

TOWN OF STOWE, VERMONT

AUDIT REPORT

JUNE 30, 2020

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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, 2020, 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-two percent (42%), thirty-six percent (36%) and seventy-nine percent (79%), 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 September 28, 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, 2020, 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.

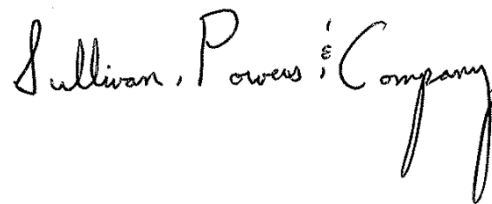
Other Information

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 22, 2021 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 22, 2021
Montpelier, Vermont
VT Lic. #92-000180

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

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020. The Town of Stowe Electric Fund has been audited separately as of and for the year ended June 30, 2020 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources on June 30, 2020 by \$64,719,740 (Total Net Position). Of this amount, \$27,924,772 represents governmental activities and \$36,794,968 represents our water, wastewater, and electric departments (business-type activities). Of these amounts, \$1,612,028 of governmental activities funds and \$10,547,327 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 \$340,539 in FY 20. The increase is due mainly to the reduction to long term debt through principal payment and deferred revenues. The Business-Type activities increased their net position by \$1,575,527, with contributions by Water, \$1,289,272, Wastewater, \$49,075 and \$237,180 by Electric.

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

- The General Fund balance increased \$57,842. The General Fund Balance at the end of FY 20 was \$1,137,708 of which \$552,978 being either non spendable, restricted, committed or assigned and not available for current expenditures, leaving an unassigned surplus of \$584,730.
- The Capital Fund balance decreased by \$2,717,110 in FY 20. The total amount in this fund at year-end was \$3,697,086 of which \$2,397,194 is restricted for future projects, \$1,224,772 is committed for the current Sidewalk/Utility project and \$75,120 is assigned for current projects.
- The Water Fund ended the fiscal year with a net position balance of \$8,780,697 an increase of \$1,289,272 which includes an increase of \$633,377 from the merger with the Stowe Fire District #3.
- The Wastewater Fund ended the fiscal year with a net position balance of \$14,941,871, an increase of \$49,075.
- The Electric Fund ended the fiscal year with a net position balance of \$13,072,400 an increase of \$237,180.

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020

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 9.

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

	Governmental Activities		Business Type Activities		Total	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Assets						
Current & Other Assets	9,016,277	11,613,740	16,948,774	17,989,911	25,965,051	29,603,651
Capital Assets	36,893,446	34,702,980	38,363,650	37,975,019	75,257,096	72,677,999
Total Assets	45,909,723	46,316,720	55,312,424	55,964,930	101,222,147	102,281,650
Deferred Outflows of Resources	701,864	805,056	53,560	59,016	755,424	864,072
Liabilities						
Current Liabilities	1,088,647	1,451,975	1,373,440	1,798,171	2,462,087	3,250,146
Long Term Liabilities	17,428,026	18,027,522	17,187,259	18,933,627	34,615,285	36,961,149
Total Liabilities	18,516,673	19,479,497	18,560,699	20,731,798	37,077,372	40,211,295
Deferred Inflows of Resources	170,142	58,046	10,317	72,707	180,459	130,753
Net Position						
Invested in Capital Assets Net of Related Debt	24,530,140	24,417,383	25,640,922	23,989,662	50,171,062	48,407,045
Restricted	1,782,604	1,857,585	606,719	1,341,726	2,389,323	3,199,311
Unrestricted	1,612,028	1,309,265	10,547,327	9,888,053	12,159,355	11,197,318
Total Net assets	27,924,772	27,584,233	36,794,968	35,219,441	64,719,740	62,803,674

As stated above, total net position was \$64,719,740 at the end of fiscal year 2020. 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 \$50,171,062 (77.5%) 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.

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

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

	Governmental Activities		Business Type Activities		Total	
	FY 2020	FY 2019	FY 2020	FY 2019	FY 2020	FY 2019
Revenues						
<u>Program Revenues</u>						
Charges for Services	1,259,544	1,418,023	15,585,105	16,962,217	16,844,649	18,380,240
Operating Grants & Contributions	585,877	288,221	-	-	585,877	288,221
Capital Grants & Contributions	65,772	845,487	-	-	65,772	845,487
<u>General Revenues</u>						
Property Taxes	9,569,044	9,168,336	-	-	9,569,044	9,168,336
Penalties & Interest on Delinquent Taxes	166,657	176,406	-	-	166,657	176,406
Local Options Tax	866,890	1,005,209	-	-	866,890	1,005,209
General State Grants	453,900	444,568	-	-	453,900	444,568
Investment Earnings	182,118	55,153	914,906	765,140	1,097,024	820,293
LCP Equity Dividends	-	-	-	495,940	-	495,940
Gain on Sale of Assets	14,856	-	8,563	1,735,346	23,419	1,735,346
Transfer from Stowe Fire District #3	-	-	633,377	-	633,377	-
Insurance Proceeds	-	736,967	-	-	-	736,967
Other Revenue	3,030	10,742	-	-	3,030	10,742
Total Revenues	13,167,688	14,149,112	17,141,951	19,958,643	30,309,639	34,107,755
Expenditures						
<u>Governmental Activities</u>						
General Government	2,534,709	2,448,995	-	-	2,534,709	2,448,995
Public Safety	3,725,514	3,392,523	-	-	3,725,514	3,392,523
Public Works	3,533,805	2,894,904	-	-	3,533,805	2,894,904
Culture & Recreation	2,490,279	3,030,645	-	-	2,490,279	3,030,645
Cemeteries	23,927	24,422	-	-	23,927	24,422
Interest on Long Term Debt	560,915	398,072	-	-	560,915	398,072
<u>Business Type Activities</u>						
Water	-	-	1,005,728	941,441	1,005,728	941,441
Sewer	-	-	1,765,383	1,771,666	1,765,383	1,771,666
Electric	-	-	12,753,313	12,621,775	12,753,313	12,621,775
Total Expenditures	12,869,149	12,189,561	15,524,424	15,334,882	28,393,573	27,524,443
Transfers In/(Out)	42,000	42,000	(42,000)	(42,000)	-	-
Changes in Net Position	340,539	2,001,551	1,575,527	4,581,761	1,916,066	6,583,312
Net Position - Beginning of Year	27,584,233	25,582,682	35,219,441	30,637,680	62,803,674	56,220,362
Net Position - End of Year	27,924,772	27,584,233	36,794,968	35,219,441	64,719,740	62,803,674

Governmental activities: Governmental activities increased the Town's net position by \$340,539 in FY20. The Town increased by \$2,190,466 its inventory of capital assets net of current year depreciation (funded with \$123,544 of capital contributions and grants). Major additions included the Village Sidewalks, Village Utility Underground, among other infrastructure improvements and equipment purchases.

Business-type activities: Business-type activities increased the Town's net position by \$1,575,527 in FY20, with contributions by Water \$1,289,272, Wastewater \$49,075, and Electric \$237,180.

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Financial Analysis of Major Funds

General Fund

The General Fund fund balance increased by \$57,842 during the year. The total fund balance at year-end was \$1,137,708. Of this amount, \$122,435 is nonspendable inventory and prepaid items and \$28,956 is restricted for library development expenses. There is \$211,010 committed for annual leave reserves, \$166,783 assigned to reduce property taxes in fiscal year 2021, \$6,735 for recreation scholarship expenses, and \$17,059 for library operations, leaving \$584,730 available for future expenses.

Actual Revenues were lower by \$49,799 compared to budgets. Revenues coming in over budget included Administration \$25,318; Highway \$5,037; Library \$1,177; Mountain Rescue \$1,136; Police \$149,692; Town Clerk \$137,447; Akeley \$225; and Public Safety Building \$35.

The increase in revenues for the Administration is from State Land Use, Delinquent Tax Interest, and Cell Tower Leases; the Police is from the Traffic Control revenues for many Highway construction jobs, the Town Clerk is the recording fees for property transfers and interest income on cash balances.

Revenue coming in under budget included Arena \$100,483; Cemetery \$570; Cultural Campus \$55; EMS \$12,399; Fire \$725; Listers \$407; Parks \$12,587; Planning \$500; Property Tax \$215,012; Public Works \$500; Recreation \$11,471; Debt Service from Capital Fund \$10,561; and Zoning \$3,425.

The overriding reason for the decrease in revenues is COVID restrictions which closed the Arena, and deferred advertising, reduced ambulance services for EMS, loss of field rentals for Parks, fewer special events or programs for Recreation, and increases in delinquent property taxes.

Expenditures were \$382,209 under budget. Expenditures coming in under budget were in the following departments: Accounting \$1,794; Administration \$28,884; Akeley Bldg. \$25,825; Arena \$40,687; Cemetery \$9,610; Community Affairs \$950; Debt Management \$21,866; Elections \$1,230; Emergency Mgmt. \$1,052; Fire \$28,686; Highway \$105,173; Insurance \$16,782; Library \$83,018; Parks \$12,256; Planning \$5,976; Police \$255; Public Works \$11,502; Recreation \$63,603; Solid Waste \$2; Street Lights \$6,204; and Zoning \$10,471.

The explanations for lower expenditures are; Administration, Legal; Akeley Building, lower utilities costs; Arena; Benefits due to staff reassignment, Cemetery; Stone Restoration delay due to COVID, Debt Management lower interest rate on Sidewalk/Utility Project than forecasted, Fire; Volunteer pay based on Active calls less than expected, Highway; due to COVID Spring stormwater & paving projects delayed, Insurance fewer claims and lower premiums than expected, Library staff changeover and COVID closure, Parks; COVID delays in bringing on Seasonal staff, Planning; COVID delayed Conservation projects, Public Works; external services for projects delayed, Recreation; administrative assistant position eliminated, Zoning; lower expenses across many areas.

TOWN OF STOWE, VERMONT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2020

Expenditures coming in over budget were in the following departments: Cultural Campus \$5,376 when excluding budgeted transfer of \$26,666 to the Capital Fund for an HVAC study that was not made due to COVID; EMS \$1,297; General Govt. \$2,390; Listers \$7,036; Mountain Rescue \$3,442; Public Safety Bldg. \$57,053; and Town Clerk \$3,689.

The reasons include, for Cultural Campus; repairs of system deficiencies, Listers; change in benefit enrollment, Mountain Rescue; training costs and more active calls, Public Safety Building; IT services and equipment 50% and Building System maintenance 50%, Town Clerk; office expenses due to COVID imposed remote work access and high volume of recording.

Capital Fund

The Capital Fund ended with a balance of \$3,697,086. This Fund Balance decreased \$2,717,110 and was funded with local option taxes \$866,890, the sale of land \$3,000, general fund transfer of \$40,000, and interest of \$80,609. The capital expenditures were \$296,439 for continued work on public works projects and, \$2,927,768 for the Village Sidewalk and Underground Utility Relocation project, \$350,000 for the arena debt payment and \$133,402 for the underground utility relocation debt payment.

Water Fund

The Water Fund had operating income of \$639,099, non-operating revenue connection fees of \$64,631, interest expense of -\$59,884, transfer from Stowe Fire District #3 assets of \$633,377, and investment income of \$12,049, resulting in an increase in net position of \$1,289,272.

Wastewater Fund

The Wastewater Fund had an operating loss of -\$80,686, which when added to non-operating revenues of connection fees of \$72,419, plus investment income of \$57,342, resulted in an increase to net position of \$49,075.

Electric Fund

The Electric Fund had operating income of \$289,893. Operating revenues were up \$29,132, and expenditures were up \$289,285 between FY 20 and FY 19, which decreased operating income by \$260,153. Non-operating revenues and expenses decreased the net position by \$10,713, less a transfer of \$42,000, between Electric Fund and General Fund, to an overall increase in net position of \$237,180.

Other Non-Major Governmental Funds

Police DEA Fund	\$	32,588
Appraisal Fund		242,619
Records Preservation Fund		71,079
Grant Fund		(6,400)
Equipment Fund		385,005
Cemetery Fund		557,225
Library Endowment Fund		983,278
Total	\$	<u>2,265,394</u>

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

Capital Asset Administration

The Town of Stowe's investment in capital assets for its governmental activities as of June 30, 2020 totaled \$36,893,446 (net of depreciation) and \$38,363,650 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:

- Infrastructure - Rec Path Reconstruction Btw Bridge #1 & 2
- Infrastructure - Lower Village Sidewalks
- Infrastructure - Depot Street Culvert
- Infrastructure - Village Sidewalk Project
- Infrastructure - Underground Utility Relocation
- Infrastructure - Village Street Lights
- Infrastructure - South Main Street Sidewalks
- Equipment - Parks - Exmark Mower
- Equipment - Parks - Kubota Utility
- Equipment - Highway Ventrac Plow Tractor
- Equipment - Highway Skid Steer Loader
- Equipment - Mountain Rescue ATV
- Equipment - Highway Ventrac Plow Tractor
- Vehicles - Highway Int'l Dump Truck
- Vehicles - Mountain Rescue Crew Cab
- Vehicles - Police - Patrol SUV
- Vehicles - Police - Patrol SUV
- Vehicles - Fire - Chief Tahoe Truck

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

Sold, Retired or Traded:

- 1978 Parks Ford Tractor Mower
- 2003 Mountain Rescue Chevy Silverado Crew Cab
- 2008 Parks Kubota Utility Vehicle
- 2010 Administration Chevy Tahoe
- 2010 Highway Bobcat Skidsteer Loader
- 2010 Highway International Dump Truck
- 2011 Highway Ford F550 Dump Truck
- 2011 Parks Exmark Mower
- 2014 Police Ford Explorer

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

The Water Fund had \$1,445,166 of capital asset additions, which includes \$213,302 for equipment, \$973,039 for distribution & collection infrastructure, and an increase of \$258,825 for projects under construction. The increase in equipment is for 5 generators at pump locations, for distribution & collection the majority are the assets acquired in the merger of Fire District #3, and projects under construction include the South Main Street Waterline replacement and Auto Meter project.

The Wastewater Fund had \$65,932 of capital asset additions, which includes \$8,347 for equipment, \$7,854 for distribution & collection infrastructure, and an increase of \$49,731 for projects under construction. The increase in projects under construction include Weeks Hill Pump and Auto Meter project. For equipment there was the purchase of a new truck and sale of old truck along with retirement of fully depreciated equipment no longer in use. For D&C infrastructure the increase was manhole work completed as part of the Lower Village Route 100 paving and sidewalk project.

The Electric Fund had capital asset additions of \$564,293. For the fiscal year ending June 30, 2020, Stowe Electric Department expended \$58,076 for buildings, \$50,961 for equipment, \$35,498 for distribution improvements, \$247,383 for distribution infrastructure, \$208,683 and a reduction of \$36,308 for projects under construction.

Debt Administration

As of June 30, 2020, long-term debt of governmental activities of the Town of Stowe was \$14,760,500. As of June 30, 2019, long-term debt of governmental activities of the Town of Stowe was \$15,546,250. During the year, the Town paid \$785,750 older bonds and notes, and issued no new bonds.

The Business type activities had bonds and notes outstanding with a total principal debt as of June 30, 2020 of \$16,763,962. At the beginning of the fiscal year there was outstanding debt of \$18,552,595. During the year, the Town paid \$1,879,498 on older bonds and notes and a new note for \$90,865 was acquired with the merger of Fire District #3 that has been fully funded by the Fire District ratepayers.

Economic Factors and FY 21 Budgets and Rates

- The Town of Stowe growth for the Grand List has averaged 1.64% over the last 5 years. The 2021 Grand List growth was estimated to be 1.50%, actual growth was 0.47%, due to the impact of COVID on market values for rental properties. For the 2022 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 1.50% pay increase, plus any step increase they may be eligible for in FY 21.
- Health insurance rates have been budgeted to increase around 7.50% for Blue Cross VHP plan and 7.70% for Blue Cross VFP plan for first half of FY21 and second half of FY21 is based on 5.60% increase, based five year premium changes. All employees pay a portion of the health care premiums, 10% for Blue Cross Blue Shield VHP plan or 5% for VFP plan.

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020

- Dental insurance is budgeted with a 3.80% increase. Short Term/Long Term disability insurance are not expected to increase from FY21 rates. All employees contribute 5% toward their dental coverage. The Worker's Compensation Loss modification rate decreased from 1.22 to 1.10 for calendar year 2021 contributed to a decrease of \$38,022 which impacts FY 2021.
- Prices for #2 fuel oil, diesel fuel, propane and gasoline were estimated using a three year average price as of October 31st.

These factors were taken into consideration in preparing the fiscal year 2021 budgets. The General Fund expense for FY 21 is \$12,877,621, an increase of 3.76%. Non-Tax Revenues have been budgeted at \$2,910,703, an increase of 7.76%, and used surplus carryforward of the General fund of \$167,100 leaving an amount to be raised by taxation of \$9,799,818.

2020 was a second year of construction in Stowe, beginning nearly as soon as the snow melted and continuing well through the Fall, the second phase of the Town's multi-million-dollar bond project to replace the sidewalks and waterline main along Route 100 on South Main Street and sidewalk up the Mountain Road on Route 108. The Underground Utility project continued to pull multiple lines for phone, cable, fiber and electric through the conduit to ultimately eliminate the telephone poles along Main Street.

The Town of Stowe's tourism economy showed good growth until the COVID-19 restrictions closed down hotels, restaurants, stores, and recreation operations in late March 2020. The impacts to the Town's residents, employee base, school populations created a new normal of ways to live, work, and study, in the face of a pandemic. All Town Departments worked hard to adapt to the Governor's guidelines while continuing to provide services to our resident and non-resident populations.

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, 2020

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash	\$ 6,504,655	\$ 1,743,515	\$ 8,248,170
Restricted Cash and Cash Equivalents	3,254,782	1,250,958	4,505,740
Investments	1,476,172	0	1,476,172
Deposits with Insurance Company	3,600	0	3,600
Receivables (Net of Allowance for Uncollectibles)	1,473,523	2,338,814	3,812,337
Loans Receivable	0	1,578,839	1,578,839
Internal Balances	(3,818,890)	3,818,890	0
Prepaid Expenses	12,957	73,364	86,321
Inventory	109,478	393,347	502,825
Investment in Associated Companies	0	5,735,542	5,735,542
Deferred Charges	0	15,505	15,505
Capital Assets:			
Land and Easements	6,600,942	52,525	6,653,467
Construction in Progress	4,695,257	634,825	5,330,082
Antiques	80,000	0	80,000
Other Capital Assets, (Net of Accumulated Depreciation)	<u>25,517,247</u>	<u>37,676,300</u>	<u>63,193,547</u>
Total Assets	<u>45,909,723</u>	<u>55,312,424</u>	<u>101,222,147</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	<u>701,864</u>	<u>53,560</u>	<u>755,424</u>
Total Deferred Outflows of Resources	<u>701,864</u>	<u>53,560</u>	<u>755,424</u>
 <u>LIABILITIES</u>			
Accounts Payable	743,636	947,991	1,691,627
Accrued Payroll and Benefits Payable	191,545	77,313	268,858
Other Accrued Expenses	0	244,796	244,796
Unearned Revenue	62,361	0	62,361
Due to Others	4,735	0	4,735
Accrued Interest Payable	86,370	103,340	189,710
Noncurrent Liabilities:			
Due within One Year	990,750	2,471,074	3,461,824
Due in More than One Year	<u>16,437,276</u>	<u>14,716,185</u>	<u>31,153,461</u>
Total Liabilities	<u>18,516,673</u>	<u>18,560,699</u>	<u>37,077,372</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	34,932	0	34,932
Deferred Inflows of Resources Related to the Town's Participation in VMERS	<u>135,210</u>	<u>10,317</u>	<u>145,527</u>
Total Deferred Inflows of Resources	<u>170,142</u>	<u>10,317</u>	<u>180,459</u>
 <u>NET POSITION</u>			
Net Investment in Capital Assets	24,530,140	25,640,922	50,171,062
Restricted:			
Public Works	109,478	0	109,478
Culture and Recreation	1,012,234	0	1,012,234
Cemetery	557,225	0	557,225
Other	103,667	0	103,667
Electric Capital Projects	0	606,719	606,719
Unrestricted	<u>1,612,028</u>	<u>10,547,327</u>	<u>12,159,355</u>
Total Net Position	<u>\$ 27,924,772</u>	<u>\$ 36,794,968</u>	<u>\$ 64,719,740</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, 2020

	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	\$ 2,534,709	\$ 420,259	\$ 45,530	\$ 0	\$ (2,068,920)	\$ 0	\$ (2,068,920)
Public Safety	3,725,514	416,782	135,165	0	(3,173,567)	0	(3,173,567)
Public Works	3,533,805	5,568	374,662	65,772	(3,087,803)	0	(3,087,803)
Culture and Recreation	2,490,279	402,830	30,520	0	(2,056,929)	0	(2,056,929)
Cemetery	23,927	14,105	0	0	(9,822)	0	(9,822)
Interest on Long-term Debt	560,915	0	0	0	(560,915)	0	(560,915)
Total Governmental Activities	12,869,149	1,259,544	585,877	65,772	(10,957,956)	0	(10,957,956)
Business-type Activities:							
Water	1,005,728	1,649,574	0	0	0	643,846	643,846
Sewer	1,765,383	1,757,116	0	0	0	(8,267)	(8,267)
Electric	12,753,313	12,178,415	0	0	0	(574,898)	(574,898)
Total Business-type Activities	15,524,424	15,585,105	0	0	0	60,681	60,681
Total Primary Government	\$ 28,393,573	\$ 16,844,649	\$ 585,877	\$ 65,772	(10,957,956)	60,681	(10,897,275)
General Revenues:							
Property Taxes					9,569,044	0	9,569,044
Interest on Delinquent Taxes					166,657	0	166,657
Local Option Sales Tax					866,890	0	866,890
General State Grants					453,900	0	453,900
Unrestricted Investment Earnings					182,118	914,906	1,097,024
Gain on Sale of Assets					14,856	8,563	23,419
Other Revenues					3,030	0	3,030
Transfer from Stowe Fire District #3					0	633,377	633,377
Transfers:					42,000	(42,000)	0
Total General Revenues and Transfers					11,298,495	1,514,846	12,813,341
Change in Net Position					340,539	1,575,527	1,916,066
Net Position - July 1, 2019					27,584,233	35,219,441	62,803,674
Net Position - June 30, 2020					\$ 27,924,772	\$ 36,794,968	\$ 64,719,740

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

TOWN OF STOWE, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 6,442,628	\$ 0	\$ 62,027	\$ 6,504,655
Restricted Cash Equivalents	0	3,254,782	0	3,254,782
Investments	0	0	1,476,172	1,476,172
Deposits with Insurance Company	3,600	0	0	3,600
Receivables (Net of Allowance for Uncollectibles)	1,399,798	67,325	6,400	1,473,523
Due from Other Funds	0	928,192	733,595	1,661,787
Prepaid Items	12,957	0	0	12,957
Inventory	109,478	0	0	109,478
Total Assets	<u>\$ 7,968,461</u>	<u>\$ 4,250,299</u>	<u>\$ 2,278,194</u>	<u>\$ 14,496,954</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 188,280	\$ 553,213	\$ 2,143	\$ 743,636
Accrued Payroll and Benefits Payable	191,545	0	0	191,545
Due to Other Funds	5,476,420	0	4,257	5,480,677
Unearned Revenue	62,361	0	0	62,361
Due to Others	4,735	0	0	4,735
Total Liabilities	<u>5,923,341</u>	<u>553,213</u>	<u>6,400</u>	<u>6,482,954</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Property Taxes	34,932	0	0	34,932
Unavailable Property Taxes and Interest	520,600	0	0	520,600
Unavailable Ambulance Fees	93,800	0	0	93,800
Unavailable Grants	256,993	0	6,400	263,393
Unavailable Miscellaneous Revenue	1,087	0	0	1,087
Total Deferred Inflows of Resources	<u>907,412</u>	<u>0</u>	<u>6,400</u>	<u>913,812</u>
<u>FUND BALANCES</u>				
Nonspendable	122,435	0	250,295	372,730
Restricted	28,956	2,397,194	1,393,875	3,820,025
Committed	211,010	1,224,772	385,005	1,820,787
Assigned	190,577	75,120	242,619	508,316
Unassigned/(Deficit)	584,730	0	(6,400)	578,330
Total Fund Balances	<u>1,137,708</u>	<u>3,697,086</u>	<u>2,265,394</u>	7,100,188
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,968,461</u>	<u>\$ 4,250,299</u>	<u>\$ 2,278,194</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.				36,893,446
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.				878,880
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.				(17,514,396)
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>566,654</u>
Net Position of Governmental Activities				<u>\$ 27,924,772</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, 2020

	General Fund	Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 9,328,344	\$ 0	\$ 0	\$ 9,328,344
Interest on Delinquent Taxes	166,657	0	0	166,657
Local Option Sales Tax	0	866,890	0	866,890
Intergovernmental	765,635	3,000	70,002	838,637
Charges for Services	766,419	0	13,475	779,894
Permits, Licenses and Fees	443,548	0	9,439	452,987
Fines and Forfeits	8,768	0	0	8,768
Investment Income/(Loss)	125,461	80,609	(23,952)	182,118
Donations	26,350	0	0	26,350
Other	4,490	0	970	5,460
Total Revenues	<u>11,635,672</u>	<u>950,499</u>	<u>69,934</u>	<u>12,656,105</u>
Expenditures:				
General Government	2,399,716	5,590	9,089	2,414,395
Public Safety	3,085,830	0	13,983	3,099,813
Public Works	2,475,351	483	6,486	2,482,320
Culture and Recreation	2,032,795	0	6,354	2,039,149
Cemetery	21,462	0	0	21,462
Capital Outlay:				
Public Safety	58,461	0	218,123	276,584
Public Works	342,311	3,209,934	195,511	3,747,756
Culture and Recreation	9,500	8,200	39,715	57,415
Debt Service:				
Principal	785,750	0	0	785,750
Interest	583,859	0	0	583,859
Total Expenditures	<u>11,795,035</u>	<u>3,224,207</u>	<u>489,261</u>	<u>15,508,503</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(159,363)</u>	<u>(2,273,708)</u>	<u>(419,327)</u>	<u>(2,852,398)</u>
Other Financing Sources/(Uses):				
Proceeds from Sale of Equipment	14,000	0	0	14,000
Proceeds from Sale of Vehicles	0	0	1,056	1,056
Insurance Proceeds	120,725	0	0	120,725
Transfers In	552,480	40,000	430,000	1,022,480
Transfers Out	(470,000)	(483,402)	(27,078)	(980,480)
Total Other Financing Sources/(Uses)	<u>217,205</u>	<u>(443,402)</u>	<u>403,978</u>	<u>177,781</u>
Net Change in Fund Balances	57,842	(2,717,110)	(15,349)	(2,674,617)
Fund Balances - July 1, 2019	<u>1,079,866</u>	<u>6,414,196</u>	<u>2,280,743</u>	<u>9,774,805</u>
Fund Balances - June 30, 2020	<u>\$ 1,137,708</u>	<u>\$ 3,697,086</u>	<u>\$ 2,265,394</u>	<u>\$ 7,100,188</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, 2020

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)	\$ (2,674,617)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$4,081,755) is allocated over their estimated useful lives and reported as depreciation expense (\$1,454,619). This is the amount by which capital outlays exceeded depreciation in the current period.	2,627,136
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.	(494,442)
The effect of donations of capital assets is to increase net position. The State of Vermont is currently constructing bridges for the Town.	57,772
The issuance of long-term debt (\$0-) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$785,750) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	785,750
Governmental funds report employer pension contributions as expenditures (\$232,276). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$593,472) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.	(361,196)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	403,730
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>(3,594)</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 340,539</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, 2020

	Water Fund	Sewer Fund	Electric Fund	Total
ASSETS				
Current Assets:				
Cash	\$ 0	\$ 0	\$ 1,743,515	\$ 1,743,515
Restricted Cash	0	0	1,250,958	1,250,958
Receivables (Net of Allowance for Uncollectibles)	108,640	108,162	765,980	982,782
Unbilled Receivables	119,804	117,722	950,369	1,187,895
Loans Receivable - Current Portion	5,228	322,016	0	327,244
Accrued Interest Receivable	0	0	168,137	168,137
Due from Other Funds	891,543	3,148,219	0	4,039,762
Prepaid Expenses	0	0	73,364	73,364
Inventory	50,274	22,255	320,818	393,347
Total Current Assets	1,175,489	3,718,374	5,273,141	10,167,004
Noncurrent Assets:				
Loans Receivable - Noncurrent Portion	31,880	1,219,715	0	1,251,595
Investment in Associated Companies	0	0	5,735,542	5,735,542
Deferred Charges	0	0	15,505	15,505
Capital Assets:				
Land	8,647	43,878	0	52,525
Construction in Progress	428,549	105,189	101,087	634,825
Land Improvements	0	7,787	0	7,787
Buildings and Building Improvements	0	15,584,232	4,110,782	19,695,014
Machinery and Equipment	503,001	925,120	2,307,841	3,735,962
Distribution and Collection Systems	13,153,127	10,889,919	14,887,153	38,930,199
Less: Accumulated Depreciation	(4,051,329)	(11,775,556)	(8,865,777)	(24,692,662)
Total Noncurrent Assets	10,073,875	17,000,284	18,292,133	45,366,292
Total Assets	11,249,364	20,718,658	23,565,274	55,533,296
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows of Resources Related to the Town's Participation in VMERS				
	40,793	12,767	0	53,560
Total Deferred Outflows of Resources	40,793	12,767	0	53,560
LIABILITIES				
Current Liabilities:				
Accounts Payable	215,924	59,489	672,578	947,991
Accrued Payroll and Benefits Payable	5,993	10,069	61,251	77,313
Other Accrued Expenses	0	0	244,796	244,796
Due to Other Funds	0	0	220,872	220,872
Accrued Interest Payable	43,197	0	60,143	103,340
Notes Payable - Current Portion	0	0	862,447	862,447
General Obligation Bonds Payable - Current Portion	551,314	795,233	262,080	1,608,627
Total Current Liabilities	816,428	864,791	2,384,167	4,065,386
Noncurrent Liabilities:				
Compensated Absences Payable	24,753	44,770	203,768	273,291
Net Pension Liability	114,250	35,756	0	150,006
Notes Payable - Noncurrent Portion	0	0	2,848,339	2,848,339
General Obligation Bonds Payable - Noncurrent Portion	1,546,171	4,841,778	5,056,600	11,444,549
Total Noncurrent Liabilities	1,685,174	4,922,304	8,108,707	14,716,185
Total Liabilities	2,501,602	5,787,095	10,492,874	18,781,571
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources Related to the Town's Participation in VMERS				
	7,858	2,459	0	10,317
Total Deferred Inflows of Resources	7,858	2,459	0	10,317
NET POSITION				
Net Investment in Capital Assets	7,944,510	10,143,558	7,552,854	25,640,922
Restricted	0	0	606,719	606,719
Unrestricted	836,187	4,798,313	4,912,827	10,547,327
Total Net Position	\$ 8,780,697	\$ 14,941,871	\$ 13,072,400	\$ 36,794,968

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, 2020

	Water Fund	Sewer Fund	Electric Fund	Total
Operating Revenues:				
Charges for Services	\$ 1,584,943	\$ 1,684,697	\$ 12,178,415	\$ 15,448,055
Total Operating Revenues	<u>1,584,943</u>	<u>1,684,697</u>	<u>12,178,415</u>	<u>15,448,055</u>
Operating Expenses:				
Administrative	71,359	91,955	1,898,279	2,061,593
Power	0	0	7,930,836	7,930,836
Distribution and Collection	590,809	1,145,100	1,294,872	3,030,781
Taxes	0	0	125,738	125,738
Depreciation and Amortization	<u>283,676</u>	<u>528,328</u>	<u>638,797</u>	<u>1,450,801</u>
Total Operating Expenses	<u>945,844</u>	<u>1,765,383</u>	<u>11,888,522</u>	<u>14,599,749</u>
Operating Income/(Loss)	<u>639,099</u>	<u>(80,686)</u>	<u>289,893</u>	<u>848,306</u>
Non-Operating Revenues/(Expenses):				
Connection Fees and Related Interest	64,631	72,419	0	137,050
Gain on Sale of Assets	0	0	8,563	8,563
Other Income/(Expenses)	0	0	(550,925)	(550,925)
Investment Income	12,049	57,342	845,515	914,906
Interest Expense	<u>(59,884)</u>	<u>0</u>	<u>(313,866)</u>	<u>(373,750)</u>
Total Non-Operating Revenues/(Expenses)	<u>16,796</u>	<u>129,761</u>	<u>(10,713)</u>	<u>135,844</u>
Net Income/(Loss) Before Transfers	<u>655,895</u>	<u>49,075</u>	<u>279,180</u>	<u>984,150</u>
Transfers:				
Transfer from Stowe Fire District #3	633,377	0	0	633,377
Transfers Out	<u>0</u>	<u>0</u>	<u>(42,000)</u>	<u>(42,000)</u>
Total Transfers	<u>633,377</u>	<u>0</u>	<u>(42,000)</u>	<u>591,377</u>
Change in Net Position	1,289,272	49,075	237,180	1,575,527
Net Position - July 1, 2019	<u>7,491,425</u>	<u>14,892,796</u>	<u>12,835,220</u>	<u>35,219,441</u>
Net Position - June 30, 2020	<u>\$ 8,780,697</u>	<u>\$ 14,941,871</u>	<u>\$ 13,072,400</u>	<u>\$ 36,794,968</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, 2020

	Water Fund	Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 1,621,219	\$ 1,734,996	\$ 12,323,173	\$ 15,679,388
Payments for Purchased Power	0	0	(7,930,836)	(7,930,836)
Payments for Goods and Services	(248,583)	(668,365)	(2,513,067)	(3,430,015)
Payments for Interfund Services	(50,250)	(51,250)	0	(101,500)
Payments for Wages and Benefits	(340,272)	(502,295)	(1,382,376)	(2,224,943)
Net Cash Provided by Operating Activities	982,114	513,086	496,894	1,992,094
Cash Flows From Noncapital Financing Activities:				
Other Receipts/(Expenses)	0	0	(620,925)	(620,925)
Decrease/(Increase) in Due from Other Funds	(234,516)	(257,631)	0	(492,147)
(Decrease)/Increase in Due to Other Funds	0	0	67,101	67,101
Transfers Paid to Other Funds	0	0	(42,000)	(42,000)
Net Cash Provided/(Used) by Noncapital Financing Activities	(234,516)	(257,631)	(595,824)	(1,087,971)
Cash Flows From Capital and Related Financing Activities:				
Payments Received on Loans Receivable and Connection Fees	217,656	577,202	0	794,858
Proceeds from Sale of Capital Assets	0	0	34,000	34,000
Acquisition and Construction of Capital Assets	(365,474)	(94,766)	(649,021)	(1,109,261)
Principal Paid on General Obligation Bonds Payable	(544,019)	(795,233)	(262,080)	(1,601,332)
Principal Paid on Notes Payable	0	0	(278,166)	(278,166)
Interest Paid on General Obligation Bonds Payable	(67,810)	0	(161,284)	(229,094)
Interest Paid on Notes Payable	0	0	(146,879)	(146,879)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(759,647)	(312,797)	(1,463,430)	(2,535,874)
Cash Flows From Investing Activities:				
Receipt of Interest and Dividends	12,049	57,342	879,549	948,940
Net Cash Provided by Investing Activities	12,049	57,342	879,549	948,940
Net Increase/(Decrease) in Cash	0	0	(682,811)	(682,811)
Cash - July 1, 2019	0	0	3,677,284	3,677,284
Cash - June 30, 2020	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,994,473</u>	<u>\$ 2,994,473</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:				
Operating Income/(Loss)	\$ 639,099	\$ (80,686)	\$ 289,893	\$ 848,306
Depreciation and Amortization	283,676	528,328	638,797	1,450,801
(Increase)/Decrease in Receivables	33,287	50,299	144,758	228,344
(Increase)/Decrease in Prepaid Expenses	0	0	(49,241)	(49,241)
(Increase)/Decrease in Inventory	4,074	(5,702)	(86,917)	(88,545)
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	3,275	2,181	0	5,456
Increase/(Decrease) in Accounts Payable	1,158	6,874	(578,888)	(570,856)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	805	2,124	9,350	12,279
Increase/(Decrease) in Other Accrued Expenses	0	0	102,686	102,686
Increase/(Decrease) in Due to Others	2,989	0	0	2,989
Increase/(Decrease) in Compensated Absences Payable	(7,477)	5,673	26,456	24,652
Increase/(Decrease) in Net Pension Liability	15,391	2,222	0	17,613
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	5,837	1,773	0	7,610
Net Cash Provided by Operating Activities	\$ 982,114	\$ 513,086	\$ 496,894	\$ 1,992,094

The Water Fund received capital assets with a cost and accumulated depreciation of \$964,649 and \$331,272, respectively, from the merger with the Stowe Fire District #3.

The Sewer Fund disposed of capital assets with a cost and accumulated depreciation of \$35,052.

The Water Fund reclassified \$90,865 of due to others, held for remittance to the Stowe Fire District #3 for bond repayment, to long-term debt as a result of the merger.

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

There was \$199,147 of capital acquisitions in the Water Fund included in accounts payable at June 30, 2020.

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

There was \$15,918 of capital acquisitions in the Sewer Fund included in accounts payable at June 30, 2020.

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.

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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/Items

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/items.

Reported inventories and prepaid items 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
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**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 issuance 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
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

C. Separate Financial Statements

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

IV. DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents and Investments

The Town's cash, cash equivalents and investments as of June 30, 2020 consisted of the following:

Restricted Cash and Cash Equivalents:	
Deposits with Financial Institutions	\$ 1,250,958
Money Market Mutual Fund – U.S. Government Securities	<u>3,254,782</u>
Total Restricted Cash and Cash Equivalents	<u>4,505,740</u>
Unrestricted Cash:	
Deposits with Financial Institutions	8,230,511
Deposits with Investment Company	13,144
Cash on Hand	<u>4,515</u>
Total Unrestricted Cash	<u>8,248,170</u>
Total Cash and Cash Equivalents	<u>12,753,910</u>
Investments:	
Certificates of Deposit	17,894
Common Stock	134,784
Municipal Bonds	61,710
Mutual Funds – Mixed Holdings	<u>1,261,784</u>
Total Investments	<u>1,476,172</u>
Total Cash and Investments	<u>\$14,230,082</u>

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.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$6,768,034	\$ 9,755,169
Uninsured, Collateralized - Electric Department	<u>2,744,473</u>	<u>2,750,009</u>
Total	<u>\$9,512,507</u>	<u>\$12,505,178</u>

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

The book balance is comprised of the following:

Restricted Cash – Deposits with Financial Institutions	\$1,250,958
Unrestricted Cash – Deposits with Financial Institutions	8,230,511
Unrestricted Cash – Deposits with Investment Company	13,144
Investments – Certificates of Deposit	<u>17,894</u>
Total	<u>\$9,512,507</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.

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	\$ 45,450	\$ 16,260	\$ 61,710
	\$ 45,450	\$ 16,260	\$ 61,710

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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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, 2020			Total
	A+	BBB-	BB-	
Municipal Bonds	\$ 16,260	\$ 25,219	\$ 20,231	\$ 61,710

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 \$134,784, (9%), of their investments invested in the common stock of 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.

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.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

The Town has the following fair value measurements as of June 30, 2020:

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	\$ 134,784	\$ 134,784	\$ 0	\$ 0
Municipal Bonds	61,710	61,710	0	0
Mutual Funds - Mixed Holdings	1,261,784	1,261,784	0	0
Total	\$ 1,458,278	\$ 1,458,278	\$ 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, 2020 is \$401,231.

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, 2020 is \$243,008.

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, 2020 is \$606,719.

Total restricted cash in the Electric Fund as of June 30, 2020 is \$1,250,958.

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, 2020 is \$3,254,782.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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B. Receivables

Receivables as of June 30, 2020, 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	\$ 906,933	\$ 0	\$ 906,933
Interest Receivable	45,790	0	45,790
Local Option Sales Tax Receivable	67,325	0	67,325
Ambulance Receivable	165,231	0	165,231
Grants Receivable	263,393	0	263,393
Accounts Receivable	22,012	0	22,012
Billed Services	63,839	986,782	1,050,621
Unbilled Services	0	1,187,895	1,187,895
Accrued Interest Receivable	0	168,137	168,137
Allowance for Doubtful Accounts - Ambulance	(61,000)	0	(61,000)
Allowance for Doubtful Accounts - Water/Sewer	0	(4,000)	(4,000)
	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>1,473,523</u>	\$ <u>2,338,814</u>	\$ <u>3,812,337</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>176,400</u>
Total	911,400
Less: Allowance for Doubtful Loans/Interest	<u>(911,400)</u>
Reported Value at June 30, 2020	\$ <u>0</u>

Business-type Activities

The Town also has seven (7) outstanding loans totaling \$37,108 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.

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The Town has one (1) remaining outstanding sewer loan for \$1,552 from a homeowner in the Sylvan Park Development. Homeowners were assessed a hook-on fee which the Town is financing for them. Each loan is billed quarterly with interest at 2%.

The Town also has fifty-five (55) outstanding sewer loans totaling \$1,541,575 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.

Total loans receivable as of June 30, 2020 is \$1,580,235. The Town estimates that \$327,244 will be collected during fiscal year 2021 and the remainder of \$1,251,595 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 \$1,396 for the unsecured loans, however, all loans are current.

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

<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
\$ 2,238,353	\$ 0	\$ 658,118	\$ 1,580,235

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, 2020.

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

E. Deferred Charges

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

	<u>Amortization</u> <u>Period</u>	<u>Current</u> <u>Amortization</u>	<u>Unamortized</u> <u>Balance</u>
Bond Issuance Costs	20 Years	<u>\$972</u>	<u>\$15,505</u>

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F. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 6,595,942	\$ 5,000	\$ 0	\$ 6,600,942
Construction in Progress	2,769,711	4,139,235	2,213,689	4,695,257
Antiques	80,000	0	0	80,000
Total Capital Assets, Not Being Depreciated	<u>9,445,653</u>	<u>4,144,235</u>	<u>2,213,689</u>	<u>11,376,199</u>
Capital Assets, Being Depreciated:				
Land Improvements	806,849	0	157,479	649,370
Buildings and Building Improvements	18,331,886	0	273,343	18,058,543
Machinery and Equipment	7,142,418	599,357	1,654,944	6,086,831
Infrastructure	10,854,266	1,366,657	1,046,416	11,174,507
Totals	<u>37,135,419</u>	<u>1,966,014</u>	<u>3,132,182</u>	<u>35,969,251</u>
Less Accumulated Depreciation for:				
Land Improvements	310,735	23,381	157,479	176,637
Buildings and Building Improvements	4,740,049	499,666	238,343	5,001,372
Machinery and Equipment	3,566,297	471,409	1,438,469	2,599,237
Infrastructure	3,261,011	460,163	1,046,416	2,674,758
Totals	<u>11,878,092</u>	<u>1,454,619</u>	<u>2,880,707</u>	<u>10,452,004</u>
Total Capital Assets, Being Depreciated	<u>25,257,327</u>	<u>511,395</u>	<u>251,475</u>	<u>25,517,247</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,702,980</u>	<u>\$ 4,655,630</u>	<u>\$ 2,465,164</u>	<u>\$ 36,893,446</u>
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 52,525	\$ 0	\$ 0	\$ 52,525
Construction in Progress	362,578	775,635	503,388	634,825
Total Capital Assets, Not Being Depreciated	<u>415,103</u>	<u>775,635</u>	<u>503,388</u>	<u>687,350</u>
Capital Assets, Being Depreciated:				
Land Improvements	7,787	0	0	7,787
Buildings and Building Improvements	19,636,938	58,076	0	19,695,014
Machinery and Equipment	3,463,352	486,522	213,912	3,735,962
Distribution and Collection Systems	37,457,742	1,480,889	8,432	38,930,199
Totals	<u>60,565,819</u>	<u>2,025,487</u>	<u>222,344</u>	<u>62,368,962</u>
Less Accumulated Depreciation for:				
Land Improvements	4,078	1,112	0	5,190
Buildings and Building Improvements	6,288,836	349,629	0	6,638,465
Machinery and Equipment	2,591,050	261,905	94,342	2,758,613
Distribution and Collection Systems	14,121,939	1,168,455	0	15,290,394
Totals	<u>23,005,903</u>	<u>1,781,101</u>	<u>94,342</u>	<u>24,692,662</u>
Total Capital Assets, Being Depreciated	<u>37,559,916</u>	<u>244,386</u>	<u>128,002</u>	<u>37,676,300</u>
Business-type Activities Capital Assets, Net	<u>\$ 37,975,019</u>	<u>\$ 1,020,021</u>	<u>\$ 631,390</u>	<u>\$ 38,363,650</u>

The Water Fund received capital assets with a cost and accumulated depreciation of \$964,649 and \$331,272, respectively, from the merger with the Stowe Fire District #3.

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Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 39,196	Water	\$ 283,676
Public Safety	387,632	Sewer	528,328
Public Works	648,157	Electric	<u>637,825</u>
Culture and Recreation	377,169		
Cemetery	<u>2,465</u>		
 Total Depreciation Expense - Governmental Activities	 \$ <u>1,454,619</u>	 Total Depreciation Expense - Business-type Activities	 \$ <u>1,449,829</u>

G. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2020 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 5,476,420
Capital Fund	928,192	0
Non-Major Governmental Funds	733,595	4,257
Water Fund	891,543	0
Sewer Fund	3,148,219	0
Electric Fund	<u>0</u>	<u>220,872</u>
 Total	 \$ <u>5,701,549</u>	 \$ <u>5,701,549</u>

Interfund transfers during the year ended June 30, 2020 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Annual Leave Fund	\$ 120,000	* Annual Contribution
General Fund	Recreation Scholarship Fund	5,500	* Annual Contribution
General Fund	Capital Fund	40,000	Fund Capital Project
General Fund	Equipment Fund	430,000	Annual Contribution
Library Operations Fund	General Fund	28,240	* Annual Contribution
Capital Fund	General Fund	483,402	Fund Debt Service
Appraisal Fund	General Fund	4,000	Fund Appraisal Expenses
Cemetery Fund	General Fund	7,000	Annual Contribution
Library Endowment Fund	Library Operations Fund	16,078	* Transfer Earnings
Electric Fund	General Fund	<u>42,000</u>	PILOT
Total		<u>\$ 1,176,220</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.

During the year, the Town took over operations of the Stowe Fire District #3. All of the assets and responsibility for water services were transferred to the Town. The Town took over capital assets with a cost and accumulated depreciation of \$964,649 and \$331,272, respectively, and reclassified \$90,865 of due to others, held for remittance to the District for bond repayment, to long-term debt resulting in a net transfer in of \$633,377.

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H. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$254,680 from the difference between the expected and actual experience, \$133,888 from the difference between the projected and actual investment earnings, \$65,631 from changes in assumptions and \$15,389 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 \$232,276 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$701,864.

Deferred outflows of resources in the business-type activities consists of \$19,434 from the difference between the expected and actual experience, \$10,217 from the difference between the projected and actual investment earnings, \$5,008 from changes in assumptions and \$1,174 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 \$17,727 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the business-type activities is \$53,560.

Deferred outflows of resources in the Water Fund consists of \$14,802 from the difference between the expected and actual experience, \$7,782 from the difference between the projected and actual investment earnings, \$3,815 from changes in assumptions and \$894 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 \$13,500 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Water Fund is \$40,793.

Deferred outflows of resources in the Sewer Fund consists of \$4,632 from the difference between the expected and actual experience, \$2,435 from the difference between the projected and actual investment earnings, \$1,193 from changes in assumptions and \$280 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 \$4,227 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Sewer Fund is \$12,767.

I. Unearned Revenue

Unearned revenue in the General Fund consists of \$12,083 of advertising fees, \$40,278 of recreation fees and \$10,000 of grant revenue received in advance. Total unearned revenue in the General Fund is \$62,361.

J. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$34,932 of prepaid property taxes. It also includes \$16,992 from the difference between the expected and actual experience and \$118,218 from changes in the Town's proportional share of contributions related to the Town's participation in the Vermont Municipal Employee's Retirement System (VMERS). Total deferred inflows of resources in the governmental activities is \$170,142.

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Deferred inflows of resources in the business-type activities consists of \$1,296 from the difference between the expected and actual experience and \$9,021 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 in the business-type activities is \$10,317.

Deferred inflows of resources in the General Fund consists of \$520,600 of delinquent property taxes and interest on those taxes, \$93,800 of ambulance fees, \$256,993 of grant revenue and \$1,087 of miscellaneous revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. It also includes \$34,932 of prepaid property taxes. Total deferred inflows of resources in the General Fund is \$907,412.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$6,400 of grant revenue not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities.

Deferred inflows of resources in the Water Fund consists of \$987 from the difference between the expected and actual experience and \$6,871 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 \$7,858.

Deferred inflows of resources in the Sewer Fund consists of \$309 from the difference between the expected and actual experience and \$2,150 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 \$2,459.

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.

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

Long-term liabilities outstanding as of June 30, 2020 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	\$ 15,000	\$ 0	\$ 15,000	\$ 0
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	75,000	0	25,000	50,000
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	120,000	0	20,000	100,000
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	225,000	0	25,000	200,000

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Public Safety Building, Principal Payments of \$360,000 Payable on November 15 Annually, Interest Rates Ranging from 1.9% to 4.65% Payable on May 15 and November 15, Due November, 2028	\$ 3,600,000	\$ 0	\$360,000	\$ 3,240,000
Bond Payable, Vermont Municipal Bond Bank, Ice Rink, Principal Payments of \$200,000 Payable on November 15 Annually, Interest Rates Ranging from 1.098% to 3.968% Payable on May 15 and November 15, Due November, 2032	2,800,000	0	200,000	2,600,000
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	2,111,250	0	140,750	1,970,500
Bond Payable, Vermont Municipal Bond Bank, Village Sidewalk and Overhead Utility Project, Principal Payments of \$220,000 Payable on November 1 Annually Beginning November 1, 2020, Interest Rates Ranging from 1.835% to 4.101% Payable on May 1 and November 1, Due November, 2049	<u>6,600,000</u>	<u>0</u>	<u>0</u>	<u>6,600,000</u>
Total Governmental Activities	<u>\$15,546,250</u>	<u>\$ 0</u>	<u>\$785,750</u>	<u>\$14,760,500</u>
Business-type Activities:				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Expansion, Principal Payments of \$125,820 Payable on December 15 Annually, 0% Interest, Due and Paid December, 2020	\$ 251,639	\$ 0	\$ 125,820	\$ 125,819

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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 Water Improvements, Principal and Interest Payments of \$215,568 Payable on July 1 Annually, Interest at 3%, Due July, 2025	\$ 1,167,774	\$ 0	\$ 180,535	\$ 987,239
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	91,368	0	18,273	73,095
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	640,000	0	160,000	480,000
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	399,858	0	44,967	354,891
Bond Payable, Vermont Municipal Bond Bank, Fire District #3, Principal and Interest Payments of \$8,805 Payable on May 15 and November 15 Semi-Annually, Interest at 3.65%, Due May, 2025. The Town Absorbed this Debt as Part of the Merger with the Fire District #3.	0	90,865	14,424	76,441
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Improvements, Principal Payments of \$103,550 Payable on July 1 Annually, 0% Interest, Due and Paid July, 2020	207,100	0	103,550	103,550
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	6,225,144	0	691,683	5,533,461

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Electric Upgrades, Principal Payments of \$135,000 through 2038 and then One (1) Payment of \$85,000 in 2039, Interest Rates Ranging from 1.31% to 3.41% Payable on June 1 and December 1, Due November, 2039	\$ 2,785,000	\$ 0	\$ 135,000	\$ 2,650,000
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	2,795,760	0	127,080	2,668,680
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$17,970, Interest at 4.2%, Due December, 2020	660,128	0	44,793	615,335
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$20,773, Interest at 4.2%, Due December, 2029	710,409	0	54,289	656,120
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$7,439, Interest at 4.1%, Due November, 2024	340,059	0	16,029	324,030
Note Payable, Union Bank, Operating Capital, Quarterly Principal and Interest Payments of \$23,215, Interest at 2.99%, Due May, 2027	657,961	0	73,967	583,994
Note Payable, Union Bank, Electric Upgrades, Quarterly Principal and Interest Payments of \$15,928, Interest at 4.2%, Due December, 2027	774,310	0	31,616	742,694
Note Payable, Union Bank, Electric Upgrades, Annual Principal and Interest Payments of \$57,870, Interest at 2.75%, Due May, 2028	455,089	0	45,264	409,825

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Note Payable, Union Bank, Electric Upgrades, Quarterly Principal and Interest Payments of \$7,845, Interest at 4.95%, Due November, 2028	\$ <u>390,996</u>	\$ <u>0</u>	\$ <u>12,208</u>	\$ <u>378,788</u>
Total Business-type Activities	\$ <u>18,552,595</u>	\$ <u>90,865</u>	\$ <u>1,879,498</u>	\$ <u>16,763,962</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds Payable	\$ 15,546,250	\$ 0	\$ 785,750	\$ 14,760,500	\$ 990,750
Compensated Absences Payable	675,258	26,538	0	701,796	0
Net Pension Liability	<u>1,806,014</u>	<u>159,716</u>	<u>0</u>	<u>1,965,730</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 18,027,522</u>	<u>\$ 186,254</u>	<u>\$ 785,750</u>	<u>\$ 17,428,026</u>	<u>\$ 990,750</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 14,563,643	\$ 90,865	\$ 1,601,332	\$ 13,053,176	\$ 1,608,627
Notes Payable	3,988,952	0	278,166	3,710,786	862,447
Compensated Absences Payable	248,639	24,652	0	273,291	0
Net Pension Liability	<u>132,393</u>	<u>17,613</u>	<u>0</u>	<u>150,006</u>	<u>0</u>
Total Business-type Activities Long-term Liabilities	<u>\$ 18,933,627</u>	<u>\$ 133,130</u>	<u>\$ 1,879,498</u>	<u>\$ 17,187,259</u>	<u>\$ 2,471,074</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	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 990,750	\$ 500,195	\$ 2,471,074	\$ 420,923
2022	990,750	469,778	1,638,191	273,968
2023	965,750	437,752	1,654,979	280,653
2024	965,750	405,309	1,512,269	251,675
2025	965,750	364,274	1,741,192	217,681
2026-2030	4,318,750	1,368,522	5,048,377	647,513
2031-2035	2,263,000	817,143	1,310,400	312,415
2036-2040	1,100,000	541,503	1,260,400	107,773
2041-2045	1,100,000	331,295	127,080	3,720
2046-2050	<u>1,100,000</u>	<u>112,778</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 14,760,500</u>	<u>\$ 5,348,549</u>	<u>\$ 16,763,962</u>	<u>\$ 2,516,321</u>

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L. Fund Balances

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

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

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

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

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

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

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

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

Major Funds

General Fund:

Nonspendable Prepaid Items	\$ 12,957
Nonspendable Inventory	<u>109,478</u>
Total General Fund	<u>122,435</u>

TOWN OF STOWE, VERMONT
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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>\$372,730</u>

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

Major Funds

General Fund:

Restricted for Library Development by Donations	\$ <u>28,956</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)	<u>2,397,194</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Police Expenses by Agreement (Source of Revenue is Grant Revenue)	32,588
Restricted for Records Preservation Expenses by Statute (Source of Revenue is Recording Fees)	<u>71,079</u>
Total Special Revenue Funds	<u>103,667</u>

Permanent Funds:

Restricted for Cemetery Fund by Trust Agreements – Expendable Portion	342,225
Restricted for Library Endowment Fund by Trust Agreements – Expendable Portion	<u>947,983</u>
Total Permanent Funds	<u>1,290,208</u>
Total Non-Major Funds	<u>1,393,875</u>
Total Restricted Fund Balances	<u>\$3,820,025</u>

TOWN OF STOWE, VERMONT
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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>211,010</u>

Capital Projects Fund:	
Committed for Capital Projects by the Voters	<u>1,224,772</u>

Non-Major Funds

Equipment Fund:	
Committed for Equipment Expenditures by the Voters	<u>385,005</u>

Total Committed Fund Balances	<u>\$1,820,787</u>
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The fund balances in the following funds are assigned as follows:

Major Funds

General Fund:	
Assigned to Reduce Property Taxes in Fiscal Year 2021	\$166,783
Assigned for Library Operations Expenses	17,059
Assigned for Recreation Scholarship Expenses	<u>6,735</u>

Total General Fund	<u>190,577</u>
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Capital Fund:	
Assigned for Akeley Chimney Expenditures	35,120
Assigned for Capital Project Expenditures	<u>40,000</u>

Total Capital Fund	<u>75,120</u>
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Non-Major Funds

Special Revenue Funds:	
Assigned for Appraisal Expenses	<u>242,619</u>

Total Assigned Fund Balances	<u>\$508,316</u>
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The unassigned deficit of \$6,400 in the Grant Fund will be funded with the collection of grant revenues.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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M. Restricted and Designated Net Position

The restricted net position of the Town as of June 30, 2020 consisted of the following:

Governmental Activities:

Inventories Restricted for Highway Use by Statute	\$ 109,478
Restricted for Library Development by Donations	28,956
Restricted for Police Expenses by Agreement	32,588
Restricted for Records Preservation Expenses by Statute	71,079
Restricted for Cemetery Fund by Trust Agreements – Non-Expendable Portion	215,000
Restricted for Cemetery Fund by Trust Agreements – Expendable Portion	342,225
Restricted for Library Endowment Fund by Trust Agreements – Non-Expendable Portion	35,295
Restricted for Library Endowment Fund by Trust Agreements – Expendable Portion	<u>947,983</u>
Total Governmental Activities	<u>\$1,782,604</u>

Business-type Activities:

Electric Fund:

Restricted for Electric Capital Projects by State Agreement	<u>\$606,719</u>
Total Business-type Activities	<u>\$606,719</u>

The designated net position of the Town as of June 30, 2020 consisted of the following:

Business-type Activities:

Water Fund:

Designated for Investment in Long-term Loans Receivable	\$ 37,108
Designated for Water Capital	890,370
Designations in Excess of Unrestricted Net Position	<u>(91,291)</u>
Total Water Fund	<u>836,187</u>

Sewer Fund:

Designated for Investment in Long-term Loans Receivable	1,541,731
Designated for Sewer Capital	<u>475,618</u>
Total Sewer Fund	<u>2,017,349</u>

Total Business-type Activities	<u>\$2,853,536</u>
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TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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V. OTHER INFORMATION

A. Pension Plans

Defined Benefit Plan

The Vermont Municipal Employees' Retirement System (VMERS)

Plan Description

The Vermont Municipal Employees' Retirement System (VMERS) is a cost-sharing, multiple-employer defined benefit pension plan that is administered by the State Treasurer and its Board of Trustees. It is designed for municipal and school district employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirements is required to join the system. As of June 30, 2019, the measurement date selected by the State of Vermont, the retirement system consisted of 379 participating employers.

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

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

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

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

As of June 30, 2019, the measurement date selected by the State of Vermont, VMERS was funded at 80.35% and had a plan fiduciary net position of \$709,465,831 and a total pension liability of \$882,957,638 resulting in a net position liability of \$173,491,807. As of June 30, 2020, the Town's proportionate share of this was 1.2195% resulting in a net pension liability of \$2,115,736. The net pension liability was measured as of June 30, 2019, 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 1.2195% was a decrease of 0.1584 from its proportion measured as of the prior year.

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For the year ended June 30, 2020, the Town recognized pension expense of \$765,855 which was comprised of \$641,876 determined by the State of Vermont’s actuary and \$123,979 of employer contributions made by the Town in excess of the amount required. The total employer contribution made by the Town was \$373,982. For the year ended June 30, 2020, the Town funded the employer contribution for Group B at 10.6% resulting in a lower contribution for members (0.275%) and the employer contribution for Group D at 10.6% resulting in a lower contribution for members (11.1%).

As of June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 274,114	\$ 18,288
Net difference between projected and actual investment earnings on pension assets	144,105	0
Changes in assumptions	70,639	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,563	127,239
Town's required employer contributions made subsequent to the measurement date	250,003	0
	\$ 755,424	\$ 145,527

The deferred outflows of resources resulting from the Town’s required employer contributions made subsequent to the measurement date in the amount of \$250,003 will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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>	
2021	\$161,228
2022	73,426
2023	86,006
2024	39,234
Total	\$359,894

Summary of System Provisions

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

TOWN OF STOWE, VERMONT
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Creditable Service – Service as a member plus purchased service.

Average Final Compensation (AFC) – Group A – Average annual compensation during highest five (5) consecutive years. Groups B and C – Average annual compensation during highest three (3) consecutive years. Group D – Average annual compensation during highest two (2) consecutive years.

Service Retirement Allowance:

Eligibility – Group A – The earlier of age 65 with five (5) years of service or age 55 with thirty-five (35) years of service. Group B – The earlier of age 62 with five (5) years of service or age 55 with thirty (30) years of service. Groups C and D – Age 55 with five (5) years of service.

Amount – Group A – 1.4% of AFC times service. Group B – 1.7% of AFC times service as a Group B member plus percentage earned as a Group A member times AFC. Group C – 2.5% of AFC times service as a Group C member plus percentage earned as a Group A or B member times AFC. Group D – 2.5% of AFC times service as a Group D member plus percentage earned as a Group A, B or C member times AFC.

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

Early Retirement Allowance:

Eligibility – Age 55 with five (5) years of service for Groups A and 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 Groups A and 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 minor children (or children up to age 23 if enrolled in full-time studies) of a disabled Group D member.

TOWN OF STOWE, VERMONT
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Death Benefit:

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

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

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

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

Post-Retirement Adjustments – Allowance in payment for at least one year increased on each January 1 by one-half of the percentage increase in Consumer Price Index but not more than 2% for Group A and 3% for Groups B, C and D.

Member Contributions – Group A – 2.75%. Group B – 5.125%. Group C – 10.25%. Group D – 11.60%.

Employer Contributions – Group A – 4.25%. Group B – 5.75%. Group C – 7.50%. Group D – 10.10%.

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: Groups A, B and C – 98% of RP-2006 Mortality Table, blended 60% Blue Collar Employee and 40% Healthy Employee with generational projection using scale SSA-2017. Group D – 100% of RP-2006 Blue Collar Mortality Table with generational projection using scale SSA-2017.

Healthy Post-Retirement: Groups A, B and C – 98% of RP-2006 Mortality Table, blended 60% Blue Collar Annuitant and 40% Healthy Annuitant with generational projection using scale SSA-2017. Group D – 100% of RP-2006 Blue Collar Annuitant Table with generational projections using scale SSA-2017.

Disabled Post-Retirement: All Groups – RP-2006 Disabled Mortality Table with generational projection using scale SSA-2017.

TOWN OF STOWE, VERMONT
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Spouse's Age: Females three years younger than males.

Cost-of-Living Adjustments: 1.15% for Group A members and 1.30% for Groups B, C and D members. The January 1, 2019 and January 1, 2020 COLAs are 1.30% and 0.80%, respectively, 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.

Assets: The valuation is based on the market value of assets as of the valuation date, as provided by the System. The System uses an "actuarial value of assets" that differs from market value to gradually reflect year-to-year changes in the market value of assets in determine the contribution requirements.

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	29%	6.90%
US Equity – Large Cap	4%	5.94%
US Equity – Small/Mid Cap	3%	6.72%
Non-US Equity – Large Cap	5%	6.81%
Non-US Equity – Small Cap	2%	7.31%
Emerging Markets Debt	4%	4.26%
Core Bond	14%	1.79%
Non-Core Bonds	6%	3.22%
Short Quality Credit	5%	1.81%
Private Credit	5%	6.00%
US TIPS	3%	1.45%
Core Real Estate	5%	4.26%
Non-Core Real Estate	3%	5.76%
Private Equity	10%	10.81%
Infrastructure/Farmland	2%	4.89%

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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>
\$3,469,488	\$2,115,736	\$995,079

Additional Information

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

Defined Contribution Plan

The Town, except the Electric Department, offers its employees a defined contribution pension plan. This plan is administered by the Town. The Town contributes 10.6% of gross salary to the plan. All investments are self-directed by the employees. The total payroll for the year, excluding the Electric Department, was \$4,938,329 while covered payroll was \$814,417. 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 \$8,648.

Deferred Compensation Plan

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

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

TOWN OF STOWE, VERMONT
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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, 2020 was \$1,382,376. The Electric Department's pension contributions for the years ended June 30, 2020, 2019 and 2018 were \$126,036, \$128,763 and \$150,095, respectively. The total fees relating to the pension plan for the years ended June 30, 2020, 2019 and 2018 were \$850, \$800 and \$800, respectively.

B. Risk Management

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

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

TOWN OF STOWE, VERMONT
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C. Property Taxes

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are levied in July and are payable in four (4) installments on August 15, November 15, February 15 and May 15. For the year ended June 30, 2020, the Town extended the May 15 payment to June 15. 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 rates for 2020 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Education	1.5430	1.6877
Farmers Contracts	0.0049	0.0049
Town	<u>0.4253</u>	<u>0.4253</u>
Total	<u>1.9732</u>	<u>2.1179</u>

D. Contingent Liabilities

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

E. Leases

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

2021	\$78,066
2022	79,036
2023	80,375
2024	81,741
2025	83,135

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F. Concentration of Revenue

The Electric Department’s largest customer represents approximately 14.8% of operating revenue and 5.9% of accounts receivable.

G. 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, 2020 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.

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

New York Power Authority:

The New York Power Authority (“NYPA”) provides power to the utilities in Vermont under two contracts. SED’s share of the first contract is a 9 kW entitlement to the Robert Moses Project (a.k.a. St. Lawrence). Effective December 23, 2017, this contract was renewed to extend through April 30, 2032. This renewal did not negotiate for the Environmental Attributes 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, 2020, 18 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 1.3616%, which started November 1, 2019 and ran through October 31, 2020. The prior percent, which ran from November 1, 2018 through October 31, 2019 was 1.4072%. The VEPPI contracts are priced with relatively high energy rates and modest fixed costs.

Ryegate:

Ryegate is a 20 MW wood-fired unit, that was once within the VEPPI 4.100 projects. The VEPPI contract expired on October 31, 2012. The utilities negotiated a 10-year contract for power through VEPP Inc. The contract is for both power and renewable energy credits. Stowe’s allocation for the November 1, 2019 through October 31, 2020 contract year is 1.4493%. This contract will terminate on November 1, 2022.

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SPEED (Sustainable Prices Energy Enterprise Development):

SPEED Standard Offer is a program established under Vermont Public Service Board Order 4.300. The program's goal is to achieve renewable energy and long-term stably priced contracts. Vermont utilities will purchase power from the SPEED projects. These projects are behind the meter and each utility will have their percent share, (SED's share for November 1, 2018 through October 31, 2019 was 1.5197% and decreased to 1.4849% for November 1, 2019 through December 31, 2020. SED receives a modest capacity credit, and renewable energy credits for these resources. The cost paid to the SPEED projects are set based on the generation type. The SPEED began in the fourth quarter of 2010.

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

Stony Brook:

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

McNeil Project:

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

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

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

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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.

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.

TOWN OF STOWE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2020

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.

Market Contracts:

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

Sources of Energy

The percentages of energy (kWh) acquired for the year ended June 30, 2020 was as follows:

Resource	Description	(MWh)	kWh's	% of Total Resources	Fuel	Location	Termination Date
NYPA - Niagara	Block	3,718	3,717,623	4.8%	Hydro	Roseton	2025
NYPA - St. Lawrence	Block	73	72,628	0.1%	Hydro	Roseton	2032
VEPPI	PURPA	384	384,055	0.5%	Hydro	VT Nodes	Exp. Varies
Ryegate	PURPA	1,937	1,937,290	2.5%	Wood		2022
VEPPI - Standard Offer ISO Settlement	PUC	113	112,829	0.2%	Varies	VT Nodes	Exp. Varies
HQ PPA Contract	ISO Bilateral	17,509	17,509,440	22.5%	Hydro	HQ Highgate 120	2038
McNeil	Wood Unit	7,180	7,179,679	9.2%	Wood	Essex	Life of Unit
Stony 1A/1B/1C	Dispatchable	926	925,649	1.2%	Natural Gas	Stonybrook 115	Life of Unit
NextEra Seabrook	ISO Bilateral	15,799	15,799,099	20.3%	Nuclear		2035
Miller Hydro Purchase	Run of River	2,371	2,371,072	3.1%	Hydro		2021
Saddleback Purchase	Wind	2,120	2,119,602	2.7%	Wind	Carthage, ME	2035
Bilateral Purchase - Mtn	ISO Bilateral	6,749	6,749,405	8.7%			2020
ISO Energy Net Interchange	ISO Bilateral	18,894	18,894,386	24.3%			
Totals		<u>77,773</u>	<u>77,772,757</u>	<u>100.0%</u>			
Nebraska Valley (BTM)	Solar	1,292	1,292,000	1.70%	Solar	Behind the Meter Generation	Life of Unit
VEPPI Standard Offer (BTM)	PUC	1,631	1,630,598	2.20%	Varies	Behind the Meter Generation	

Future Projects and State Renewable Energy Standard

Solar Projects:

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

Hydro Project:

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

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Battery Project:

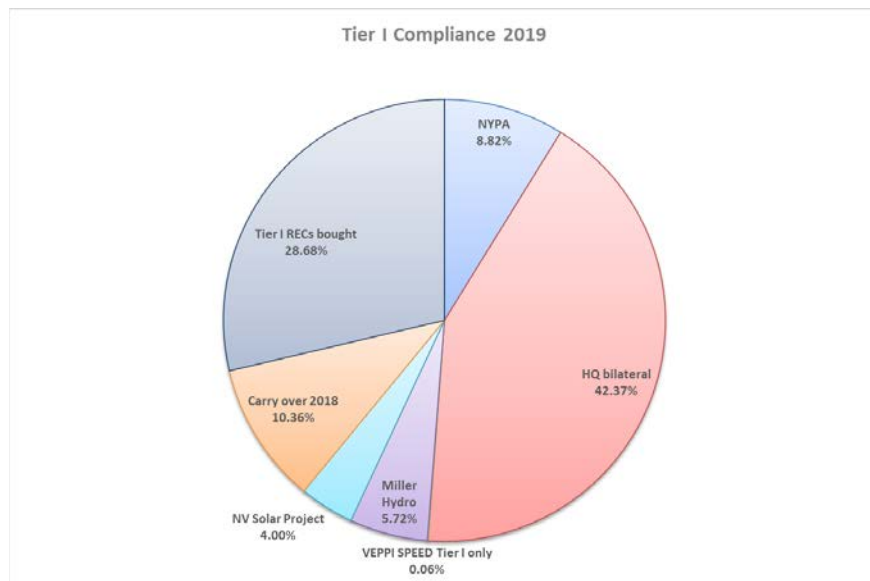
SED is also reviewing the technology of energy storage.

Renewable Portfolio and Upcoming Renewable Energy Standard (RES):

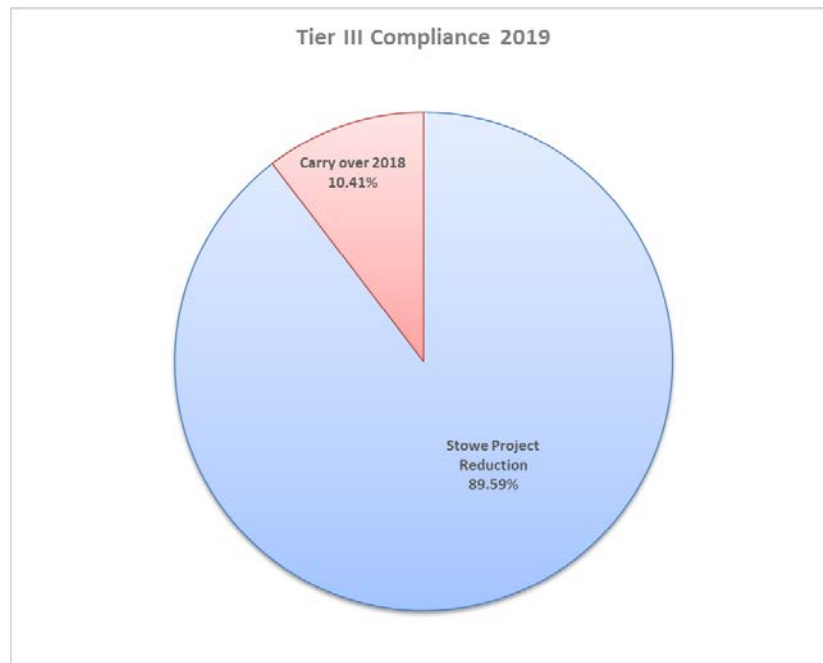
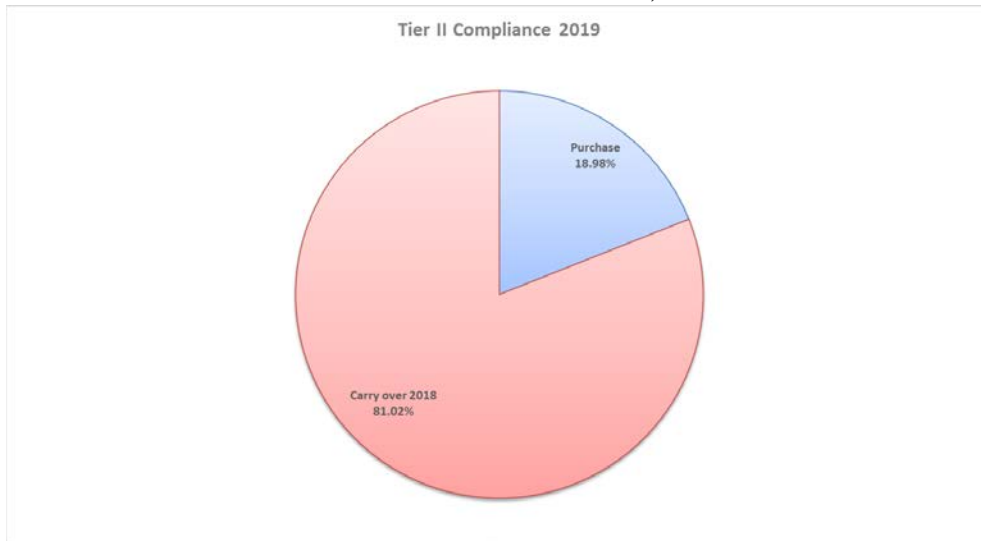
In July, 2015, Act 56 (H.40) was established using the 2011 Vermont Comprehensive Energy Plan in order to detail the State’s goals and place direction on how utilities will reach these goals. The RES requires utilities to buy or retain renewable energy credits and energy transformation projects. Each 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.

There are three tiers to the RES program:

- Tier 1: 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 REC’s. 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 REC’s, SED retired 762 REC’s
- 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)
- SED’s 2019 100% Compliance is shown below.



TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020



H. Subsequent Events

On January 1, 2020, SED obtained a \$3,825,000 Stand-by Irrevocable Letter of Credit with Union Bank with an expiration date of December 31, 2020. As of June 30, 2020, there have been no drawdowns.

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, 2020

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 9,543,356	\$ 9,328,344	\$ (215,012)
Administration	835,249	860,567	25,318
Town Clerk & Treasurer	164,968	302,415	137,447
Accounting	20,000	20,000	0
Fire	750	25	(725)
Highway	184,601	189,638	5,037
Listers	5,600	5,193	(407)
Library	28,240	29,417	1,177
EMS	199,155	186,756	(12,399)
Akeley Memorial Building	0	225	225
Cultural Campus	1,759	1,704	(55)
Planning Department	3,500	3,000	(500)
Zoning	53,477	50,052	(3,425)
Police	125,200	274,692	149,692
Cemetery Commission	1,200	630	(570)
Public Works - Administration	45,500	45,000	(500)
Parks	46,900	34,313	(12,587)
Recreation	155,380	143,909	(11,471)
Stowe Arena	335,710	235,227	(100,483)
Transfer from Capital Fund - Debt Management	493,963	483,402	(10,561)
Total Revenues	12,244,508	12,194,709	(49,799)
Expenditures:			
Administration	413,824	384,940	28,884
Elections	3,253	2,023	1,230
Town Clerk & Treasurer	278,064	281,753	(3,689)
Zoning	138,451	127,980	10,471
Listers	118,378	125,414	(7,036)
Accounting	324,984	323,190	1,794
Planning Department	152,669	146,693	5,976
Public Safety Building	179,717	236,770	(57,053)
Police	1,865,555	1,865,300	255
Fire	319,273	290,587	28,686
EMS	693,289	694,586	(1,297)
Mountain Rescue	29,917	33,359	(3,442)
Emergency Management	2,636	1,584	1,052
Highway	2,325,450	2,220,277	105,173
Public Works - Administration	349,636	338,134	11,502
Akeley Memorial Building	144,833	119,008	25,825
Cultural Campus	65,419	44,129	21,290
Street Lights	16,904	10,700	6,204
Solid Waste	596	594	2

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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, 2020

	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
Expenditures/(Cont'd):			
Cemetery Commission	\$ 31,072	\$ 21,462	\$ 9,610
Economic Development	90,450	89,500	950
Social Services	53,972	53,972	0
General Government	558,022	560,412	(2,390)
Parks	539,594	527,338	12,256
Recreation	491,333	427,730	63,603
Stowe Arena	527,619	486,932	40,687
Library	564,587	481,569	83,018
Debt Management	1,391,475	1,369,609	21,866
Insurance	190,319	173,537	16,782
Transfer to Annual Leave Fund	120,000	120,000	0
Transfer to Capital Fund	0	40,000	(40,000)
Transfer to Equipment Fund	430,000	430,000	0
	<u>12,411,291</u>	<u>12,029,082</u>	<u>382,209</u>
Total Expenditures			
Excess/(Deficiency) of Revenues			
Over Expenditures	\$ <u>(166,783)</u>	165,627	\$ <u>332,410</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Annual Leave Fund Income		4,241	
Annual Leave Fund Transfer In		120,000	
Annual Leave Fund Expenses		(33,803)	
Library Operations Fund Income		11,450	
Library Operations Fund Expenses		(4,948)	
Library Operations Fund Transfer In		16,078	
Library Operations Fund Transfer Out		(28,240)	
Recreation Scholarship Fund Income		1,416	
Recreation Scholarship Fund Expenses		(183)	
Recreation Scholarship Fund Transfer In		5,500	
FEMA Fund Income		50	
FEMA Fund Expenses		(256,993)	
Library Damage Fund Income		123,173	
Library Damage Fund Expenses		<u>(65,526)</u>	
Net Change in Fund Balance		57,842	
Fund Balance - July 1, 2019		<u>1,079,866</u>	
Fund Balance - June 30, 2020		<u>\$ 1,137,708</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, 2020

	2020	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 173,491,807	\$ 140,675,892	\$ 121,155,552	\$ 128,696,167	\$ 77,095,810	\$ 9,126,613
Town's Proportion of the Net Pension Liability	1.2195%	1.3779%	1.3420%	1.3498%	1.3825%	1.4096%
Town's Proportionate Share of the Net Pension Liability	\$ 2,115,736	\$ 1,938,407	\$ 1,625,911	\$ 1,737,171	\$ 1,065,864	\$ 128,646
Town's Covered Employee Payroll	\$ 3,528,123	\$ 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	59.9678%	57.0729%	46.8723%	54.3309%	35.5612%	4.5257%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.35%	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 six years are shown.

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TOWN OF STOWE, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 250,003	\$ 234,309	\$ 246,026	\$ 219,161	\$ 205,062	\$ 192,329
Contributions in Relation to the Actuarially Determined Contributions	<u>250,003</u>	<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>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 3,528,123	\$ 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	7.086%	6.899%	7.093%	6.854%	6.842%	6.766%

Notes to Schedule

Valuation Date: June 30, 2019

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

TOWN OF STOWE, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

	Special Revenue Funds	Capital Projects Fund Equipment Fund	Permanent Funds	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 62,027	\$ 62,027
Investments	0	0	1,476,172	1,476,172
Receivables	6,400	0	0	6,400
Due from Other Funds	<u>346,286</u>	<u>385,005</u>	<u>2,304</u>	<u>733,595</u>
Total Assets	<u>\$ 352,686</u>	<u>\$ 385,005</u>	<u>\$ 1,540,503</u>	<u>\$ 2,278,194</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 2,143	\$ 0	\$ 0	\$ 2,143
Due to Other Funds	<u>4,257</u>	<u>0</u>	<u>0</u>	<u>4,257</u>
Total Liabilities	<u>6,400</u>	<u>0</u>	<u>0</u>	<u>6,400</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Grants	<u>6,400</u>	<u>0</u>	<u>0</u>	<u>6,400</u>
Total Deferred Inflows of Resources	<u>6,400</u>	<u>0</u>	<u>0</u>	<u>6,400</u>
<u>FUND BALANCES</u>				
Nonspendable	0	0	250,295	250,295
Restricted	103,667	0	1,290,208	1,393,875
Committed	0	385,005	0	385,005
Assigned	242,619	0	0	242,619
Unassigned/(Deficit)	<u>(6,400)</u>	<u>0</u>	<u>0</u>	<u>(6,400)</u>
Total Fund Balances	<u>339,886</u>	<u>385,005</u>	<u>1,540,503</u>	<u>2,265,394</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 352,686</u>	<u>\$ 385,005</u>	<u>\$ 1,540,503</u>	<u>\$ 2,278,194</u>

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TOWN OF STOWE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds	Capital Projects Fund Equipment Fund	Permanent Funds	Total
Revenues:				
Intergovernmental	\$ 70,002	\$ 0	\$ 0	\$ 70,002
Charges for Services	0	0	13,475	13,475
Permits, Licenses and Fees	9,439	0	0	9,439
Investment Income/(Loss)	5,906	9,241	(39,099)	(23,952)
Other	0	970	0	970
Total Revenues	85,347	10,211	(25,624)	69,934
Expenditures:				
General Government	9,089	0	0	9,089
Public Safety	13,983	0	0	13,983
Public Works	6,400	86	0	6,486
Culture and Recreation	6,354	0	0	6,354
Capital Outlay:				
Public Safety	0	218,123	0	218,123
Public Works	0	195,511	0	195,511
Culture and Recreation	0	39,715	0	39,715
Total Expenditures	35,826	453,435	0	489,261
Excess/(Deficiency) of Revenues Over Expenditures	49,521	(443,224)	(25,624)	(419,327)
Other Financing Sources/(Uses):				
Proceeds from Sale of Vehicles	0	1,056	0	1,056
Transfers In	0	430,000	0	430,000
Transfers Out	(4,000)	0	(23,078)	(27,078)
Total Other Financing Sources/(Uses)	(4,000)	431,056	(23,078)	403,978
Net Change in Fund Balances	45,521	(12,168)	(48,702)	(15,349)
Fund Balances - July 1, 2019	294,365	397,173	1,589,205	2,280,743
Fund Balances - June 30, 2020	\$ 339,886	\$ 385,005	\$ 1,540,503	\$ 2,265,394

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TOWN OF STOWE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2020

	Police DEA Fund	Appraisal Fund	Records Preservation Fund	Grant Fund	Total
<u>ASSETS</u>					
Receivables	\$ 0	\$ 0	\$ 0	\$ 6,400	\$ 6,400
Due from Other Funds	<u>32,588</u>	<u>242,619</u>	<u>71,079</u>	<u>0</u>	<u>346,286</u>
Total Assets	<u>\$ 32,588</u>	<u>\$ 242,619</u>	<u>\$ 71,079</u>	<u>\$ 6,400</u>	<u>\$ 352,686</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 2,143	\$ 2,143
Due from Other Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,257</u>	<u>4,257</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,400</u>	<u>6,400</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,400</u>	<u>6,400</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,400</u>	<u>6,400</u>
<u>FUND BALANCES/(DEFICIT)</u>					
Restricted	32,588	0	71,079	0	103,667
Assigned	0	242,619	0	0	242,619
Unassigned/(Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,400)</u>	<u>(6,400)</u>
Total Fund Balances/(Deficit)	<u>32,588</u>	<u>242,619</u>	<u>71,079</u>	<u>(6,400)</u>	<u>339,886</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 32,588</u>	<u>\$ 242,619</u>	<u>\$ 71,079</u>	<u>\$ 6,400</u>	<u>\$ 352,686</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, 2020

	Police DEA Fund	Appraisal Fund	Records Preservation Fund	Grant Fund	Total
Revenues:					
Intergovernmental	\$ 12,439	\$ 37,226	\$ 0	\$ 20,337	\$ 70,002
Permits, Licenses and Fees	0	0	9,439	0	9,439
Investment Income	518	4,062	1,326	0	5,906
Donations	0	0	0	0	0
Total Revenues	<u>12,957</u>	<u>41,288</u>	<u>10,765</u>	<u>20,337</u>	<u>85,347</u>
Expenditures:					
General Government	0	0	9,089	0	9,089
Public Safety	0	0	0	13,983	13,983
Public Works	0	0	0	6,400	6,400
Culture and Recreation	0	0	0	6,354	6,354
Total Expenditures	<u>0</u>	<u>0</u>	<u>9,089</u>	<u>26,737</u>	<u>35,826</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>12,957</u>	<u>41,288</u>	<u>1,676</u>	<u>(6,400)</u>	<u>49,521</u>
Other Financing Sources/(Uses):					
Transfers Out	<u>0</u>	<u>(4,000)</u>	<u>0</u>	<u>0</u>	<u>(4,000)</u>
Total Other Financing Sources/(Uses)	<u>0</u>	<u>(4,000)</u>	<u>0</u>	<u>0</u>	<u>(4,000)</u>
Net Change in Fund Balances	12,957	37,288	1,676	(6,400)	45,521
Fund Balances - July 1, 2019	<u>19,631</u>	<u>205,331</u>	<u>69,403</u>	<u>0</u>	<u>294,365</u>
Fund Balances/(Deficit) - June 30, 2020	<u>\$ 32,588</u>	<u>\$ 242,619</u>	<u>\$ 71,079</u>	<u>\$ (6,400)</u>	<u>\$ 339,886</u>

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TOWN OF STOWE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR PERMANENT FUNDS
 JUNE 30, 2020

	Cemetery Fund	Library Endowment Fund	Total
<u>ASSETS</u>	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 59,453	\$ 2,574	\$ 62,027
Investments	497,772	978,400	1,476,172
Due from Other funds	<u>0</u>	<u>2,304</u>	<u>2,304</u>
Total Assets	\$ <u>557,225</u>	\$ <u>983,278</u>	\$ <u>1,540,503</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Fund Balances:			
Nonspendable	215,000	35,295	250,295
Restricted	<u>342,225</u>	<u>947,983</u>	<u>1,290,208</u>
Total Fund Balances	<u>557,225</u>	<u>983,278</u>	<u>1,540,503</u>
Total Liabilities and Fund Balances	\$ <u>557,225</u>	\$ <u>983,278</u>	\$ <u>1,540,503</u>

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, 2020

	Cemetery Fund	Library Endowment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Charges for Services	\$ 13,475	\$ 0	\$ 13,475
Investment Income/(Loss)	<u>18,258</u>	<u>(57,357)</u>	<u>(39,099)</u>
Total Revenues	<u>31,733</u>	<u>(57,357)</u>	<u>(25,624)</u>
Expenditures:	<u>0</u>	<u>0</u>	<u>0</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>31,733</u>	<u>(57,357)</u>	<u>(25,624)</u>
Other Financing Sources/(Uses):			
Transfers Out	<u>(7,000)</u>	<u>(16,078)</u>	<u>(23,078)</u>
Total Other Financing Sources/(Uses)	<u>(7,000)</u>	<u>(16,078)</u>	<u>(23,078)</u>
Net Change in Fund Balances	24,733	(73,435)	(48,702)
Fund Balances - July 1, 2019	<u>532,492</u>	<u>1,056,713</u>	<u>1,589,205</u>
Fund Balances - June 30, 2020	<u>\$ 557,225</u>	<u>\$ 983,278</u>	<u>\$ 1,540,503</u>

See Disclaimer in Accompanying Independent Auditor's Report.

Sullivan, Powers & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stowe, Vermont, as of and for the year ended June 30, 2020, 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 22, 2021. 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 a certain other matter that we reported to the management of the Town of Stowe, Vermont in a separate letter dated January 22, 2021.

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 22, 2021
Montpelier, Vermont
VT Lic. #92-000180

