u>3,737,032</u>
Total	\$ <u>1,135,840</u>	\$ <u>2,601,192</u>	\$ <u>3,737,032</u>

C. Loans Receivable

Governmental Activities

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

Loan Receivable	\$735,000
Accrued Interest Receivable	<u>161,700</u>
Total	896,700
Less: Allowance for Doubtful Loans/Interest	<u>(896,700)</u>
Reported Value at June 30, 2019	\$ <u>0</u>

Business-type Activities

The Town has two (2) outstanding sewer loans totaling \$3,155 homeowners in the Sylvan Park Development. Homeowners were assessed a hook-on fee which the Town is financing for them. Each loan is billed quarterly with interest at 2%.

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The Town also has sixty-one (61) outstanding sewer loans totaling \$2,045,065 to homeowners and businesses in the Mountain Road Development for hook-on fees which the Town is financing for them. These loans are assessed a \$20 per quarter administration fee or, in some cases, a 1% administration fee per quarter of the quarterly payment. Loan terms vary from 4 to 20 years.

The Town also has twelve (12) outstanding loans totaling \$50,434 in the Water Department to homeowners for hook-on-fees which the Town is financing for them. Each loan is billed quarterly with an administrative fee of 1% per quarter of the quarterly payment.

During the year, the Town issued a \$139,699 water connection loan receivable to Stowe Mountain Resort for a hook-on-fee. The balance of this loan was paid in July, 2019.

Total loans receivable as of June 30, 2019 is \$2,238,353. The Town estimates that \$727,191 will be collected during fiscal year 2020 and the remainder of \$1,509,456 in future years. The Town has determined that all but two (2) loans are collectible as they have a lien on the home or business on all except those two (2) loans. The Town has an allowance for doubtful loans of \$1,706 for the unsecured loans, however, all loans are current.

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

Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
\$ 2,694,602	\$ 139,699	\$ 595,948	\$ 2,238,353

D. Investment in Associated Companies

The Stowe Electric Department (SED) accounts for investments in associated companies at cost because they are not publicly traded and market values are not readily determinable. The following are the investment balances as of June 30, 2019.

	Shares/Units	Cost
VELCO - Class C Preferred Stock	981	\$ 1,472
VELCO - Class B Common Stock	2,078	207,800
VELCO - Class C Common Stock	1,487	148,700
VT Transco, LLC - Class A - Membership Units	236,614	2,366,140
VT Transco, LLC - Class B - Membership Units	301,143	3,011,430
Total		\$ 5,735,542

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E. Deferred Charges

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

	<u>Amortization Period</u>	<u>Current Amortization</u>	<u>Unamortized Balance</u>
Bond Issuance Costs	20 Years	<u>\$654</u>	<u>\$16,477</u>

F. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 6,283,294	\$ 312,648	\$ 0	\$ 6,595,942
Construction in Progress	441,210	2,746,129	417,628	2,769,711
Antiques	80,000	0	0	80,000
Total Capital Assets, Not Being Depreciated	<u>6,804,504</u>	<u>3,058,777</u>	<u>417,628</u>	<u>9,445,653</u>
Capital Assets, Being Depreciated:				
Land Improvements	801,001	5,848	0	806,849
Buildings and Building Improvements	18,204,921	126,965	0	18,331,886
Machinery and Equipment	7,226,820	441,527	525,929	7,142,418
Infrastructure	10,135,874	718,392	0	10,854,266
Totals	<u>36,368,616</u>	<u>1,292,732</u>	<u>525,929</u>	<u>37,135,419</u>
Less Accumulated Depreciation for:				
Land Improvements	287,585	23,150	0	310,735
Buildings and Building Improvements	4,242,329	497,720	0	4,740,049
Machinery and Equipment	3,610,649	439,017	483,369	3,566,297
Infrastructure	2,855,936	405,075	0	3,261,011
Totals	<u>10,996,499</u>	<u>1,364,962</u>	<u>483,369</u>	<u>11,878,092</u>
Total Capital Assets, Being Depreciated	<u>25,372,117</u>	<u>(72,230)</u>	<u>42,560</u>	<u>25,257,327</u>
Governmental Activities Capital Assets, Net	<u>\$ 32,176,621</u>	<u>\$ 2,986,547</u>	<u>\$ 460,188</u>	<u>\$ 34,702,980</u>

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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 52,525	\$ 0	\$ 0	\$ 52,525
Construction in Progress	1,569,439	567,889	1,774,750	362,578
Total Capital Assets, Not Being Depreciated	<u>1,621,964</u>	<u>567,889</u>	<u>1,774,750</u>	<u>415,103</u>
Capital Assets, Being Depreciated:				
Land Improvements	7,787	0	0	7,787
Buildings and Building Improvements	15,857,661	3,779,277	0	19,636,938
Machinery and Equipment	3,253,743	243,217	33,608	3,463,352
Distribution and Collection Systems	38,032,135	453,689	1,027,686	37,458,138
Totals	<u>57,151,326</u>	<u>4,476,183</u>	<u>1,061,294</u>	<u>60,566,215</u>
Less Accumulated Depreciation for:				
Land Improvements	2,966	1,112	0	4,078
Buildings and Building Improvements	5,992,594	296,242	0	6,288,836
Machinery and Equipment	2,399,234	220,424	28,608	2,591,050
Distribution and Collection Systems	13,355,282	808,607	41,554	14,122,335
Totals	<u>21,750,076</u>	<u>1,326,385</u>	<u>70,162</u>	<u>23,006,299</u>
Total Capital Assets, Being Depreciated	<u>35,401,250</u>	<u>3,149,798</u>	<u>991,132</u>	<u>37,559,916</u>
Business-type Activities Capital Assets, Net	<u>\$ 37,023,214</u>	<u>\$ 3,717,687</u>	<u>\$ 2,765,882</u>	<u>\$ 37,975,019</u>

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 33,307	Water	\$ 228,855
Public Safety	387,878	Sewer	525,959
Public Works	571,124	Electric	<u>571,571</u>
Culture and Recreation	370,188		
Cemetery	<u>2,465</u>		
Total Depreciation Expense - Governmental Activities	<u>\$ 1,364,962</u>	Total Depreciation Expense - Business-type Activities	<u>\$ 1,326,385</u>

G. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2019 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 5,090,147
Capital Fund	984,834	0
Non-Major Governmental Funds	711,538	69
Water Fund	657,027	0
Sewer Fund	2,890,588	0
Electric Fund	<u>0</u>	<u>153,771</u>
Total	<u>\$ 5,243,987</u>	<u>\$ 5,243,987</u>

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Interfund transfers during the year ended June 30, 2019 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Annual Leave Fund	\$ 120,000 *	Annual Contribution
General Fund	Recreation Scholarship Fund	7,813 *	Annual Contribution
General Fund	Capital Fund	35,120	Fund Capital Project
General Fund	Equipment Fund	420,000	Annual Contribution
Library Operations Fund	General Fund	28,240 *	Annual Contribution
Capital Fund	General Fund	350,000	Fund Debt Service
Appraisal Fund	General Fund	3,000	Fund Appraisal Expenses
Cemetery Fund	General Fund	7,000	Annual Contribution
Library Endowment Fund	Library Operations Fund	16,872 *	Transfer Earnings
Electric Fund	General Fund	<u>42,000</u>	PILOT
Total		<u>\$ 1,030,045</u>	

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

H. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$156,871 from the difference between the expected and actual experience, \$209,310 from the difference between the projected and actual investment earnings, \$199,993 from changes in assumptions and \$20,576 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$218,306 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$805,056.

Deferred outflows of resources in the business-type activities consists of \$11,500 from the difference between the expected and actual experience, \$15,344 from the difference between the projected and actual investment earnings, \$14,661 from changes in assumptions and \$1,508 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$16,003 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the business-type activities is \$59,016.

Deferred outflows of resources in the Water Fund consists of \$8,587 from the difference between the expected and actual experience, \$11,457 from the difference between the projected and actual investment earnings, \$10,947 from changes in assumptions and \$1,126 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$11,951 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Water Fund is \$44,068.

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Deferred outflows of resources in the Sewer Fund consists of \$2,913 from the difference between the expected and actual experience, \$3,887 from the difference between the projected and actual investment earnings, \$3,714 from changes in assumptions and \$382 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$4,052 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Sewer Fund is \$14,948.

I. Unearned Revenue

Unearned revenue in the General Fund consists of \$15,569 of advertising fees and \$64,623 of recreation fees received in advance. Total unearned revenue in the General Fund is \$80,192.

J. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$21,124 of prepaid property taxes. It also includes \$28,878 from the difference between the expected and actual experience and \$8,044 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). Total deferred inflows of resources in the governmental activities is \$58,046.

Deferred inflows of resources in the business-type activities consists of \$2,117 from the difference between the expected and actual experience and \$590 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS) and \$70,000 from the contribution from Spruce Peak Reality, LLC for the transmission facility construction and update costs, as described as follows. Total deferred inflows in the business-type activities is \$72,707.

Deferred inflows of resources in the General Fund consists of \$279,900 of delinquent property taxes and interest on those taxes, \$74,500 of ambulance fees, \$25 of miscellaneous fees and \$120,725 of insurance proceeds not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$21,124 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$496,274.

Deferred inflows of resources in the Water Fund consists of \$1,581 from the difference between the expected and actual experience and \$440 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). Total deferred inflows of resources in the Water Fund is \$2,021.

Deferred inflows of resources in the Sewer Fund consists of \$536 from the difference between the expected and actual experience and \$150 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). Total deferred inflows of resources in the Sewer Fund is \$686.

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On September 23, 2005, the Stowe Electric Department (SED) entered into an agreement with Spruce Peak Realty, LLC (“SPR”) in which SPR committed to pay SED for a contribution of the transmission facility construction and update costs to ensure SED has the capacity available to reliably serve its Spruce Peak development project. The contribution term includes an initial payment of \$750,000 and 10 annual payments of \$135,000. The initial payment of \$750,000 has been recorded as a deferred inflow of resources and will be amortized to revenue over the ten year service period of the project. The deferred amount remaining as of June 30, 2019 is \$70,000.

K. Long-term Liabilities

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

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

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

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

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

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

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Long-term liabilities outstanding as of June 30, 2019 were as follows:

Governmental Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Sunset Rock Land Purchase, Fire Pumper Truck and Ice Rink Improvements, Principal Payments of \$15,000 Payable on November 15 Annually, Interest Rates Ranging from 4.88% to 5.42% Payable on May 15 and November 15, Due and Paid November, 2019	\$ 30,000	\$ 0	\$ 15,000	\$ 15,000
Bond Payable, Vermont Municipal Bond Bank, Bingham Falls Land Purchase, Garage Land Purchase and Former Water and Light Building Improvements, Principal Payments of \$25,000 Payable on December 1 Annually, Interest Rates Ranging from 2.8% to 5.18% Payable on June 1 and December 1, Due December, 2021	100,000	0	25,000	75,000
Bond Payable, Vermont Municipal Bond Bank, Ladder Truck and Nichols Easement, Principal Payments of \$20,000 Payable on December 1 Annually, Interest Rates Ranging from 1.87% to 5.09% Payable on June 1 and December 1, Due December, 2024	140,000	0	20,000	120,000
Bond Payable, Vermont Municipal Bond Bank, Adams Camp Purchase and Memorial Building Engineering, Principal Payments of \$25,000 Payable on December 1 Annually, Interest Rates Ranging from 3.865% to 4.665% Payable on June 1 and December 1, Due December, 2027	250,000	0	25,000	225,000
Bond Payable, Vermont Municipal Bond Bank, Public Safety Building, Principal Payments of \$360,000 Payable on November 15 Annually, Interest Rates Ranging from 1.9% to 4.65% Payable on May 15 and November 15, Due November, 2028	3,960,000	0	360,000	3,600,000

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	<u>Beginning Balance</u>		<u>Additions</u>		<u>Deletions</u>		<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Ice Rink, Principal Payments of \$200,000 Payable on November 15 Annually, Interest Rates Ranging from 1.098% to 3.968% Payable on May 15 and November 15, Due November, 2032	\$3,000,000	\$	0		\$200,000	\$	2,800,000
Bond Payable, Vermont Municipal Bond Bank, Ice Rink and Sledding Hill Land Purchase, Principal Payments of \$140,750 Payable on November 15 Annually, Interest at 3.955% Payable on May 15 and November 15, Due November, 2033	2,252,000		0		140,750		2,111,250
Bond Payable, Vermont Municipal Bond Bank, Village Sidewalk and Overhead Utility Project, Principal Payments of \$220,000 Payable on November 1 Annually, Interest Rates Ranging from 1.835% to 4.101% Payable on May 1 and November 1, Due November, 2049	<u>0</u>		<u>6,600,000</u>		<u>0</u>		<u>6,600,000</u>
Total Governmental Activities	<u>\$9,732,000</u>		<u>\$6,600,000</u>		<u>\$785,750</u>		<u>\$15,546,250</u>
Business-type Activities:							
	<u>Beginning Balance</u>		<u>Additions</u>		<u>Deletions</u>		<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Expansion, Principal Payments of \$125,820 Payable on December 15 Annually, 0% Interest, Due December, 2021	\$ 377,459	\$	0	\$	125,820	\$	251,639
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Improvements, Principal and Interest Payments of \$215,568 Payable on July 1 Annually, Interest at 3%, Due July, 2025	1,343,051		0		175,277		1,167,774

TOWN OF STOWE, VERMONT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Improvements, Principal Payments of \$18,273 Payable on April 1 Annually, 0% Interest, Due April, 2024	\$ 109,641	\$ 0	\$ 18,273	\$ 91,368
Bond Payable, Vermont Municipal Bond Bank, Water Upgrade, Principal Payments of \$160,000 Payable on December 1 Annually, Interest Rates Ranging from 1.55% to 5.0% Payable on June 1 and December 1, Due December, 2022	800,000	0	160,000	640,000
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sunset Hill Project, Principal and Interest Payments of \$56,962 Payable on July 1, Interest at 1%, Administrative Fee at 2%, Due July, 2026	443,515	0	43,657	399,858
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Improvements, Principal Payments of \$103,550 Payable on July 1 Annually, 0% Interest, Due July, 2020	310,650	0	103,550	207,100
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Improvements, Principal Payments of \$691,683 Payable on April 1 Annually, 0% Interest, Due April, 2028	6,916,827	0	691,683	6,225,144
Bond Payable, Vermont Municipal Bond Bank, Electric Upgrades, Principal Payments of \$135,000 through 2038 and then One (1) Payment of \$85,000 in 2039, Interest Rates Ranging from 1.31% to 3.41% Payable on June 1 and December 1, Due November, 2039	2,920,000	0	135,000	2,785,000
Bond Payable, Vermont Economic Development Authority, Annual Principal Payments of \$127,080, Interest at 4.2% with a 3.3% Subsidy to offset Interest, Due February, 2041	2,922,840	0	127,080	2,795,760

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Key Bank National Association, Electric Investment Purchases, Principal Due and Paid in Full December 30, 2018, Interest at 5.7%, Requiring Quarterly Interest Payments, Secured by all Membership Units of VT Transco	\$18,700,000	\$ 0	\$18,700,000	\$ 0
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$17,970, Interest at 6.5%, Due December, 2020	703,138	0	43,010	660,128
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$20,773, Interest at 6.5%, Due February, 2020	762,285	0	51,876	710,409
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$7,439, Interest at 4.1%, Due November, 2024	355,472	0	15,413	340,059
Note Payable, Union Bank, Operating Capital, Quarterly Principal and Interest Payments of \$23,215, Interest at 2.99%, Due May, 2027	729,792	0	71,831	657,961
Note Payable, Union Bank, Electric Upgrades, Quarterly Principal and Interest Payments of \$15,928, Interest at 4.2%, Due December, 2027	804,691	0	30,381	774,310
Note Payable, Union Bank, Electric Upgrades, Annual Principal and Interest Payments of \$57,870, Interest at 2.75%, Due May, 2028	500,000	0	44,911	455,089
Note Payable, Union Bank, Electric Upgrades, Quarterly Principal and Interest Payments of \$7,845, Interest at 4.95%, Due November, 2028	<u>0</u>	<u>400,000</u>	<u>9,004</u>	<u>390,996</u>
Total Business-type Activities	<u>\$38,699,361</u>	<u>\$400,000</u>	<u>\$20,546,766</u>	<u>\$18,552,595</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 9,732,000	\$ 6,600,000	\$ 785,750	\$ 15,546,250	\$ 1,005,750
Compensated Absences Payable	616,958	58,300	0	675,258	0
Net Pension Liability	1,522,340	283,674	0	1,806,014	0
Total Governmental Activities Long-term Liabilities	<u>\$ 11,871,298</u>	<u>\$ 6,941,974</u>	<u>\$ 785,750</u>	<u>\$ 18,027,522</u>	<u>\$ 1,005,750</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 16,143,983	\$ 0	\$ 1,580,340	\$ 14,563,643	\$ 1,586,908
Notes Payable	22,555,378	400,000	18,966,426	3,988,952	929,236
Compensated Absences Payable	236,930	11,709	0	248,639	0
Net Pension Liability	103,571	28,822	0	132,393	0
Total Business-type Activities Long-term Liabilities	<u>\$ 39,039,862</u>	<u>\$ 440,531</u>	<u>\$ 20,546,766</u>	<u>\$ 18,933,627</u>	<u>\$ 2,516,144</u>

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

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

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 1,005,750	\$ 582,859	\$ 2,516,144	\$ 398,054
2021	990,750	500,196	2,399,632	324,539
2022	990,750	469,778	1,563,009	235,046
2023	965,750	435,591	1,578,233	243,639
2024	965,750	400,899	1,432,600	216,602
2025-2029	4,723,750	1,489,061	6,103,017	703,063
2030-2034	2,603,750	865,747	1,310,400	343,505
2035-2039	1,100,000	541,503	1,310,400	145,100
2040-2044	1,100,000	329,295	339,160	6,015
2045-2049	1,100,000	112,778	0	0
Total	<u>\$ 15,546,250</u>	<u>\$ 5,727,707</u>	<u>\$ 18,552,595</u>	<u>\$ 2,615,563</u>

L. Fund Balances

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

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

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

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

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

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

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

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

Major Funds

General Fund:

Nonspendable Prepaid Expenses	\$ 15,882
Nonspendable Inventory	<u>156,277</u>
Total General Fund	<u>172,159</u>

Non-Major Funds

Permanent Funds:

Nonspendable Cemetery Fund Principal	215,000
Nonspendable Library Endowment Fund Principal	<u>35,295</u>
Total Non-Major Funds	<u>250,295</u>

Total Nonspendable Fund Balances	<u>\$422,454</u>
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The fund balances in the following funds are restricted as follows:

Major Funds

General Fund:

Restricted for Library Development by Donations	\$ <u>23,069</u>
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Capital Fund:

Restricted for Village Sidewalk Project and Main Street Overhead Utility Relocation Project by Unspent Bond Proceeds (Source of Revenue is Bond Proceeds)	5,260,653
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Non-Major Funds

Special Revenue Funds:

Restricted for Police Expenses by Agreement (Source of Revenue is Grant Revenue)	19,631
Restricted for Records Preservation Expenses by Statute (Source of Revenue is Recording Fees)	<u>69,403</u>

Total Special Revenue Funds	<u>89,034</u>
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Permanent Funds:

Restricted for Cemetery Fund by Trust Agreements – Expendable Portion	317,492
Restricted for Library Endowment Fund by Trust Agreements – Expendable Portion	<u>1,021,418</u>

Total Permanent Funds	<u>1,338,910</u>
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Total Non-Major Funds	<u>1,427,944</u>
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Total Restricted Fund Balances	<u>\$6,711,666</u>
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The fund balances in the following funds are committed as follows:

Major Funds

General Fund:

Committed for Annual Leave by the Voters	\$ <u>120,571</u>
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Capital Projects Fund:

Committed for Capital Projects by the Voters	<u>1,118,423</u>
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TOWN OF STOWE, VERMONT
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Non-Major Funds

Equipment Fund:	
Committed for Equipment Expenditures by the Voters	\$ <u>397,173</u>
Total Committed Fund Balances	<u>\$1,636,167</u>

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

Major Funds

General Fund:	
Assigned to Reduce Property Taxes in Fiscal Year 2020	\$166,783
Assigned for Library Operations Expenses	<u>28,605</u>
Total General Fund	<u>195,388</u>

Capital Fund:	
Assigned for Akeley Chimney Expenditures	<u>35,120</u>

Non-Major Funds

Special Revenue Funds:	
Assigned for Appraisal Expenses	<u>205,331</u>
Total Assigned Fund Balances	<u>\$435,839</u>

M. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2019 consisted of the following:

Governmental Activities:	
Inventories Restricted for Highway Use by Statute	\$ 156,277
Restricted for Library Development by Donations	23,069
Restricted for Police Expenses by Agreement	19,631
Restricted for Records Preservation Expenses by Statute	69,403
Restricted for Cemetery Fund by Trust Agreements – Non-Expendable Portion	215,000
Restricted for Cemetery Fund by Trust Agreements – Expendable Portion	317,492
Restricted for Library Endowment Fund by Trust Agreements – Non-Expendable Portion	35,295
Restricted for Library Endowment Fund by Trust Agreements – Expendable Portion	<u>1,021,418</u>
Total Governmental Activities	<u>\$1,857,585</u>

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Business-type Activities:

Electric Fund:

Restricted for Electric Capital Projects by State Agreement \$1,341,726

Total Business-type Activities \$1,341,726

The designated net position of the Town as of June 30, 2019 consisted of the following:

Business-type Activities:

Water Fund:

Designated for Investment in Long-term Loans Receivable \$ 190,133

Designated for Water Capital 792,018

Designations in Excess of Unrestricted Net Position (151,865)

Total Water Fund 830,286

Sewer Fund:

Designated for Investment in Long-term Loans Receivable 2,046,514

Designated for Sewer Capital 442,516

Designated for Sewer Operations 2,628,097

Total Sewer Fund 5,117,127

Electric Fund:

Designated for Electric Operations 3,940,640

Total Business-type Activities \$9,888,053

V. OTHER INFORMATION

A. Pension Plans

Defined Benefit Plan

The Vermont Municipal Employees' Retirement System (VMERS)

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. During the year ended June 30, 2019, the retirement system consisted of 402 participating employers.

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

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

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

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

As of June 30, 2018, the measurement date selected by the State of Vermont, VMERS was funded at 82.60% and had a plan fiduciary net position of \$667,848,905 and a total pension liability of \$808,524,797 resulting in a net position liability of \$140,675,892. As of June 30, 2019, the Town's proportionate share of this was 1.3779% resulting in a net pension liability of \$1,938,407. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities, actuarially determined. The Town's proportion of 1.3779% was an increase of 0.0359 from its proportion measured as of the prior year.

For the year ended June 30, 2019, the Town recognized pension expense of \$670,554 which was comprised of \$544,848 determined by the State of Vermont's actuary and \$125,706 of employer contributions made by the Town in excess of the amount required. The total employer contribution made by the Town was \$360,015. For the year ended June 30, 2019, the Town funded the employer contribution for Group B at 10.6% resulting in a lower contribution for members (0.25%) and the employer contribution for Group D at 10.6% resulting in a lower contribution for members (10.85%).

As of June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 168,371	\$ 30,995
Net difference between projected and actual investment earnings on pension assets	224,654	0
Changes in assumptions	214,654	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,084	8,634
Town's required employer contributions made subsequent to the measurement date	234,309	0
	\$ 864,072	\$ 39,629

The deferred outflows of resources resulting from the Town's required employer contributions made subsequent to the measurement date in the amount of \$234,309 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending <u>June 30</u>	
2020	\$362,700
2021	137,255
2022	38,046
2023	<u>52,133</u>
Total	<u>\$590,134</u>

Summary of System Provisions

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

Creditable Service – Service as a member plus purchased service.

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

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Service Retirement Allowance:

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

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

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

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Group B. Age 50 with twenty (20) years of service for Group D.

Amount – Normal allowance based on service and AFC at early retirement, reduced by 6% for each year commencement precedes normal retirement age for Group B members, and payable without reduction to Group D members.

Vested Retirement Allowance:

Eligibility – Five (5) years of service.

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

Disability Retirement Allowance:

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

Amount – Immediate allowance based on AFC and service to date of disability; children’s benefit of 10% of AFC payable to up to three (3) minor children (or children up to age 23 if enrolled in full time studies) of a disabled Group D member.

Death Benefit:

Eligibility – Death after five (5) years of service.

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

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

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

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

Member Contributions – Group B – 5.0%. Group D – 11.475%.

Employer Contributions – Group B – 5.625%. Group D – 9.975%.

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

Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7.50%, net of pension plan investment expenses, including inflation.

Salary increases: 5% per year.

Mortality:

Death in Active Service: Group B – 98% of RP-2006 blended 60% Blue Collar Employee, 40% Healthy Employee with generational improvement. Group D – RP-2006 Blue Collar Annuitant Table with generation projection using Scale SSA-2017.

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

Disabled Post-Retirement: Groups B and D – RP-2006 Disabled Mortality Table with generational improvement.

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

Cost-of-Living Adjustments: Assumed to occur on January 1 following one year of retirement at the rate of 1.30% per annum for Groups B and D members (beginning at normal retirement eligibility age for members who elect reduced early retirement, at age 62 for members of Groups B and D who receive a disability retirement benefit). The January 1, 2019 COLA is assumed to be 1.3% for all groups.

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

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

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Inflation: 2.50%

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	18%	6.10%
Non-US Equity	16%	7.45%
Global Equity	9%	6.74%
Fixed Income	26%	2.25%
Real Estate	8%	5.11%
Private Markets	15%	7.60%
Hedge Funds	8%	3.86%

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

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

<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
\$3,283,225	\$1,938,407	\$844,698

Additional Information

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

TOWN OF STOWE, VERMONT
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Defined Contribution Plan

The Town, except the Electric Department, offers its employees a defined contribution pension plan. This plan is administered by the Town. The Town contributes 10.6% of gross salary to the plan. All investments are self-directed by the employees. The total payroll for the year, excluding the Electric Department, was \$4,759,091 while covered payroll was \$813,781. Pension expense was \$86,261. There is one employee who has chosen to be covered under the Electric Department's pension plan. The Town's expense for this employee was \$9,278.

Deferred Compensation Plan

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

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

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

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

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

Total covered payroll for the pension contributions for the year ended June 30, 2019 was \$1,311,676. The Electric Department's pension contributions for the years ended June 30, 2019, 2018 and 2017 were \$128,763, \$150,095 and \$130,020, respectively. The total fees relating to the pension plan for the years ended June 30, 2019, 2018 and 2017 were \$800, \$800 and \$500, respectively.

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B. Risk Management

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

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

C. Property Taxes

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes were levied in July and were payable in four (4) installments on August 10, November 10, February 10 and May 10. Interest at 2% is assessed on all unpaid balances immediately following each installment payment and then 2% on the first of each month thereafter. Unpaid taxes become an enforceable lien on the property, and such properties are subject to tax sale. The tax rate for 2019 was as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Education	1.5192	1.6421
Farmers Contracts	0.0048	0.0048
Town	<u>0.4130</u>	<u>0.4130</u>
Total	<u>1.9370</u>	<u>2.0599</u>

D. Contingent Liabilities

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

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E. Leases

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

2020	\$76,868
2021	78,353
2022	79,870
2023	81,419
2024	83,000

F. Related Party Transactions

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

G. Concentration of Revenue

The Electric Department's largest customer represents approximately 11.56% of operating revenue and 7.48% of accounts receivable.

H. Regulatory Proceedings

On August 22, 2008, the Federal Energy Regulatory Commission issued an order resolving issues associated with the cost allocation between participating utilities related to construction of the 115kV Lamoille County Project. The order provides SED with a fixed cap on its share of the specific facility project cost, requires SED to purchase and hold for ten years \$18,700,500 of VT Transco, LLC equity, and eliminates SED from any risk on the dividends to be paid on the equity which are to be applied to pay the debt service on the loan incurred to purchase the equity. Dividends in excess of the debt service requirements on the equity loan will be contributed to the project cost. The order requires the equity to be repurchased from SED, at par, in ten years. The loan to purchase the equity will be a non-amortizing loan due in full in ten years and will be paid with the proceeds from the equity sale at that time. The fixed annual charge to SED for the specific facility cost will be \$1,100,000 for the ten year period. On December 30, 2008, both the loan and the equity purchase took place and on December 28, 2018 the equity was purchased and the loan was paid in full.

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I. Purchase Power Contracts and Services

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

In 2008, SED became a direct member of the ISO – New England power market. SED has also entered into a service contract with Energy New England, LLC to administer and execute power contracts with the ISO – New England power market as SED's agent.

A brief summary of the major power supply contracts as of June 30, 2019 held by SED is as follows:

Hydro Quebec Contract:

This contract began on November 1, 2012, for energy and renewable credits. The total contract with VT utilities calls for 218MW. SED’s portions vary during different periods, as shown below. The contract pricing will be flexible and competitive to the market price because it will follow the defined Energy Market index and the cost of power on the forward market. The pricing is based partly on market prices, partly on inflation, and carries limits on year-to-year price fluctuations. Given the greater degree of market price volatility exhibited since the original Hydro Quebec contract was agreed, this pricing approach should be beneficial to Stowe as the contract will be limited to how “out of market” it might become for both Hydro Quebec and Stowe. This is an important contract quality in the current market environment, and it reduces potential rate pressure to Stowe. In addition to the price flexibility, this will continue to provide very low carbon energy to Stowe, helping it maintain a market price based on green energy procurement strategy.

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

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

<u>Schedule</u>	<u>Start Date</u>	<u>Final Delivery Date</u>	<u>Stowe Entitlement (MW)</u>
Period 1	11/1/2012	10/31/2015	1.238
Period 2	11/1/2015	10/31/2016	2.890
Period 3	11/1/2016	10/31/2020	2.990
Period 4	11/1/2020	10/31/2030	2.990
Period 5	11/1/2030	10/31/2035	2.135
Period 6	11/1/2035	10/31/2038	0.483

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New York Power Authority:

The New York Power Authority (“NYPA”) provides power to the utilities in Vermont under two contracts. SED’s share of the first contract is a 9 kW entitlement to the Robert Moses Project (a.k.a. St. Lawrence). Effective December 23, 2017, this contract was renewed to extend through April 30, 2032. This renewal did not negotiate for the Environmental Attributes therefore SED cannot claim St. Lawrence towards RES beginning on December 23, 2017. SED’s share of the second contract, the Niagara Project, has been an average of 480 kW. Effective September 1, 2007, the Niagara contract was renewed through September 1, 2025 with an entitlement of 481kW. SED is able to use Niagara Environmental Attributes towards RES compliance.

VEPPI (Vermont Electric Power Producers, Inc.):

SED receives power from a group of independent power producer projects (IPP’s) under Order 4.100 of the Vermont Public Service Board (“PSB”). The power is generated by a number of small hydroelectric facilities. There were 19 VEPPI units. As of June 30, 2019, seventeen have expired. VEPPI assigns the energy generated by these facilities to on a load ratio basis that compares SED’s electric sales to other utilities in Vermont annually. The VEPPI contracts have varying maturities; the last VEPPI contract is scheduled to end in 2020. SED’s current pro rata share of the VEPPI production is 1.4072%, which started November 1, 2018 and ran through October 31, 2019. The prior percent, which ran from November 1, 2017 through October 31, 2018 was 1.4554%. The VEPPI contracts are priced with relatively high energy rates and modest fixed costs.

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

SPEED (Sustainable Prices Energy Enterprise Development):

SPEED Standard Offer is a program established under Vermont Public Service Board Order 4.300. The program’s goal is to achieve renewable energy and long-term stably priced contracts. Vermont utilities will purchase power from the SPEED projects. These projects are behind the meter and each utility will have their percent share, (SED’s share for November 1, 2017 through October 31, 2018 was 1.5895% and decreased to 1.5359% for November 1, 2018 through December 31, 2018 then reduced further to 1.5197% for January 1, 2019 through October 31, 2019) of load reduced by the output of the generation. SED receives a modest capacity credit, and renewable energy credits for these resources. The cost paid to the SPEED projects are set based on the generation type. The SPEED began in the fourth quarter of 2010.

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

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JUNE 30, 2019

Stony Brook:

SED has entered into a Power Sales Agreement with the Massachusetts Municipal Wholesale Electric Company (MMWEC) for 1.66% (approximately 5,832 kW) of MMWEC's Stony Brook Project, an operating fossil fuel plant. MMWEC, a public corporation of Massachusetts, is a coordination and planning agency for the development of the bulk power supply requirements of its members and project participants. The Power Sales Agreement for the project requires each participant to pay its share of MMWEC's costs related to the project, which includes operation and maintenance, property taxes, administration, expenses and capital. Lastly, MMWEC collects an operating reserve to finance the project. This is to be paid into a reserve and contingency fund.

McNeil Project:

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

SED has agreements with VPPSA to purchase a portion of the power produced by the facility. SED is committed to an ownership share of 15.8%.

McNeil was retrofitted in 2008 to make it eligible to generate Connecticut Class I Renewable Energy Certificates (RECs).

Brown Bear II Hydro (Old Miller Hydro Contract):

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

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

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

Saddleback Ridge Wind Project:

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

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NextEra – Seabrook Offtake:

Beginning January 1, 2015 and going through December 31, 2034 SED will receive 0.16% (or max of 2 MW) of around the clock, of the NextEra Seabrook Resource. This contract also provides SED with the same PPA percentage of capacity as well. The pricing of the product varies with the Gross Domestic Product-Implicit Price Deflator (GDP-IPD). This takes natural gas price volatility away from the contract price. Escalation is limited to between 1.6%-4.9% per year. The PPA will provide carbon-free generation that will help insulate SED from the potential for higher carbon prices in the future.

SED also receives the Emissions Free Energy Certificates.

Phase 1 Hydro-Quebec Interconnection:

SED has entered into contracts with Vermont Electric Power Company (VELCO) to participate in 0.09578% of Phase I portion of the Hydro-Quebec interconnection, a 450 KVHVD transmission line directly connecting the Hydro-Quebec electric system with ISO-NE at the Comerford Generating Station. Under these agreements, SED provided capital for the cost of construction through purchase of VELCO Class C preferred stock and will provide support for the operation of the line. SED is entitled to a portion of the benefits and has an obligation for a corresponding portion of the costs associated with Phase I.

Beech Hill Solar – Nebraska Valley:

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

Highgate Project:

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

In 2017, SED purchased additional ownership of the Converter. SED purchased the portion VPPSA's share and became a joint owner with VELCO and Burlington Electric Department. In 2018 SED sold their ownership amount of the Highgate Project.

Market Contracts:

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

TOWN OF STOWE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2019

Sources of Energy

The percentages of energy (kWh) acquired for the year ended June 30, 2019 was as follows:

Resource	Description	(MWH)	kWh's	% of Total Resources	Fuel	Location	Termination Date
NYPA - Niagara	Block	3,516	3,516,303	4.56%	Hydro	Roseton	2025
NYPA - St. Lawrence	Block	83	82,770	0.11%	Hydro	Roseton	Life of Unit
VEPPI	PURPA	416	416,539	0.54%	Wood/Hydro	VT Nodes	Exp. Varies
Ryegate	PURPA	2,508	2,508,006	3.25%	Varies		2022
VEPPI - Standard Offer ISO Settlement	PUC	127	127,331	0.17%	Hydro	VT Nodes	Exp. Varies
HQ PPA Contract	ISO Bilateral	17,462	17,461,600	22.64%	Hydro	HQ Highgate 120	2038
McNeil	Wood Unit	6,389	6,389,193	8.29%	Wood	Essex	Life of Unit
Stony 1A/1B/1C	Dispatchable	886	886,481	1.15%	Natural Gas	Stonybrook 115	Life of Unit
NextEra Seabrook	ISO Bilateral	16,105	16,104,883	20.89%	Nuclear		2035
Miller Hydro Purchase	Run of River	2,498	2,497,690	3.24%	Hydro		2021
Saddleback Purchase	Wind	2,109	2,108,849	2.73%	Wind	Carthage, ME	2035
Bilateral Purchase - Mtn	ISO Bilateral	6,118	6,117,775	7.93%			4/30/2019
ISO Energy Net Interchange	ISO Bilateral	18,894	18,894,386	24.50%			
Totals		<u>77,111</u>	<u>77,111,806</u>	<u>100.0%</u>			
Nebraska Valley (BTM)	Solar	1,204	1,204,340	1.50%	Solar	Behind the Meter Genration	Life of Unit
VEPPI Standard Offer (BTM)	PUC	1,530	1,529,812	1.90%	Varies	Behind the Meter Genration	

Future Projects and State Renewable Energy Standard

Solar Projects:

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

Hydro Project:

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

Battery Project:

SED is also reviewing the technology of energy storage.

Renewable Portfolio and Upcoming Renewable Energy Standard (RES):

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

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

There are three tiers to the RES program:

- Tier I: Meet 75% by 2032 total renewable energy requirement (55% in 2017)
 - Any class of tradeable renewable attributes that are delivered in New England qualify
 - Approve Unit generations that will qualify towards compliance are McNeil, Hydro Quebec bilateral, and NYPA
 - 2017 the compliance for SED was 41,915, SED retired 41,914 RECs. The one less REC was due to the St. Lawrence renewal that did not include Renewable Attributes.
- Tier II: Meet 10% of sales with distributed generation in 2032 (1% in 2017)
 - New Vermont based unit that is 5 MWs or less or renewable generation
 - 2017 the compliance for SED was 762 RECs, SED retired 762 RECs
- Tier III: Meet 10.66% of sales with “energy transformation projects” in 2032 (2% in 2019)
 - Generation or project that reduces fossil fuel consumed by their customers and emission of greenhouse gases qualifies for compliance (MW conversion will be determined by the Board)

J. Subsequent Events

On October 31, 2019, SED obtained a \$1,500,000 line of credit with Union Bank with an interest rate of 1.45% and a maturity date of October 31, 2020.

Subsequent to year-end, the Town took over operations of the Stowe Fire District #3. The Town received \$85,065 of funds from the District to be used exclusively towards the debt service of the District. In addition, the Town took over \$1,279,012 of capital assets and one loan with the Vermont Municipal Bond Bank in the amount of \$90,865.

TOWN OF STOWE, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 9,169,920	\$ 9,125,836	\$ (44,084)
Administration	786,437	850,761	64,324
Town Clerk & Treasurer	170,278	193,491	23,213
Accounting	20,000	20,281	281
Fire	750	14,729	13,979
Highway	184,615	190,507	5,892
Listers	4,600	15,084	10,484
Library	28,240	32,195	3,955
EMS	209,305	223,532	14,227
Akeley Memorial Building	0	500	500
Cultural Campus	1,881	1,669	(212)
Planning Department	3,500	4,002	502
Zoning	49,830	67,714	17,884
Police	103,400	198,444	95,044
Cemetery Commission	1,200	195	(1,005)
Public Works - Administration	45,500	45,249	(251)
Parks	45,020	47,560	2,540
Recreation	142,080	171,286	29,206
Stowe Arena	337,990	325,190	(12,800)
Transfer from Capital Fund - Debt Management	350,000	350,000	0
Total Revenues	11,654,546	11,878,225	223,679
Expenditures:			
Administration	415,076	381,729	33,347
Elections	2,807	3,284	(477)
Town Clerk & Treasurer	307,415	275,550	31,865
Zoning	140,719	130,521	10,198
Listers	112,571	110,614	1,957
Accounting	272,547	303,251	(30,704)
Planning Department	160,495	156,880	3,615
Public Safety Building	171,718	160,025	11,693
Police	1,779,001	1,774,303	4,698
Fire	219,900	222,538	(2,638)
EMS	658,587	655,194	3,393
Mountain Rescue	23,759	33,172	(9,413)
Emergency Management	2,619	1,272	1,347
Highway	2,268,511	2,377,310	(108,799)
Public Works - Administration	347,957	336,946	11,011
Akeley Memorial Building	210,202	231,267	(21,065)
Cultural Campus	32,359	65,355	(32,996)
Street Lights	18,354	14,765	3,589
Solid Waste	596	592	4

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TOWN OF STOWE, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
Expenditures/(Cont'd):			
Cemetery Commission	\$ 30,219	\$ 19,620	\$ 10,599
Economic Development	85,700	85,700	0
Social Services	48,972	48,222	750
General Government	546,589	545,803	786
Parks	520,937	473,852	47,085
Recreation	483,476	487,256	(3,780)
Stowe Arena	531,236	567,792	(36,556)
Library	557,860	538,980	18,880
Debt Management	1,139,821	1,139,821	0
Insurance	191,326	185,661	5,665
Transfer to Annual Leave Fund	120,000	120,000	0
Transfer to Equipment Fund	<u>420,000</u>	<u>420,000</u>	<u>0</u>
Total Expenditures	<u>11,821,329</u>	<u>11,867,275</u>	<u>(45,946)</u>
Excess/(Deficiency) of Revenues Over Expenditures	\$ <u>(166,783)</u>	10,950	\$ <u>177,733</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Annual Leave Fund Income		1,189	
Annual Leave Fund Transfer In		120,000	
Annual Leave Fund Expenses		(59,166)	
Library Operations Fund Income		22,004	
Library Operations Fund Expenses		(5,769)	
Library Operations Fund Transfer In		16,872	
Library Operations Fund Transfer Out		(28,240)	
Recreation Scholarship Fund Income		1,452	
Recreation Scholarship Fund Expenses		(6,570)	
Recreation Scholarship Fund Transfer In		7,813	
FEMA Fund Income		57,286	
FEMA Fund Expenses		(59,262)	
Library Damage Fund Income		604,756	
Library Damage Fund Expenses		<u>(526,445)</u>	
Net Change in Fund Balance		156,870	
Fund Balance - July 1, 2018		<u>922,996</u>	
Fund Balance - June 30, 2019		\$ <u>1,079,866</u>	

The reconciling items are due to combining five (5) funds, the Annual Leave Fund, the Library Operations Fund, the Recreation Scholarship Fund, the FEMA Fund and the Library Damage Fund with the General Fund in order to comply with GASB Statement No. 54.

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TOWN OF STOWE, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2019

	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 140,675,892	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	1.3779%	1.3420%	1.3498%	1.3825%	1.4096%
Town's Proportionate Share of the Net Pension Liability	\$ 1,938,407	\$ 1,625,911	\$ 1,737,171	\$ 1,065,864	\$ 128,646
Town's Covered Employee Payroll	\$ 3,396,370	\$ 3,468,811	\$ 3,197,390	\$ 2,997,269	\$ 2,842,541
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	57.0729%	46.8723%	54.3309%	35.5612%	4.5257%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.60%	83.64%	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions and Methods: None.

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

TOWN OF STOWE, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 234,309	\$ 246,026	\$ 219,161	\$ 205,062	\$ 192,329
Contributions in Relation to the Actuarially Determined Contributions	<u>234,309</u>	<u>246,026</u>	<u>219,161</u>	<u>205,062</u>	<u>192,329</u>
Contribution Excess/(Deficiency)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 3,396,370	\$ 3,468,811	\$ 3,197,390	\$ 2,997,269	\$ 2,842,541
Contributions as a Percentage of Town's Covered Employee Payroll	6.899%	7.093%	6.854%	6.842%	6.766%

Notes to Schedule

Valuation Date: June 30, 2018

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

TOWN OF STOWE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 142,014	\$ 142,014
Investments	0	0	1,447,260	1,447,260
Due from Other Funds	294,365	417,173	0	711,538
Total Assets	\$ 294,365	\$ 417,173	\$ 1,589,274	\$ 2,300,812
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts Payable	\$ 0	\$ 20,000	\$ 0	\$ 20,000
Due to Other Funds	0	0	69	69
Total Liabilities	0	20,000	69	20,069
Fund Balances:				
Nonspendable	0	0	250,295	250,295
Restricted	89,034	0	1,338,910	1,427,944
Committed	0	397,173	0	397,173
Assigned	205,331	0	0	205,331
Total Fund Balances	294,365	397,173	1,589,205	2,280,743
Total Liabilities and Fund Balances	\$ 294,365	\$ 417,173	\$ 1,589,274	\$ 2,300,812

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TOWN OF STOWE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
Revenues:				
Intergovernmental	\$ 269,950	\$ 0	\$ 0	\$ 269,950
Charges for Services	0	0	11,170	11,170
Permits, Licenses and Fees	8,972	0	0	8,972
Investment Income/(Loss)	<u>1,970</u>	<u>3,630</u>	<u>(9,141)</u>	<u>(3,541)</u>
Total Revenues	<u>280,892</u>	<u>3,630</u>	<u>2,029</u>	<u>286,551</u>
Expenditures:				
General Government	2,893	0	0	2,893
Public Safety	500	0	0	500
Culture and Recreation	6,113	0	0	6,113
Cemetery	0	0	2,337	2,337
Capital Outlay:				
Public Safety	0	138,976	0	138,976
Public Works	<u>225,305</u>	<u>158,219</u>	<u>0</u>	<u>383,524</u>
Total Expenditures	<u>234,811</u>	<u>297,195</u>	<u>2,337</u>	<u>534,343</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>46,081</u>	<u>(293,565)</u>	<u>(308)</u>	<u>(247,792)</u>
Other Financing Sources/(Uses):				
Transfers In	0	420,000	0	420,000
Transfers Out	<u>(3,000)</u>	<u>0</u>	<u>(23,872)</u>	<u>(26,872)</u>
Total Other Financing Sources/(Uses)	<u>(3,000)</u>	<u>420,000</u>	<u>(23,872)</u>	<u>393,128</u>
Net Change in Fund Balances	43,081	126,435	(24,180)	145,336
Fund Balances - July 1, 2018	<u>251,284</u>	<u>270,738</u>	<u>1,613,385</u>	<u>2,135,407</u>
Fund Balances - June 30, 2019	<u>\$ 294,365</u>	<u>\$ 397,173</u>	<u>\$ 1,589,205</u>	<u>\$ 2,280,743</u>

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TOWN OF STOWE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2019

	<u>Police DEA Fund</u>	<u>Appraisal Fund</u>	<u>Records Preservation Fund</u>	<u>Grant Fund</u>	<u>Total</u>
<u>ASSETS</u>					
Due from Other Funds	\$ <u>19,631</u>	\$ <u>205,331</u>	\$ <u>69,403</u>	\$ <u>0</u>	\$ <u>294,365</u>
Total Assets	\$ <u><u>19,631</u></u>	\$ <u><u>205,331</u></u>	\$ <u><u>69,403</u></u>	\$ <u><u>0</u></u>	\$ <u><u>294,365</u></u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:					
Restricted	19,631	0	69,403	0	89,034
Assigned	<u>0</u>	<u>205,331</u>	<u>0</u>	<u>0</u>	<u>205,331</u>
Total Fund Balances	<u>19,631</u>	<u>205,331</u>	<u>69,403</u>	<u>0</u>	<u>294,365</u>
Total Liabilities and Fund Balances	\$ <u><u>19,631</u></u>	\$ <u><u>205,331</u></u>	\$ <u><u>69,403</u></u>	\$ <u><u>0</u></u>	\$ <u><u>294,365</u></u>

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TOWN OF STOWE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Police DEA Fund	Appraisal Fund	Records Preservation Fund	Grant Fund	Total
Revenues:					
Intergovernmental	\$ 1,248	\$ 33,203	\$ 0	\$ 235,499	\$ 269,950
Permits, Licenses and Fees	0	0	8,972	0	8,972
Investment Income	145	1,354	471	0	1,970
Total Revenues	<u>1,393</u>	<u>34,557</u>	<u>9,443</u>	<u>235,499</u>	<u>280,892</u>
Expenditures:					
General Government	0	0	2,528	365	2,893
Public Safety	0	0	0	500	500
Culture and Recreation	0	0	0	6,113	6,113
Capital Outlay:					
Public Works	0	0	0	225,305	225,305
Total Expenditures	<u>0</u>	<u>0</u>	<u>2,528</u>	<u>232,283</u>	<u>234,811</u>
Excess of Revenues Over Expenditures	<u>1,393</u>	<u>34,557</u>	<u>6,915</u>	<u>3,216</u>	<u>46,081</u>
Other Financing Sources/(Uses):					
Transfers Out	0	(3,000)	0	0	(3,000)
Total Other Financing Sources/(Uses)	<u>0</u>	<u>(3,000)</u>	<u>0</u>	<u>0</u>	<u>(3,000)</u>
Net Change in Fund Balances	1,393	31,557	6,915	3,216	43,081
Fund Balances/(Deficit) - July 1, 2018	<u>18,238</u>	<u>173,774</u>	<u>62,488</u>	<u>(3,216)</u>	<u>251,284</u>
Fund Balances - June 30, 2019	<u>\$ 19,631</u>	<u>\$ 205,331</u>	<u>\$ 69,403</u>	<u>\$ 0</u>	<u>\$ 294,365</u>

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TOWN OF STOWE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR CAPITAL PROJECTS FUNDS
 JUNE 30, 2019

	<u>Equipment Fund</u>	<u>Rink Renovation Fund</u>	<u>Total</u>
<u>ASSETS</u>			
Due from Other Funds	\$ <u>397,173</u>	\$ <u>20,000</u>	\$ <u>417,173</u>
Total Assets	\$ <u><u>397,173</u></u>	\$ <u><u>20,000</u></u>	\$ <u><u>417,173</u></u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ <u>0</u>	\$ <u>20,000</u>	\$ <u>20,000</u>
Total Liabilities	<u>0</u>	<u>20,000</u>	<u>20,000</u>
Fund Balances:			
Committed	<u>397,173</u>	<u>0</u>	<u>397,173</u>
Total Fund Balances	<u>397,173</u>	<u>0</u>	<u>397,173</u>
Total Liabilities and Fund Balances	\$ <u><u>397,173</u></u>	\$ <u><u>20,000</u></u>	\$ <u><u>417,173</u></u>

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TOWN OF STOWE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>Equipment Fund</u>	<u>Rink Renovation Fund</u>	<u>Total</u>
Revenues:			
Investment Income	\$ <u>3,630</u>	\$ <u>0</u>	\$ <u>3,630</u>
Total Revenues	<u>3,630</u>	<u>0</u>	<u>3,630</u>
Expenditures:			
Capital Outlay:			
Public Safety	138,976	0	138,976
Public Works	<u>158,219</u>	<u>0</u>	<u>158,219</u>
Total Expenditures	<u>297,195</u>	<u>0</u>	<u>297,195</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(293,565)</u>	<u>0</u>	<u>(293,565)</u>
Other Financing Sources:			
Transfers In	<u>420,000</u>	<u>0</u>	<u>420,000</u>
Total Other Financing Sources	<u>420,000</u>	<u>0</u>	<u>420,000</u>
Net Change in Fund Balances	126,435	0	126,435
Fund Balances - July 1, 2018	<u>270,738</u>	<u>0</u>	<u>270,738</u>
Fund Balances - June 30, 2019	\$ <u><u>397,173</u></u>	\$ <u><u>0</u></u>	\$ <u><u>397,173</u></u>

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF STOWE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR PERMANENT FUNDS
 JUNE 30, 2019

	Cemetery Fund	Library Endowment Fund	Total
<u>ASSETS</u>			
Cash	\$ 138,924	\$ 3,090	\$ 142,014
Investments	393,637	1,053,623	1,447,260
Total Assets	\$ 532,561	\$ 1,056,713	\$ 1,589,274
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Due to Other Funds	\$ 69	\$ 0	\$ 69
Total Liabilities	69	0	69
Fund Balances:			
Nonspendable	215,000	35,295	250,295
Restricted	317,492	1,021,418	1,338,910
Total Fund Balances	532,492	1,056,713	1,589,205
Total Liabilities and Fund Balances	\$ 532,561	\$ 1,056,713	\$ 1,589,274

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF STOWE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Cemetery Fund	Library Endowment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Charges for Services	\$ 11,170	\$ 0	\$ 11,170
Investment Income/(Loss)	<u>22,614</u>	<u>(31,755)</u>	<u>(9,141)</u>
Total Revenues	<u>33,784</u>	<u>(31,755)</u>	<u>2,029</u>
Expenditures:			
Cemetery	<u>2,337</u>	<u>0</u>	<u>2,337</u>
Total Expenditures	<u>2,337</u>	<u>0</u>	<u>2,337</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>31,447</u>	<u>(31,755)</u>	<u>(308)</u>
Other Financing Sources/(Uses):			
Transfers Out	<u>(7,000)</u>	<u>(16,872)</u>	<u>(23,872)</u>
Total Other Financing Sources/(Uses)	<u>(7,000)</u>	<u>(16,872)</u>	<u>(23,872)</u>
Net Change in Fund Balances	24,447	(48,627)	(24,180)
Fund Balances - July 1, 2018	<u>508,045</u>	<u>1,105,340</u>	<u>1,613,385</u>
Fund Balances - June 30, 2019	<u>\$ 532,492</u>	<u>\$ 1,056,713</u>	<u>\$ 1,589,205</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stowe, Vermont, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Stowe, Vermont's basic financial statements, and have issued our report thereon dated January 27, 2020. Our report includes a reference to other auditors who audited the financial statements of the Electric Fund, as described in our report on the Town of Stowe, Vermont's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Electric Fund were not audited in accordance with "Government Auditing Standards".

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

However, we noted certain other matters that we reported to the management of the Town of Stowe, Vermont in a separate letter dated January 27, 2020.

Purpose of this Report

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

January 27, 2020
Montpelier, Vermont
VT Lic. #92-000180

