

Agenda Summary

March 13, 2024

Agenda Item No. C-1

Fiscal Year 2023 Audit

Summary: Enclosed is the FY'23 General Fund Audit with no findings. The Management Letter includes a schedule of recommendations based on the annual audit.

Online link to 2023 audit report is on the Finance Department page:

<https://www.townofstowevt.org/finance>

- **Procurement Policy** – The recommendation is to update the procurement policy to comply with the Federal Uniform Guidance.

The Town of Stowe maintains procurement policies for the operations of all Town funds. When Federal and State Grants are awarded, the Federal Uniform Guidance of financial transactions are the governing polices. The Selectboard approved and updated the Section 17 Grants to state the following last year, “The Town will adhere to the procurement requirements of the granting agency. If there is a conflict between this policy and the grant agreement, the grant agreement shall rule.” Our audit firm has indicated this is sufficient, so the recommendation has been resolved.

Rick Brigham of Sullivan Powers & Co., from our audit firm, will be here to review it with you and answer any questions you might have.

The full audit report is below. Physical copies of the audit report provided by the audit firm will be on your desk when you arrive.

Town Plan Impact: N/A

Fiscal Impact: N/A

Recommendation: No action needed.

Sullivan, Powers & Co., P.C.

Certified Public Accountants

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February 2, 2024

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

We have audited 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, 2023 and have issued our report thereon dated February 2, 2024. We did not audit the financial statements of the Electric Department Fund. Those financial statements were audited by other auditors and our report on that Fund is based on the report of the other auditors. This letter does not include any deficiencies or recommendations applicable to the Electric Department Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit, we considered the Town of Stowe, Vermont's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 over financial reporting. 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 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.

Our consideration of internal control was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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 their 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.

However, we have noted certain other matters during our audit as indicated in the accompanying Schedule of Recommendations. We have discussed the recommendations with the staff during the course of fieldwork and some of the recommendations may have already been implemented.

This communication is intended solely for the information and use of management, the Board of Selectmen and others within the Town of Stowe, Vermont and is not intended to be and should not be used by anyone other than these specified parties. If you would like to discuss the recommendation further, please feel free to contact us.

We would like to take this opportunity to thank the staff of the Town of Stowe, Vermont for their assistance and cooperativeness throughout our audit. It has been a pleasure working with you.

Respectfully submitted,

Sullivan, Powers & Co.

SULLIVAN, POWERS & CO.
Certified Public Accountants

TOWN OF STOWE, VERMONT
SCHEDULE OF RECOMMENDATIONS
JUNE 30, 2023

Procurement Policy

The Town's procurement policy has not been updated to comply with the Uniform Guidance.

We recommend that the Town update its procurement policy to be in compliance with the Uniform Guidance.

Uniform Guidance Policies

Sections of the Uniform Guidance require non-federal entities that receive federal awards to have certain written policies and procedures or standards of conduct. Examples of these requirements are listed below:

- Conflict of Interest Policy
- Financial Management Policy
- Payment - Cash Management - Drawdowns and Reimbursement Requests Policies
- Uniform Guidance Procurement Policy
- Compensation Policy
- Relocation Costs of Employees Policies
- Travel Cost Policy

We recommend that all policies be reviewed and amended to include the requirements outlined in the Uniform Guidance.

TOWN OF STOWE, VERMONT

AUDIT REPORT

JUNE 30, 2023

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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 Audit of the Financial Statements

Opinions

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, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Stowe, Vermont, as of June 30, 2023, 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.

We did not audit the financial statements of the Electric Fund, which is both a major fund and forty-nine percent (49%), thirty-seven percent (37%) and eighty-two percent (82%), respectively, of the assets, net position and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Electric Fund, are based solely on the report of the other auditors.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Stowe, Vermont and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principles

As described in Note I.F. to the financial statements, effective June 30, 2023, the Town implemented GASB Statement No. 96, “Subscription-Based Information Technology Arrangements”.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Stowe, Vermont’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and “Government Auditing Standards” will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and “Government Auditing Standards”, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Stowe, Vermont's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 13, 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 is the responsibility of management and, 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 express no 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 February 2, 2024 on our consideration of the Town of Stowe, Vermont’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town of Stowe, Vermont’s 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.

Sullivan, Powers & Co.

February 2, 2024
Montpelier, Vermont
VT Lic. #92-000180

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023. The Town of Stowe Electric Fund has been audited separately as of and for the year ended June 30, 2023 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 inflow of resources on June 30, 2023, by \$74,472,017 (Total Net Position). Of this amount, \$32,407,268 represents governmental activities and \$42,064,749 represents our water, wastewater, and electric departments (business-type activities). Of these amounts, \$2,944,941 of governmental activities funds and \$13,156,206 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 \$822,887 in FY 23. The increase is due to the continued strength of local option taxes, last payment from ARPA grant, and investment earnings. The Business-Type activities increased their net position by \$2,126,672, with contributions by Water, \$620,354, Wastewater, \$171,688 and \$1,334,630 by Electric.

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

- The General Fund balance increased \$27,495. The General Fund Balance at the end of FY 23 was \$3,423,891 of which \$1,876,993 being either non spendable, restricted, committed, or assigned and not available for current expenditures, leaving an unassigned surplus of \$1,546,898.
- The Capital Fund balance increased by \$287,456 in FY 23. The total amount in this fund at year-end was \$3,248,952 of which \$1,314,498 is restricted for future projects, \$1,826,454 is committed for capital projects by the voters and \$108,000 is assigned for current projects.
- The Water Fund ended the fiscal year with a net position balance of \$10,814,654, an increase of \$620,354.

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

- The Wastewater Fund ended the fiscal year with a net position balance of \$15,789,206, an increase of \$171,688.
- The Electric Fund ended the fiscal year with a net position balance of \$15,460,889, an increase of \$1,334,630.

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 like a private sector business.

The *Statement of Net Position* presents information on all 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 expenses are reported for items that will only result in cash flows in future fiscal periods, (e.g., uncollected taxes and earned but unused vacation leave.)

Both 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 J of this report.

TOWN OF STOWE, VERMONT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This supplementary information includes combining statements for various funds and budgetary comparison statements for funds other than the Town’s General Fund. The supplementary information can be found immediately following the notes to the financial statements in schedules 1 through 9.

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

	Governmental Activities		Business Type Activities		Total	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Assets						
Current & Other Assets	10,686,391	11,131,123	22,751,209	18,352,953	33,437,600	29,484,076
Capital Assets	38,063,038	37,561,484	37,267,964	37,442,370	75,331,002	75,003,854
Total Assets	48,749,429	48,692,607	60,019,173	55,795,323	108,768,602	104,487,930
Deferred Outflows of Resources	1,352,181	929,200	82,194	60,574	1,434,375	989,774
Liabilities						
Current Liabilities	836,325	945,449	2,136,449	2,051,595	2,972,774	2,997,044
Long Term Liabilities	15,901,215	15,231,033	15,762,960	13,632,648	31,664,175	28,863,681
Total Liabilities	16,737,540	16,176,482	17,899,409	15,684,243	34,636,949	31,860,725
Deferred Inflows of Resources	956,802	1,860,944	137,209	233,577	1,094,011	2,094,521
Net Position						
Invested in Capital Assets Net of Related Debt	27,564,286	26,072,599	28,325,162	26,640,109	55,889,448	52,712,708
Restricted	1,898,041	1,853,180	583,381	122,765	2,481,422	1,975,945
Unrestricted	2,944,941	3,658,602	13,156,206	13,175,203	16,101,147	16,833,805
Total Net assets	32,407,268	31,584,381	42,064,749	39,938,077	74,472,017	71,522,458

As stated above, total net position was \$74,472,017 at the end of fiscal year 2023. This figure can be used to calculate whether 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 \$55,889,448 (75%). 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, 2023

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

	Governmental Activities		Business Type Activities		Total	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
Revenues						
Program Revenues						
Charges for Services	1,520,152	1,329,700	20,485,889	16,889,692	22,006,041	18,219,392
Operating Grants & Contributions	383,198	429,248	-	-	383,198	429,248
Capital Grants & Contributions	183,410	1,167,773	-	-	183,410	1,167,773
General Revenues						
Property Taxes	10,837,906	9,907,670	-	-	10,837,906	9,907,670
Penalties & Interest on Delinquent Taxes	185,299	200,610	-	-	185,299	200,610
Local Options Tax	1,506,248	1,508,410	-	-	1,506,248	1,508,410
General State Grants	485,238	481,553	-	-	485,238	481,553
Investment Earnings	503,249	(124,741)	994,847	802,145	1,498,096	677,404
ARPA Funds	-	1,324,541	-	-	-	1,324,541
Gain on Sale of Assets	18,000	15,489	-	-	18,000	15,489
Insurance Proceeds	124,902	6,415	-	-	124,902	6,415
Other Revenue	3,267	4,824	15,850	24,840	19,117	29,664
Total Revenues	15,750,869	16,251,492	21,496,586	17,716,677	37,247,455	33,968,169
Expenditures						
Governmental Activities						
General Government	3,546,059	2,972,249	-	-	3,546,059	2,972,249
Public Safety	4,306,969	3,867,381	-	-	4,306,969	3,867,381
Public Works	4,007,015	3,522,558	-	-	4,007,015	3,522,558
Culture & Recreation	2,682,310	2,570,565	-	-	2,682,310	2,570,565
Cemeteries	23,584	22,071	-	-	23,584	22,071
Interest on Long Term Debt	404,045	458,853	-	-	404,045	458,853
Business Type Activities						
Water	-	-	1,122,755	990,300	1,122,755	990,300
Sewer	-	-	1,985,406	1,821,428	1,985,406	1,821,428
Electric	-	-	16,219,753	13,646,666	16,219,753	13,646,666
Total Expenditures	14,969,982	13,413,677	19,327,914	16,458,394	34,297,896	29,872,071
Transfers In/(Out)	42,000	42,000	(42,000)	(42,000)	-	-
Changes in Net Position	822,887	2,879,815	2,126,672	1,216,283	2,949,559	4,096,098
Net Position - Beginning of Year	31,584,381	28,704,566	39,938,077	38,721,794	71,522,458	67,426,360
Net Position - End of Year	32,407,268	31,584,381	42,064,749	39,938,077	74,472,017	71,522,458

Governmental activities increased the Town's net position by \$822,887 in FY23. The Town increased by \$501,554 its inventory of capital assets net of current year depreciation (funded with \$326,320 of capital contributions and grants). There were no major additions among the other infrastructure improvements and equipment purchases. In addition, investment earnings of \$503,249 and Local Option Rooms, Meals & Alcohol Taxes of \$1,506,223 contributed to the support of the Town's operations and capital funds.

Business-type activities increased the Town's net position by \$2,126,672 in FY23, with contributions by Water \$620,354, Wastewater \$171,688, and Electric \$1,334,630.

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Financial Analysis of Major Funds

General Fund

The General Fund fund balance increased by \$27,495 during the year. The total fund balance at year-end was \$3,423,891. Of this amount, \$457,435 is nonspendable inventory, prepaid items and net lease receivables and \$26,635 is restricted for library development expenses. There is \$128,684 committed for annual leave reserves, \$350,000 assigned to reduce property taxes in fiscal year 2024, \$815,000 for transfer to the equipment fund, \$30,375 for library operations, \$68,864 for library damage expenses, leaving \$1,546,898 available for future expenses.

Actual Revenues were higher by \$245,119 compared to budgets. Revenues coming in over budget included Administration \$24,745; EMS \$113,005; Fire \$5; Highway \$42,052; Parks \$5,730; Public Works \$600, Recreation \$25,262; Town Clerk \$170,450; Buildings & Facilities \$13,474; Finance \$568; and Zoning \$71,267.

The increase in revenues for the Administration is from impact of new accounting for Capital Leases; the EMS increase is from increased billings and sale of equipment, Highway from Insurance Claim, Parks from a return to normal with Field Rentals, Town Clerk is from interest income on cash balances, and Zoning is due to high level of activity with application fees.

Revenue coming in under budget included Arena \$11,018; Cemetery \$730; and Library \$11,768. Listers \$231. Police \$56,036; and Property Tax \$142,257.

The reason for the decrease in revenues for the Arena is due to loss of advertising revenue, Library was reduced support from endowment fund, Police is lower traffic details due to less road construction, Property taxes due to specific large properties delaying fourth quarter payments.

Expenditures were \$72,438 over budget. Expenditures coming in under budget were in the following departments: Administration \$108,454; Cemetery \$750; Debt Management \$21,663; Elections \$2,506; General Govt. \$3,883; Highway \$7,777; Insurance \$15,331; Library \$71,885; Parks \$25,539; Public Works \$26,786; Solid Waste \$5; Town Clerk \$17,811; and Zoning \$7,803.

The explanations for lower expenditures are; Administration; Contingency funds for IBEW contract negotiations postponed until FY'2025; Debt Management; Arena Bond restructuring produced savings of interest, Elections; return to in person voting reduced mailing of absentee ballots, General Government; tower lease no bill received in 2023, Highway; many moving parts, staffing changes, higher vehicle maintenance, offset by milder winter, Insurance; liability insurance lower than forecasted, Library, staff turnover and book collection supported by insurance claim, Parks; staffing turnover and difficult hiring season for part time staffing offset by addition of contract mowing and higher equipment and vehicle repairs and purchases, Public Works Administration; Benefit election lower than budgeted, Town Clerk; staffing changes with different benefit elections than budgeted, Zoning; staffing changes offset higher legal fees.

Expenditures coming in over budget were in the following departments: Accounting \$1,933; Arena \$38,481; Buildings & Facilities \$13,452; Community Affairs \$410; EMS \$76,272; Fire \$24,779; Information Technology \$26,220; Listers \$3,275; Mountain Rescue \$17,755; Police \$154,619; and Recreation \$26,925.

TOWN OF STOWE, VERMONT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

The reasons include, for Arena, electric rate increase, EMS: across the board additional costs in alignment with higher transport revenue, Fire; transition costs for surety of coverage by new full time staff and support of new scheduling, Information Technology; unbudgeted training and Public Safety Building upgraded equipment and security for all networks, Mountain Rescue, increased frequency of training for members, Police, large budgeting error by Finance for staffing, Recreation; increased summer camp transportation costs and staffing supported by increased summer camp attendance.

Capital Fund

The Capital Fund ended with a balance of \$3,248,952. This Fund Balance increased \$287,456 and was funded with local option taxes \$1,506,248, Grants \$7,500, general fund transfer of \$80,000, and interest of \$76,584. The capital expenditures were \$825,125 for continued work on public works projects, \$350,000 for the arena debt payment and \$207,751 for the underground utility relocation debt payment.

Water Fund

The Water Fund had operating income of \$346,054, non-operating revenue connection fees of \$258,542, interest expense of \$20,173 and investment income of \$35,931, resulting in an increase in net position of \$620,354.

Wastewater Fund

The Wastewater Fund had an operating loss of \$153,256, which when added to non-operating revenues of connection fees of \$231,581, plus investment income of \$93,363, resulted in an increase to net position of \$171,688.

Electric Fund

The Electric Fund had an operating income of \$850,797. Operating revenues were up \$3,980,350, and expenditures were up \$2,478,709 between FY 23 and FY 22, which increased operating income by \$1,501,119. Non-operating revenues and expenses increased the net position by \$525,833, less a transfer of \$42,000, between Electric Fund and General Fund, to an overall increase in net position of \$1,334,630.

Other Non-Major Governmental Funds

Police DEA Fund	\$	53,688
Appraisal Fund		230,713
Records Preservation Fund		61,417
Grant Fund		(59,603)
ARPA Fund		-
Equipment Fund		(73,660)
Cemetery Fund		623,796
Library Endowment Fund		1,132,505
Total	\$	<u>1,968,856</u>

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Capital Asset Administration

The Town of Stowe's investment in capital assets for its governmental activities as of June 30, 2023, totaled \$38,063,038 (net of depreciation) and \$37,267,964 for the business type activities. These assets include land, buildings and building improvements, roads and bridges, vehicles, machinery, equipment, antiques and furniture, and utility distribution and collection systems.

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

Building - Akeley Building Dry Sprinkler System
Building - Highway Garage Roof
Equipment - EMS Defibrillator
Equipment - EMS Glidescope Monitor
Equipment - Highway HP Fairfield KB6 Leaf Blower
Equipment - Highway Lift assembly for Caterpillar
Equipment - Highway Napa Tire Changer
Equipment - Parks 22 Smithco Sand Star ballfield groomer
Equipment - Parks EXMARK VERTEX
Equipment - Parks Kubota RTVX1100
Vehicle - EMS 2022 Braun Chevy Ambulance
Vehicle - Highway 2023 Ford F550 DUMP
Vehicle - Parks 2022 Ford F550 Dump
Vehicle - Police 2022 Ford Exp Add Equip
Vehicle - Police 2023 Chevy Tahoe
Vehicle - Fire Engine 1 2022- PUMPER

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

2001 Fire Engine #1 Pumper Truck
2014 EMS Cardiac Monitor
2014 Highway F-250 Truck

The Water Fund had a change of \$87,355 to capital assets, which includes \$36,245 for equipment, \$60,644 for distribution & collection infrastructure, and a decrease of \$9,534 for projects under construction. Work continues with the AMI Auto Meter Project and Telemetry System Upgrade.

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

Equipment - Water Plant Pump
Distribution System - Water Main Crossing Stowe Mountain Resort

TOWN OF STOWE, VERMONT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

The Wastewater Fund had a change of \$378,082 to capital assets, which includes \$133,896 for equipment, no change for distribution & collection infrastructure, and an increase of \$244,186 for projects under construction. Work continues with the AMI Auto Meter project, Lower Village Pump Station, and Telemetry System Upgrade

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

Equipment - Wastewater Weeks Hill Pump

Equipment - Wastewater ATAD Pump

Equipment - Wastewater System Control EQ

Equipment - Wastewater Trailer Mounted Portable Pump

The Electric Fund had an increase in capital assets of \$769,379. For the fiscal year ending June 30, 2023, Stowe Electric Department spent amounts on capital assets which resulted in an increase of \$11,790 for buildings, an increase of \$312,988 for equipment, an increase of \$40,773 for distribution improvements, an increase of \$43,966 for distribution infrastructure, an increase \$174,174 for transmission infrastructure, and an increase of \$185,688 for projects under construction.

Debt Administration

As of June 30, 2023, long-term debt of governmental activities of the Town of Stowe was \$11,813,250. As of June 30, 2022, long-term debt of governmental activities of the Town of Stowe was \$12,799,000. During the year, the Town paid \$965,750 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, 2023, of \$15,260,378. At the beginning of the fiscal year there was outstanding debt of \$13,177,824. During the year, the Town paid \$2,160,856 older bonds and notes, and issued \$4,243,410 of new bonds and notes.

Economic Factors and FY 24 Budgets and Rates

- The Town of Stowe growth for the Grand List has averaged 1.72% over the last 5 years. The 2023 Grand List growth was estimated to be 2.00%, actual growth was 2.22%. For the 2024 Grand List, we are estimating a growth rate of 2.00%.
- Employees who fall under the Personnel Regulations and the IBEW Agreement are scheduled to receive a 7% cost of living pay increase, plus any step increase for which they may be eligible. The Police Association Agreement includes a maximum 3% cost of living pay increase, plus any step increase for which they may be eligible.
- Health insurance rates have been budgeted to increase around 14.80% for Blue Cross VHP plan and 14.90% for Blue Cross VFP plan for first half of FY24 and second half of FY24 is based on 6.00% 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, 2023

- Dental insurance is budgeted with a 0.00% increase. All employees contribute 5% toward their dental coverage.
- The worker's compensation loss modification rate increased from .91 to 1.04 for CY 2023. Rates for Emergency Services are the highest and impact the budget by \$77,000 of the \$82,000 overall. This is due to higher rates, higher payroll, and new hires with the Fire Department.
- Short Term/Long Term disability insurance is not expected to increase from FY23 rates.
- Unemployment insurance premium rate increased from 1.68 % to 1.86% of gross payroll up to \$15,500 gross wages per year, down from \$18,600 gross wages per year in FY'23.
- 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 2024 budgets. The General Fund expense for FY 24 is \$16,579,735, an increase of 17.5%. Non-Tax Revenues have been budgeted at \$3,330,504, an increase of 6.66%, and it includes the use of surplus carryforward from the General fund of \$350,000, along with the new local option sales tax collections estimated at \$700,000, and an undesignated fund transfer to Equipment Fund of \$815,000, leaving an amount to be raised by taxation of \$11,384,231, a net increase of 5.2%.

The Town of Stowe continues to attract visitors with Stowe as their vacation destination and those just passing through to spend a day around our town. In addition, construction of new homes and second homes continues to fuel our economy. The demands for increased level of services to the Town of Stowe's municipal government continues, which lead to the addition of new personnel to the FY '24 budget in our Zoning, Fire, Police, and EMS departments. To help meet the continuing demand for services the voters approved the addition of a local option sales tax as a source of new revenue. Federal and State Regulations on Stormwater, Water, and Zoning have been rolled out with a significant impact on staff time spent on these complex issues and to town finances. The continuing ramifications on the supply chain sourcing of equipment and supplies from COVID shutdowns have meant long lead time and significantly higher prices.

Selectboard meetings are still offering ZOOM online attendance and on-site participation at the Akeley Memorial Building.

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, 2023

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash	\$ 11,005,113	\$ 2,443,286	\$ 13,448,399
Restricted Cash and Cash Equivalents	1,333,223	4,707,734	6,040,957
Investments	1,643,354	0	1,643,354
Deposits with Insurance Company	3,600	0	3,600
Receivables (Net of Allowance for Uncollectibles)	1,058,818	3,025,103	4,083,921
Loans Receivable	0	469,748	469,748
Lease Receivables	675,449	129,501	804,950
Internal Balances	(5,458,637)	5,458,637	0
Prepaid Expenses	109,454	123,582	233,036
Inventory	316,017	637,530	953,547
Investment in Associated Companies	0	5,735,542	5,735,542
Deferred Charges	0	20,546	20,546
Capital Assets:			
Land and Easements	6,568,362	52,525	6,620,887
Construction in Progress	1,105,890	1,170,244	2,276,134
Antiques	80,000	0	80,000
Other Capital Assets, (Net of Accumulated Depreciation)	30,308,786	36,045,195	66,353,981
Total Assets	<u>48,749,429</u>	<u>60,019,173</u>	<u>108,768,602</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows of Resources Related to the Town's Participation in VMERS	1,352,181	82,194	1,434,375
Total Deferred Outflows of Resources	<u>1,352,181</u>	<u>82,194</u>	<u>1,434,375</u>
<u>LIABILITIES</u>			
Accounts Payable	465,038	763,385	1,228,423
Accrued Payroll and Benefits Payable	167,043	66,787	233,830
Other Accrued Expenses	0	233,239	233,239
Unearned Revenue	124,322	194,959	319,281
Customer Deposits	0	812,379	812,379
Due to Fiduciary Funds	21,286	0	21,286
Accrued Interest Payable	58,636	65,700	124,336
Noncurrent Liabilities:			
Due within One Year	965,750	1,562,668	2,528,418
Due in More than One Year	14,935,465	14,200,292	29,135,757
Total Liabilities	<u>16,737,540</u>	<u>17,899,409</u>	<u>34,636,949</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Prepaid Property Taxes	189,653	0	189,653
Lease Receivables	640,347	129,501	769,848
Deferred Inflows of Resources Related to the Town's Participation in VMERS	126,802	7,708	134,510
Total Deferred Inflows of Resources	<u>956,802</u>	<u>137,209</u>	<u>1,094,011</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	27,564,286	28,325,162	55,889,448
Restricted:			
Culture and Recreation	1,159,140	0	1,159,140
Cemetery	623,796	0	623,796
Other	115,105	0	115,105
Electric Capital Projects	0	583,381	583,381
Unrestricted	2,944,941	13,156,206	16,101,147
Total Net Position	<u>\$ 32,407,268</u>	<u>\$ 42,064,749</u>	<u>\$ 74,472,017</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, 2023

	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	\$ 3,546,059	\$ 528,952	\$ 51,417	\$ 7,500	\$ (2,958,190)	\$ 0	\$ (2,958,190)
Public Safety	4,306,969	455,604	26,126	30,000	(3,795,239)	0	(3,795,239)
Public Works	4,007,015	18,016	298,476	142,910	(3,547,613)	0	(3,547,613)
Culture and Recreation	2,682,310	505,560	7,179	3,000	(2,166,571)	0	(2,166,571)
Cemetery	23,584	12,020	0	0	(11,564)	0	(11,564)
Interest on Long-term Debt	404,045	0	0	0	(404,045)	0	(404,045)
Total Governmental Activities	14,969,982	1,520,152	383,198	183,410	(12,883,222)	0	(12,883,222)
Business-type Activities:							
Water	1,122,755	1,707,178	0	0	0	584,423	584,423
Sewer	1,985,406	2,063,731	0	0	0	78,325	78,325
Electric	16,219,753	16,714,980	0	0	0	495,227	495,227
Total Business-type Activities	19,327,914	20,485,889	0	0	0	1,157,975	1,157,975
Total Primary Government	\$ 34,297,896	\$ 22,006,041	\$ 383,198	\$ 183,410	(12,883,222)	1,157,975	(11,725,247)
General Revenues:							
Property Taxes					10,837,906	0	10,837,906
Interest on Delinquent Taxes					185,299	0	185,299
Local Option Sales Tax					1,506,248	0	1,506,248
General State Grants					485,238	0	485,238
Unrestricted Investment Earnings					503,249	994,847	1,498,096
Gain on Sale of Equipment					18,000	0	18,000
Insurance Proceeds					124,902	0	124,902
Other Revenues					3,267	15,850	19,117
Transfers:					42,000	(42,000)	0
Total General Revenues and Transfers					13,706,109	968,697	14,674,806
Change in Net Position					822,887	2,126,672	2,949,559
Net Position - July 1, 2022					31,584,381	39,938,077	71,522,458
Net Position - June 30, 2023					\$ 32,407,268	\$ 42,064,749	\$ 74,472,017

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

TOWN OF STOWE, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 10,895,304	\$ 0	\$ 109,809	\$ 11,005,113
Restricted Cash Equivalents	0	1,333,223	0	1,333,223
Investments	0	0	1,643,354	1,643,354
Deposits with Insurance Company	3,600	0	0	3,600
Receivables (Net of Allowance for Uncollectibles)	999,215	0	59,603	1,058,818
Lease Receivables	675,449	0	0	675,449
Due from Other Funds	0	2,078,005	349,319	2,427,324
Prepaid Items	106,316	0	3,138	109,454
Inventory	316,017	0	0	316,017
 Total Assets	 <u>\$ 12,995,901</u>	 <u>\$ 3,411,228</u>	 <u>\$ 2,165,223</u>	 <u>\$ 18,572,352</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 269,594	\$ 162,276	\$ 33,168	\$ 465,038
Accrued Payroll and Benefits Payable	163,690	0	3,353	167,043
Due to Other Funds	7,810,919	0	96,328	7,907,247
Unearned Revenue	120,407	0	3,915	124,322
 Total Liabilities	 <u>8,364,610</u>	 <u>162,276</u>	 <u>136,764</u>	 <u>8,663,650</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Prepaid Property Taxes	189,653	0	0	189,653
Lease Receivables	640,347	0	0	640,347
Unavailable Property Taxes and Interest	349,100	0	0	349,100
Unavailable Ambulance Fees	28,300	0	0	28,300
Unavailable Grants	0	0	59,603	59,603
 Total Deferred Inflows of Resources	 <u>1,207,400</u>	 <u>0</u>	 <u>59,603</u>	 <u>1,267,003</u>
<u>FUND BALANCES</u>				
Nonspendable	457,435	0	253,433	710,868
Restricted	26,635	1,314,498	1,617,973	2,959,106
Committed	128,684	1,826,454	0	1,955,138
Assigned	1,264,239	108,000	230,713	1,602,952
Unassigned/(Deficit)	1,546,898	0	(133,263)	1,413,635
 Total Fund Balances	 <u>3,423,891</u>	 <u>3,248,952</u>	 <u>1,968,856</u>	 8,641,699
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 12,995,901</u>	 <u>\$ 3,411,228</u>	 <u>\$ 2,165,223</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.				38,063,038
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.				437,003
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.				(15,959,851)
Deferred Outflows and Inflows of Resources related to the Town's Participation in VMERS are applicable to Future Periods and, Therefore, are not Reported in the Funds.				<u>1,225,379</u>
Net Position of Governmental Activities				<u>\$ 32,407,268</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, 2023

	General Fund	Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 10,678,806	\$ 0	\$ 0	\$ 10,678,806
Interest on Delinquent Taxes	185,299	0	0	185,299
Local Option Sales Tax	0	1,506,248	0	1,506,248
Intergovernmental	753,296	7,500	493,607	1,254,403
Charges for Services	1,287,943	0	11,550	1,299,493
Permits, Licenses and Fees	323,273	0	9,586	332,859
Fines and Forfeits	16,172	0	0	16,172
Investment Income	291,664	76,584	135,001	503,249
Donations	708	0	30,000	30,708
Other	4,195	0	0	4,195
Total Revenues	<u>13,541,356</u>	<u>1,590,332</u>	<u>679,744</u>	<u>15,811,432</u>
Expenditures:				
General Government	3,320,005	90	180,787	3,500,882
Public Safety	3,755,605	35,270	1,049	3,791,924
Public Works	2,934,182	71,726	59,603	3,065,511
Culture and Recreation	2,266,110	19,016	3,621	2,288,747
Cemetery	20,450	0	668	21,118
Capital Outlay:				
General Government	0	47,665	0	47,665
Public Safety	49,732	127,773	1,150,347	1,327,852
Public Works	25,816	488,542	83,986	598,344
Culture and Recreation	9,999	35,043	132,492	177,534
Debt Service:				
Principal	965,750	0	0	965,750
Interest	416,089	0	0	416,089
Total Expenditures	<u>13,763,738</u>	<u>825,125</u>	<u>1,612,553</u>	<u>16,201,416</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(222,382)</u>	<u>765,207</u>	<u>(932,809)</u>	<u>(389,984)</u>
Other Financing Sources/(Uses):				
Proceeds from Sale of Equipment	18,000	0	0	18,000
Proceeds from Sale of Vehicles	0	0	13,000	13,000
Insurance Proceeds	124,902	0	0	124,902
Transfers In	646,975	80,000	460,000	1,186,975
Transfers Out	(540,000)	(557,751)	(47,224)	(1,144,975)
Total Other Financing Sources/(Uses)	<u>249,877</u>	<u>(477,751)</u>	<u>425,776</u>	<u>197,902</u>
Net Change in Fund Balances	27,495	287,456	(507,033)	(192,082)
Fund Balances - July 1, 2022	<u>3,396,396</u>	<u>2,961,496</u>	<u>2,475,889</u>	<u>8,833,781</u>
Fund Balances - June 30, 2023	<u>\$ 3,423,891</u>	<u>\$ 3,248,952</u>	<u>\$ 1,968,856</u>	<u>\$ 8,641,699</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, 2023

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)	\$	(192,082)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$2,151,395) is allocated over their estimated useful lives and reported as depreciation expense (\$1,761,732). This is the amount by which capital outlays exceeded depreciation in the current period.		389,663
The net effect of various transactions involving capital assets (i.e., sales and losses on disposal of assets) is to reduce net position.		(31,019)
The effect of donations of capital assets is to increase net position. The State of Vermont is currently constructing bridges for the Town.		142,910
The issuance of long-term debt (\$0-) (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$965,750) 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.		965,750
Governmental funds report employer pension contributions as expenditures (\$337,003). However, in the statement of activities, the cost of pension benefits earned net of employee contributions (\$611,173) is reported as pension expense. This amount is the net effect of the differences in the treatment of pension expense.		(274,170)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount is the net difference in the treatment of these items from the previous year.		(210,375)
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. This amount is the net difference in the treatment of these items from the previous year.		<u>32,210</u>
Change in net position of governmental activities (Exhibit B)	\$	<u><u>822,887</u></u>

The General Fund charges the Water Fund and Sewer Fund for administrative expenses. These charges totaling \$136,000 have been eliminated from the Governmental Activities on the Statement of Activities

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

TOWN OF STOWE, VERMONT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Water Fund	Sewer Fund	Electric Fund	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 0	\$ 0	\$ 2,443,286	\$ 2,443,286
Restricted Cash	0	0	4,707,734	4,707,734
Receivables (Net of Allowance for Uncollectibles)	99,735	147,517	1,141,453	1,388,705
Unbilled Receivables	101,544	109,983	1,256,624	1,468,151
Accrued Interest Receivable	0	0	168,247	168,247
Loans Receivable - Current Portion	3,657	127,429	0	131,086
Lease Receivables - Current Portion	0	0	32,826	32,826
Due from Other Funds	1,696,888	3,933,694	0	5,630,582
Prepaid Expenses	0	0	123,582	123,582
Inventory	47,662	54,376	535,492	637,530
	<u>1,949,486</u>	<u>4,372,999</u>	<u>10,409,244</u>	<u>16,731,729</u>
Total Current Assets				
Noncurrent Assets:				
Loans Receivable - Noncurrent Portion	14,349	324,313	0	338,662
Lease Receivables - Noncurrent Portion	0	0	96,675	96,675
Investment in Associated Companies	0	0	5,735,542	5,735,542
Deferred Charges	0	0	20,546	20,546
Capital Assets:				
Land	8,647	43,878	0	52,525
Construction in Progress	234,118	435,935	500,191	1,170,244
Land Improvements	0	7,787	0	7,787
Buildings and Building Improvements	0	15,584,232	3,759,302	19,343,534
Machinery and Equipment	512,308	1,142,585	2,032,072	3,686,965
Distribution and Collection Systems	13,284,205	10,916,682	16,035,534	40,236,421
Less: Accumulated Depreciation	<u>(4,564,963)</u>	<u>(13,345,744)</u>	<u>(9,318,805)</u>	<u>(27,229,512)</u>
	<u>9,488,664</u>	<u>15,109,668</u>	<u>18,861,057</u>	<u>43,459,389</u>
Total Noncurrent Assets				
	<u>11,438,150</u>	<u>19,482,667</u>	<u>29,270,301</u>	<u>60,191,118</u>
Total Assets				
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows of Resources Related to the Town's Participation in VMERS				
	59,654	22,540	0	82,194
	<u>59,654</u>	<u>22,540</u>	<u>0</u>	<u>82,194</u>
Total Deferred Outflows of Resources				
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	74,458	129,101	559,826	763,385
Accrued Payroll and Benefits Payable	9,830	18,977	37,980	66,787
Other Accrued Expenses	0	0	233,239	233,239
Due to Other Funds	0	0	171,945	171,945
Unearned Revenue	0	0	194,959	194,959
Customer Deposits	0	0	812,379	812,379
Accrued Interest Payable	182	0	65,518	65,700
Notes Payable - Current Portion	0	0	373,963	373,963
General Obligation Bonds Payable - Current Portion	34,942	691,683	462,080	1,188,705
	<u>119,412</u>	<u>839,761</u>	<u>2,911,889</u>	<u>3,871,062</u>
Total Current Liabilities				
Noncurrent Liabilities:				
Compensated Absences Payable	25,561	51,189	220,690	297,440
Net Pension Liability	148,934	56,208	0	205,142
Notes Payable - Noncurrent Portion	0	0	2,676,972	2,676,972
General Obligation Bonds Payable - Noncurrent Portion	383,647	2,766,731	7,870,360	11,020,738
	<u>558,142</u>	<u>2,874,128</u>	<u>10,768,022</u>	<u>14,200,292</u>
Total Noncurrent Liabilities				
	<u>677,554</u>	<u>3,713,889</u>	<u>13,679,911</u>	<u>18,071,354</u>
Total Liabilities				
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Lease Receivables				
	0	0	129,501	129,501
Deferred Inflows of Resources Related to the Town's Participation in VMERS				
	5,596	2,112	0	7,708
	<u>5,596</u>	<u>2,112</u>	<u>129,501</u>	<u>137,209</u>
Total Deferred Inflows of Resources				
<u>NET POSITION</u>				
Net Investment in Capital Assets				
	9,055,726	11,326,941	7,942,495	28,325,162
Restricted	0	0	583,381	583,381
Unrestricted	1,758,928	4,462,265	6,935,013	13,156,206
	<u>10,814,654</u>	<u>15,789,206</u>	<u>15,460,889</u>	<u>42,064,749</u>
Total Net Position				

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

TOWN OF STOWE, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Water Fund	Sewer Fund	Electric Fund	Total
Operating Revenues:				
Charges for Services	\$ 1,448,636	\$ 1,832,150	\$ 16,714,980	\$ 19,995,766
Total Operating Revenues	<u>1,448,636</u>	<u>1,832,150</u>	<u>16,714,980</u>	<u>19,995,766</u>
Operating Expenses:				
Administrative	130,819	122,282	2,288,538	2,541,639
Power	0	0	11,126,121	11,126,121
Distribution and Collection	687,430	1,342,366	1,604,848	3,634,644
Taxes	0	0	165,306	165,306
Depreciation and Amortization	<u>284,333</u>	<u>520,758</u>	<u>679,370</u>	<u>1,484,461</u>
Total Operating Expenses	<u>1,102,582</u>	<u>1,985,406</u>	<u>15,864,183</u>	<u>18,952,171</u>
Operating Income/(Loss)	<u>346,054</u>	<u>(153,256)</u>	<u>850,797</u>	<u>1,043,595</u>
Non-Operating Revenues/(Expenses):				
Connection Fees and Related Interest	258,542	231,581	0	490,123
Loss on Sale of Assets	0	0	(5,091)	(5,091)
Other Income	0	0	15,850	15,850
Investment Income	35,931	93,363	865,553	994,847
Interest Expense	<u>(20,173)</u>	<u>0</u>	<u>(350,479)</u>	<u>(370,652)</u>
Total Non-Operating Revenues/(Expenses)	<u>274,300</u>	<u>324,944</u>	<u>525,833</u>	<u>1,125,077</u>
Net Income Before Transfers	<u>620,354</u>	<u>171,688</u>	<u>1,376,630</u>	<u>2,168,672</u>
Transfers:				
Transfers Out	<u>0</u>	<u>0</u>	<u>(42,000)</u>	<u>(42,000)</u>
Total Transfers	<u>0</u>	<u>0</u>	<u>(42,000)</u>	<u>(42,000)</u>
Change in Net Position	620,354	171,688	1,334,630	2,126,672
Net Position - July 1, 2022	<u>10,194,300</u>	<u>15,617,518</u>	<u>14,126,259</u>	<u>39,938,077</u>
Net Position - June 30, 2023	<u>\$ 10,814,654</u>	<u>\$ 15,789,206</u>	<u>\$ 15,460,889</u>	<u>\$ 42,064,749</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, 2023

	Water Fund	Sewer Fund	Electric Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 1,512,440	\$ 1,910,441	\$ 15,955,696	\$ 19,378,577
Payments for Purchased Power	0	0	(11,322,797)	(11,322,797)
Payments for Goods and Services	(366,392)	(878,803)	(2,098,791)	(3,343,986)
Payments for Interfund Services	(78,680)	(79,599)	0	(158,279)
Payments for Wages and Benefits	(353,986)	(538,639)	(2,090,685)	(2,983,310)
	<u>713,382</u>	<u>413,400</u>	<u>443,423</u>	<u>1,570,205</u>
Net Cash Provided by Operating Activities				
Cash Flows From Noncapital Financing Activities:				
Other Receipts	0	0	15,850	15,850
Decrease/(Increase) in Due from Other Funds	(222,246)	72,221	0	(150,025)
(Decrease)/Increase in Due to Other Funds	0	0	9,787	9,787
Transfers Paid to Other Funds	0	0	(42,000)	(42,000)
	<u>(222,246)</u>	<u>72,221</u>	<u>(16,363)</u>	<u>(166,388)</u>
Net Cash Provided/(Used) by Noncapital Financing Activities				
Cash Flows From Capital and Related Financing Activities:				
Payments Received on Loans Receivable and Connection Fees	264,457	405,627	0	670,084
Issuance of Long-term Debt	0	0	4,243,410	4,243,410
Proceeds from Sale of Capital Assets	0	0	1,396	1,396
Acquisition and Construction of Capital Assets	(50,567)	(292,929)	(859,934)	(1,203,430)
Principal Paid on General Obligation Bonds Payable	(694,567)	(691,682)	(462,080)	(1,848,329)
Principal Paid on Notes Payable	0	0	(312,527)	(312,527)
Interest Paid on General Obligation Bonds Payable	(46,390)	0	(232,066)	(278,456)
Interest Paid on Notes Payable	0	0	(101,335)	(101,335)
	<u>(527,067)</u>	<u>(578,984)</u>	<u>2,276,864</u>	<u>1,170,813</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities				
Cash Flows From Investing Activities:				
Receipt of Interest and Dividends	35,931	93,363	867,179	996,473
	<u>35,931</u>	<u>93,363</u>	<u>867,179</u>	<u>996,473</u>
Net Cash Provided by Investing Activities				
Net Increase in Cash	0	0	3,571,103	3,571,103
Cash - July 1, 2022	0	0	3,579,917	3,579,917
Cash - June 30, 2023	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,151,020</u>	<u>\$ 7,151,020</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:				
Operating Income/(Loss)	\$ 346,054	\$ (153,256)	\$ 850,797	\$ 1,043,595
Depreciation and Amortization	284,333	520,758	679,370	1,484,461
(Increase)/Decrease in Receivables	63,804	78,291	(759,284)	(617,189)
(Increase)/Decrease in Prepaid Expenses	0	0	(35,635)	(35,635)
(Increase)/Decrease in Inventory	4,032	(13,129)	(231,048)	(240,145)
(Increase)/Decrease in Deferred Outflows of Resources Related to the Town's Participation in VMERS	(14,620)	(7,000)	0	(21,620)
Increase/(Decrease) in Accounts Payable	10,376	(34,942)	(460,636)	(485,202)
Increase/(Decrease) in Accrued Payroll and Benefits Payable	4,206	8,600	(21,241)	(8,435)
Increase/(Decrease) in Other Accrued Expenses	0	0	110,474	110,474
Increase/(Decrease) in Unearned Revenue	0	0	194,959	194,959
Increase/(Decrease) in Customer Deposits	0	0	160,256	160,256
Increase/(Decrease) in Compensated Absences Payable	(3,403)	2,662	(44,589)	(45,330)
Increase/(Decrease) in Net Pension Liability	65,626	27,462	0	93,088
Increase/(Decrease) in Deferred Inflows of Resources Related to the Town's Participation in VMERS	(47,026)	(16,046)	0	(63,072)
	<u>713,382</u>	<u>413,400</u>	<u>443,423</u>	<u>1,570,205</u>
Net Cash Provided by Operating Activities				

There was \$3,049 of capital acquisitions in the Water Fund included in accounts payable at June 30, 2022.

There was \$39,837 of capital acquisitions in the Water Fund included in accounts payable at June 30, 2023.

There was \$1,210 of capital acquisitions in the Sewer Fund included in accounts payable at June 30, 2022.

There was \$86,363 of capital acquisitions in the Sewer Fund included in accounts payable at June 30, 2023.

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

TOWN OF STOWE, VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Private-Purpose Trust Fund <u>Recreation Scholarship Fund</u>	<u>Custodial Fund Education Tax Fund</u>
<u>ASSETS</u>		
Cash	\$ 1,862	\$ 0
Investments	60,787	0
Due from Other Funds	<u>21,286</u>	<u>0</u>
Total Assets	<u>\$ 83,935</u>	<u>\$ 0</u>
<u>LIABILITIES AND NET POSITION</u>		
Liabilities:	<u>\$ 0</u>	<u>\$ 0</u>
Net Position:		
Restricted:		
Held in Trust for Individuals	<u>83,935</u>	<u>0</u>
Total Liabilities and Net Position	<u>\$ 83,935</u>	<u>\$ 0</u>

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

TOWN OF STOWE, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Private-Purpose Trust Fund	Custodial Fund
	Recreation Scholarship Fund	Education Tax Fund
Additions:		
Investment Income	\$ 7,590	\$ 0
Donations	6,152	0
Miscellaneous	5,500	0
Education Taxes Collected for Other Governments	0	42,050,859
Total Additions	19,242	42,050,859
Deductions:		
Scholarships	6,730	0
Education Taxes Distributed to Other Governments	0	42,050,859
Total Deductions	6,730	42,050,859
Change in Net Position	12,512	0
Net Position - July 1, 2022	71,423	0
Net Position - June 30, 2023	\$ 83,935	\$ 0

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

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

B. Basis of Presentation

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

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

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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, except for fiduciary activities. 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, including fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – 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
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Additionally, the Town reports the following fund types:

Private-Purpose Trust Fund – This fund is used to report trust arrangements under which resources are to be used for the benefit of individuals and organizations. All investment earnings, and in some cases, the principal of these funds may be used to support these activities.

Custodial Fund – This fund is used to report resources held by the Town in a purely custodial capacity for other governments, private organizations or individuals.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Government-wide, proprietary and fiduciary 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, proprietary and fiduciary 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.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt, acquisitions under financed purchases 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.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

F. New Pronouncement – Subscription-Based Information Technology Arrangements

Effective June 30, 2023, the Town implemented GASB Statement No. 96, “Subscription-Based Information Technology Arrangements”. GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. To the extent relevant, the standards for SBITAs are based on the standards established in GASB Statement No. 87, “Leases”, as amended. The Town currently has no subscription-based information technology arrangements applicable to this Statement that are material to the financial statements.

G. 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.

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 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.

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 on the 6th of the month and the balance on the 21st. 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.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 to/from 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.

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.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

9. Leases

Lessee: The Town recognizes lease liabilities and a right-to-use lease asset (lease asset) in the government-wide and proprietary fund financial statements. The Town recognizes lease liabilities with an initial, individual value deemed material. At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported as right to use along with other capital assets and lease liabilities are reported with long-term debt in the government-wide and proprietary fund financial statements.

Lessor: The Town recognizes a lease receivable and a deferred inflows of resources in both the government-wide and fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable. Subsequently, the deferred inflows of resources is recognized as revenue on a straight-line basis over the term of the lease. Lease receivables in excess of the related deferred inflows of resources are reported as nonspendable fund balances of governmental funds in the fund financial statements as these are not in spendable form.

10. 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.

11. 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.

12. 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.

13. Long-term Liabilities

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

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14. 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, proprietary fund and fiduciary fund financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund balances of governmental funds are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the Board of Selectmen's intended use of the resources); and unassigned.

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

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

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

Loans receivable differences arise because governmental funds report the issuance of loans receivable as expenditures and repayments of loans receivable as revenues, whereas government-wide statements report those transactions as increases and decreases in assets, respectively.

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.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 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 \$167,100 in order to utilize a portion of the previous year's surplus. This is reflected as a budgeted deficiency of revenues over expenditures on Schedule 1.

C. Excess of Expenditures Over Appropriations

For the year ended June 30, 2023 expenditures in the General Fund exceeded appropriations by \$72,438. These over-expenditures were funded by excess revenues.

D. Separate Financial Statements

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

IV. DETAILED NOTES ON ALL FUNDS

A. Cash, Cash Equivalents and Investments

The Town's cash, cash equivalents and investments as of June 30, 2023 consisted of the following:

Restricted Cash and Cash Equivalents:	
Deposits with Financial Institutions	\$ 583,381
Money Market Mutual Funds	<u>5,457,576</u>
Total Restricted Cash and Cash Equivalents	<u>6,040,957</u>
Unrestricted Cash:	
Deposits with Financial Institutions	13,415,991
Deposits with Investment Company	30,135
Cash on Hand	<u>4,135</u>
Total Unrestricted Cash	<u>13,450,261</u>
Total Cash and Cash Equivalents	<u>19,491,218</u>

TOWN OF STOWE, VERMONT
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Investments:

Certificate of Deposit	\$ 2,929
Common Stock	100,190
Municipal Bond	14,767
Exchange-Traded Funds	269,809
Mutual Funds – Mixed Holdings	<u>1,316,446</u>
Total Investments	<u>1,704,141</u>
Total Cash, Cash Equivalents and Investments	<u>\$21,195,359</u>

The Town has one (1) certificate of deposit with Barclays Bank in the amount of \$2,929 with an interest rate of 3.2%. The certificate of deposit will mature during fiscal year 2025.

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 funds, common stock, municipal bond, exchange-traded funds 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 certificate of deposit.

	<u>Book Balance</u>	<u>Bank Balance</u>
FDIC/SIPC Insured	\$11,255,769	\$12,391,235
Uninsured, Collateralized – Electric Department	0	27,584
Uninsured, Uncollateralized – Electric Department	<u>2,776,667</u>	<u>3,050,935</u>
Total	<u>\$14,032,436</u>	<u>\$15,469,754</u>

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

\$3,050,935 of uninsured, uncollateralized cash could be offset by debt at the respective bank.

The book balance is comprised of the following:

Restricted Cash – Deposits with Financial Institutions	\$ 583,381
Unrestricted Cash – Deposits with Financial Institutions	13,415,991
Unrestricted Cash – Deposits with Investment Company	30,135
Investments – Certificate of Deposit	<u>2,929</u>
Total	<u>\$14,032,436</u>

TOWN OF STOWE, VERMONT
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Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have any policy to limit the exposure to interest rate risk. The Town’s certificate of deposit, common stock and exchange-traded funds are exempt from interest rate risk disclosure. The Town’s money market mutual funds 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. The municipal bond is shown at its actual maturity.

Investment Type	<u>Remaining Maturity Greater Than 20 Years</u>
Municipal Bond	\$ <u>14,767</u>

Credit Risk

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

Investment Type	<u>Standard and Poor's Rating as of June 30, 2023</u>
Municipal Bond	\$ <u>A+ 14,767</u>

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 has \$89,465 (5%) 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.E. There are no other investments in any one issuer, other than mutual funds and other pooled investments, that represent more than 5% of total investments.

TOWN OF STOWE, VERMONT
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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 certificate of deposit is 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.

The Town has the following fair value measurements as of June 30, 2023:

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	\$ 100,190	\$ 100,190	\$ 0	\$ 0
Municipal Bond	14,767	14,767	0	0
Exchange-Traded Funds	269,809	269,809	0	0
Mutual Funds - Mixed Holdings	1,316,446	1,316,446	0	0
Total	\$ 1,701,212	\$ 1,701,212	\$ 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 for the related projects or may be used to pay down the bond. The amount restricted as of June 30, 2023 is \$295,199.

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, 2023 is \$583,381.

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. Upon completion of the projects, the Town received approval to reappropriate the remaining funds for the purchase of an aerial ladder truck. 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, 2023 is \$1,333,223.

TOWN OF STOWE, VERMONT
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In August 2022, 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 for the related projects or may be used to pay down the bond. The amount restricted as of June 30, 2023 is \$3,829,154.

B. Receivables

Receivables as of June 30, 2023, as reported in the statement of net position, net of applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Delinquent Taxes Receivable	\$ 574,356	\$ 0	\$ 574,356
Interest Receivable	49,436	0	49,436
Local Option Sales Tax Receivable	207,903	0	207,903
Ambulance Receivable	100,206	0	100,206
Grants Receivable	64,950	0	64,950
Insurance Receivable	76,504	0	76,504
Accounts Receivable	9,463	0	9,463
Billed Services	0	1,434,205	1,434,205
Unbilled Services	0	1,468,151	1,468,151
Accrued Interest Receivable	0	168,247	168,247
Allowance for Doubtful Accounts - Ambulance	(24,000)	0	(24,000)
Allowance for Doubtful Accounts - Water/Sewer	0	(4,000)	(4,000)
Allowance for Doubtful Accounts - Electric	0	(41,500)	(41,500)
	<u>0</u>	<u>(41,500)</u>	<u>(41,500)</u>
 Total	 <u>\$ 1,058,818</u>	 <u>\$ 3,025,103</u>	 <u>\$ 4,083,921</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>220,500</u>
Total	955,500
Less: Allowance for Doubtful Loans/Interest	<u>(955,500)</u>
Reported Value at June 30, 2023	<u>\$ 0</u>

TOWN OF STOWE, VERMONT
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Business-type Activities

The Town also has two (2) outstanding loans totaling \$18,006 in the Water Department to a homeowner and business 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.

The Town also has sixteen (16) outstanding sewer loans totaling \$451,742 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, 2023 is \$469,748. The Town estimates that \$131,086 will be collected during fiscal year 2024 and the remainder of \$338,662 in future years. The Town has determined that all loans are collectible as they have a lien on the home or business and all loans are current.

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

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
\$ 649,709	\$ 0	\$ 179,961	\$ 469,748

D. Lease Receivables

Governmental Activities

The Town leases space on its Public Safety Building to three cell phone companies who installed antennas on them. The following table provides the lease terms under each agreement.

Company	Commencement Date	Initial Lease Term	Renewal Terms	Current Monthly Payment	Annual Rent Escalation	Leasee Termination Options
AT&T	10/7/04	5 Years	4 Terms	\$ 3,767	CPI	90 Days Notice*
Verizon	8/30/10	5 Years	4 Terms	\$ 1,711	3%	6 Months Notice*
T-Mobile	8/30/10	5 Years	4 Terms	\$ 2,085	CPI	90 Days Notice*

* Lease termination option must occur at expiration of any lease term

The future lease payments under these agreements for the next five years are estimated to be as follows:

2024	\$ 90,759
2025	92,971
2026	95,240
2027	97,567
2028	<u>99,952</u>
	<u>\$476,489</u>

TOWN OF STOWE, VERMONT
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As of June 30, 2023, the Town’s receivable for lease payments in the governmental activities and General Fund was \$675,449. During the year ended June 30, 2023, the Town recognized \$79,969 and \$23,295 in lease revenue and interest revenue, respectively.

Business-type Activities

The Stowe Electric Department (SED) lease agreements are summarized as follows:

<u>Description</u>	<u>Commencement Date</u>	<u>Lease Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	<u>Total Lease Receivable</u>	<u>Balance June 30, 2023</u>
Mountain Cable Fiber	8/12/16	18 Years	\$ 5,955	4.20%	\$ 90,405	\$ 63,575
Dump Road Garage	10/26/20	5 Years	\$ 29,815	4.20%	\$ 135,221	\$ 65,926

SED leases one bundle of the Mountain Cable Fiber, containing twelve (12) specifically identified fiber optic strands to a qualified operator for the purpose of providing fiber optic connectivity in the area of the summit of Mount Mansfield.

SED leases its garage on Dump Road in Stowe, Vermont. The base rent of \$2,400 per month will increase by 2% every year on the anniversary of the lease. This lease is inclusive of utilities, property taxes and property insurance.

Annual cash flow from amortizing this lease receivable and related interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 32,826	\$ 4,814	\$ 37,640
2025	34,852	3,487	38,339
2026	12,792	2,229	15,021
2027	5,268	1,959	7,227
2028	7,227	1,733	8,960
2029-2033	29,472	6,663	36,135
2034-2038	7,064	162	7,226
Total	<u>\$ 129,501</u>	<u>\$ 21,047</u>	<u>\$ 150,548</u>

As of June 30, 2023, the Town’s receivable for lease payments in the business-type activities and Electric Fund was \$129,501.

E. 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, 2023.

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

F. Deferred Charges

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

	Amortization Period	Current Amortization	Unamortized Balance
Bond Issuance Costs	20 Years	<u>\$1,138</u>	<u>\$20,546</u>

G. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 6,568,362	\$ 0	\$ 0	\$ 6,568,362
Construction in Progress	877,772	704,090	475,972	1,105,890
Antiques	80,000	0	0	80,000
Total Capital Assets, Not Being Depreciated	7,526,134	704,090	475,972	7,754,252
Capital Assets, Being Depreciated:				
Land Improvements	649,370	0	0	649,370
Buildings and Building Improvements	18,123,378	233,687	0	18,357,065
Machinery and Equipment	6,260,145	1,413,117	448,698	7,224,564
Infrastructure	17,980,322	419,383	0	18,399,705
Totals	43,013,215	2,066,187	448,698	44,630,704
Less Accumulated Depreciation for:				
Land Improvements	223,397	23,380	0	246,777
Buildings and Building Improvements	5,998,656	507,610	0	6,506,266
Machinery and Equipment	3,056,414	476,039	417,679	3,114,774
Infrastructure	3,699,398	754,703	0	4,454,101
Totals	12,977,865	1,761,732	417,679	14,321,918
Total Capital Assets, Being Depreciated	30,035,350	304,455	31,019	30,308,786
Governmental Activities Capital Assets, Net	\$ 37,561,484	\$ 1,008,545	\$ 506,991	\$ 38,063,038

TOWN OF STOWE, VERMONT
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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 52,525	\$ 0	\$ 0	\$ 52,525
Construction in Progress	<u>749,904</u>	<u>590,139</u>	<u>169,799</u>	<u>1,170,244</u>
Total Capital Assets, Not Being Depreciated	<u>802,429</u>	<u>590,139</u>	<u>169,799</u>	<u>1,222,769</u>
Capital Assets, Being Depreciated:				
Land Improvements	7,787	0	0	7,787
Buildings and Building Improvements	19,331,744	11,790	0	19,343,534
Machinery and Equipment	3,203,836	573,684	90,555	3,686,965
Distribution and Collection Systems	<u>39,916,864</u>	<u>319,557</u>	<u>0</u>	<u>40,236,421</u>
Totals	<u>62,460,231</u>	<u>905,031</u>	<u>90,555</u>	<u>63,274,707</u>
Less Accumulated Depreciation for:				
Land Improvements	7,414	371	0	7,785
Buildings and Building Improvements	7,345,767	364,392	0	7,710,159
Machinery and Equipment	2,176,559	247,829	74,101	2,350,287
Distribution and Collection Systems	<u>16,290,550</u>	<u>870,731</u>	<u>0</u>	<u>17,161,281</u>
Totals	<u>25,820,290</u>	<u>1,483,323</u>	<u>74,101</u>	<u>27,229,512</u>
Total Capital Assets, Being Depreciated	<u>36,639,941</u>	<u>(578,292)</u>	<u>16,454</u>	<u>36,045,195</u>
Business-type Activities Capital Assets, Net	<u>\$ 37,442,370</u>	<u>\$ 11,847</u>	<u>\$ 186,253</u>	<u>\$ 37,267,964</u>

Certain amounts in the beginning balance column for the business-type activities have been reclassified.

Depreciation was charged as follows:

Governmental Activities:		Business-type Activities:	
General Government	\$ 46,234	Water	\$ 284,333
Public Safety	358,918	Sewer	520,758
Public Works	973,950	Electric	<u>678,232</u>
Culture and Recreation	380,164		
Cemetery	<u>2,466</u>		
Total Depreciation Expense - Governmental Activities	<u>\$ 1,761,732</u>	Total Depreciation Expense - Business-type Activities	<u>\$ 1,483,323</u>

H. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2023 are as follows:

Fund	Due from Other Funds	Due to Other Funds
General Fund	\$ 0	\$ 7,810,919
Capital Fund	2,078,005	0
Non-Major Governmental Funds	349,319	96,328
Water Fund	1,696,888	0
Sewer Fund	3,933,694	0
Electric Fund	0	171,945
Private-Purpose Trust Fund - Recreation Scholarship Fund	<u>21,286</u>	<u>0</u>
Total	<u>\$ 8,079,192</u>	<u>\$ 8,079,192</u>

TOWN OF STOWE, VERMONT
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Interfund transfers during the year ended June 30, 2023 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Annual Leave Fund	\$ 100,000	* Annual Contribution
General Fund	Capital Fund	80,000	Fund Future Paving Project
General Fund	Equipment Fund	460,000	Annual Contribution
Capital Fund	General Fund	557,751	Fund Debt Service
Appraisal Fund	General Fund	4,000	Fund Appraisal Expenses
Cemetery Fund	General Fund	8,500	Annual Contribution
Library Endowment Fund	Library Operations Fund	34,724	* Transfer Earnings
Electric Fund	General Fund	42,000	PILOT
Total		<u>\$ 1,286,975</u>	

* The transfer from the General Fund to the Annual Leave Fund is netted within the General Fund as this fund is 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.

I. Deferred Outflows of Resources

Deferred outflows of resources in the governmental activities consists of \$253,464 from the difference between the expected and actual experience, \$547,933 from the net difference between the projected and actual investment earnings on pension plan investments, \$172,545 from changes in assumptions and \$41,236 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 \$337,003 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the governmental activities is \$1,352,181.

Deferred outflows of resources in the business-type activities consists of \$15,406 from the difference between the expected and actual experience, \$33,304 from the net difference between the projected and actual investment earnings on pension plan investments, \$10,488 from changes in assumptions and \$2,507 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 \$20,489 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the business-type activities is \$82,194.

Deferred outflows of resources in the Water Fund consists of \$11,185 from the difference between the expected and actual experience, \$24,179 from the net difference between the projected and actual investment earnings on pension plan investments, \$7,614 from changes in assumptions and \$1,820 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 \$14,856 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Water Fund is \$59,654.

TOWN OF STOWE, VERMONT
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Deferred outflows of resources in the Sewer Fund consists of \$4,221 from the difference between the expected and actual experience, \$9,125 from the net difference between the projected and actual investment earnings on pension plan investments, \$2,874 from changes in assumptions and \$687 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 \$5,633 of required employer pension contributions subsequent to the measurement date. Total deferred outflows of resources in the Sewer Fund is \$22,540.

J. Unearned Revenue

Unearned revenue in the General Fund consists of \$9,635 of advertising fees, \$105,208 of recreation fees and \$5,564 of insurance proceeds received in advance. Total unearned revenue in the General Fund is \$120,407.

Unearned revenue in the Non-Major Governmental Funds consists of \$3,915 of grant revenue received in advance.

K. Deferred Inflows of Resources

Deferred inflows of resources in the governmental activities consists of \$189,653 of prepaid property taxes and \$640,347 associated with leases that will be recognized as revenue over the lease terms. It also includes \$126,802 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 \$956,802.

Deferred inflows of resources in the business-type activities consists of \$129,501 associated with leases that will be recognized as revenue over the lease terms. It also includes \$7,708 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 \$137,209.

Deferred inflows of resources in the General Fund consists of \$189,653 of prepaid property taxes and \$640,347 associated with leases that will be recognized as revenue over the lease terms. It also includes \$349,100 of delinquent property taxes and interest on those taxes and \$28,300 of ambulance fees not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total deferred inflows of resources in the General Fund is \$1,207,400.

Deferred inflows of resources in the Non-Major Governmental Funds consists of \$59,603 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 \$5,596 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).

TOWN OF STOWE, VERMONT
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Deferred inflows of resources in the Sewer Fund consists of \$2,112 from changes in the Town’s proportional share of contributions related to the Town’s participation in the Vermont Municipal Employee’s Retirement System (VMERS).

Deferred inflows of resources in the Electric Fund consists of \$129,501 associated with leases that will be recognized as revenue over the lease terms.

L. Long-term Liabilities

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

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

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

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

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

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

Long-term liabilities outstanding as of June 30, 2023 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, 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	\$ 60,000	\$ 0	\$ 20,000	\$ 40,000

TOWN OF STOWE, VERMONT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Adams Camp Purchase and Memorial Building Engineering, Principal Payments of \$25,000 Payable on December 1 Annually, Interest Rates Ranging from 3.87% to 4.67% Payable on June 1 and December 1, Due December, 2027	\$ 150,000	\$ 0	\$ 25,000	\$ 125,000
Bond Payable, Vermont Municipal Bond Bank, Public Safety Building, Principal Payments of \$360,000 Payable on November 15 Annually, Interest Rates Ranging from 1.90% to 4.65% Payable on May 15 and November 15, Due November, 2028	2,520,000	0	360,000	2,160,000
Bond Payable, Vermont Municipal Bond Bank, Ice Rink, Principal Payments of \$200,000 Payable on November 15 Annually, Interest Rates Ranging from 1.10% to 3.97% Payable on May 15 and November 15, Due November, 2032	2,200,000	0	200,000	2,000,000
Bond Payable, Vermont Municipal Bond Bank, Ice Rink and Sledding Hill Land Purchase, Principal Payments of \$140,750 Payable on November 15 Annually, Interest at 3.96% Payable on May 15 and November 15, Due November, 2033	1,689,000	0	140,750	1,548,250
Bond Payable, Vermont Municipal Bond Bank, Village Sidewalk and Overhead Utility Project, Principal Payments of \$220,000 Payable on November 1 Annually, Interest Rates Ranging from 1.84% to 4.10% Payable on May 1 and November 1, Due November, 2049	<u>6,160,000</u>	<u>0</u>	<u>220,000</u>	<u>5,940,000</u>
Total Governmental Activities	<u>\$12,779,000</u>	<u>\$ 0</u>	<u>\$965,750</u>	<u>\$11,813,250</u>

TOWN OF STOWE, VERMONT
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Business-type Activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Water Improvements, Principal and Interest Payments of \$215,568 Payable on July 1 Annually, Interest at 3%, Due July, 2025. The Town Made the July, 2023 Payment in June, 2023.	\$ 609,758	\$ 0	\$ 400,469	\$ 209,289
Bond Payable, State of Vermont Special Environmental Revolving Fund, Water Improvements, Principal Payments of \$18,274 Payable on April 1 Annually, 0% Interest, Due April, 2024	36,547	0	18,274	18,273
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 and Paid December, 2022	160,000	0	160,000	0
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sunset Hill Project, Principal and Interest Payments of \$56,962 Payable on July 1 Annually, Interest at 1%, Administrative Fee at 2%, Due July, 2026. The Town Made the July, 2023 Payment in June, 2023.	260,871	0	99,747	161,124
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	45,980	0	16,077	29,903
Bond Payable, State of Vermont Special Environmental Revolving Fund, Sewer Improvements, Principal Payments of \$691,682 Payable on April 1 Annually, 0% Interest, Due April, 2028	4,150,096	0	691,682	3,458,414

TOWN OF STOWE, VERMONT
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Bond Payable, Vermont Municipal Bond Bank, Electric Upgrades, Principal Payments of \$135,000 through 2038 and then One (1) Payment of \$85,000 in 2039, Interest Rates Ranging from 1.31% to 3.41% Payable on June 1 and December 1, Due November, 2039	\$ 2,380,000	\$ 0	\$ 135,000	\$ 2,245,000
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	2,414,520	0	127,080	2,287,440
Bond Payable, Vermont Municipal Bond Bank, Electric Upgrades, Principal Payments of \$200,000 Payable on November 15 Annually, Interest at 3.47% Payable on May 15 and November 15, Due November, 2041	0	4,000,000	200,000	3,800,000
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$20,773, Interest at 4.2%, Due December, 2029	539,542	0	62,019	477,523
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$18,209, Interest at 4.2%, Due November, 2030	518,418	0	51,923	466,495
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$7,439, Interest at 4.1%, Due November, 2024	289,902	0	18,176	271,726
Note Payable, Union Bank, Equipment Purchase, Quarterly Principal and Interest Payments of \$23,215, Interest at 2.99%, Due May, 2027	429,224	0	80,956	348,268

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

	<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 \$15,928, Interest at 4.2%, Due December, 2027	\$ 675,263	\$ 0	\$ 35,983	\$ 639,280
Note Payable, Union Bank, Equipment Purchase, Annual Principal and Interest Payments of \$57,870, Interest at 2.75%, Due May, 2028	315,265	0	49,231	266,034
Note Payable, Union Bank, Electric Investment Purchases, Quarterly Principal and Interest Payments of \$7,845, Interest at 4.95%, Due November, 2028	352,438	0	14,239	338,199
Note Payable, Union Bank, Equipment Purchase, Annual Principal and Interest Payments of \$55,913, Interest at 4.8%, Due March, 2028	<u>0</u>	<u>243,410</u>	<u>0</u>	<u>243,410</u>
Total Business-type Activities	<u>\$13,177,824</u>	<u>\$4,243,410</u>	<u>\$2,160,856</u>	<u>\$15,260,378</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	\$ 12,779,000	\$ 0	\$ 965,750	\$ 11,813,250	\$ 965,750
Compensated Absences Payable	733,135	0	20,166	712,969	0
Net Pension Liability	<u>1,718,898</u>	<u>1,656,098</u>	<u>0</u>	<u>3,374,996</u>	<u>0</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 15,231,033</u>	<u>\$ 1,656,098</u>	<u>\$ 985,916</u>	<u>\$ 15,901,215</u>	<u>\$ 965,750</u>
Business-type Activities					
General Obligation Bonds Payable	\$ 10,057,772	\$ 4,000,000	\$ 1,848,329	\$ 12,209,443	\$ 1,188,705
Notes Payable	3,120,052	243,410	312,527	3,050,935	373,963
Compensated Absences Payable	342,770	0	45,330	297,440	0
Net Pension Liability	<u>112,054</u>	<u>93,088</u>	<u>0</u>	<u>205,142</u>	<u>0</u>
Total Business-type Activities					
Long-term Liabilities	<u>\$ 13,632,648</u>	<u>\$ 4,336,498</u>	<u>\$ 2,206,186</u>	<u>\$ 15,762,960</u>	<u>\$ 1,562,668</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.

TOWN OF STOWE, VERMONT
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JUNE 30, 2023

Debt service requirements to maturity are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 965,750	\$ 365,711	\$ 1,562,668	\$ 371,919
2025	965,750	328,982	2,050,992	345,230
2026	945,750	299,193	1,587,490	307,011
2027	945,750	276,795	1,604,884	277,331
2028	945,750	250,251	1,904,585	238,615
2029-2033	3,163,750	963,383	2,838,119	741,786
2034-2038	1,240,750	625,833	2,310,400	500,028
2039-2043	1,100,000	415,440	1,401,240	104,783
2044-2048	1,100,000	201,873	0	0
2049-2050	440,000	18,044	0	0
Total	\$ <u>11,813,250</u>	\$ <u>3,745,505</u>	\$ <u>15,260,378</u>	\$ <u>2,886,703</u>

M. 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.

TOWN OF STOWE, VERMONT
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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	\$106,316
Nonspendable Inventory	316,017
Nonspendable Resources from Lease Receivables in Excess of Related Deferred Inflows of Resources	<u>35,102</u>
Total General Fund	<u>457,435</u>

Non-Major Funds

Permanent Funds:

Nonspendable Cemetery Fund Prepaid Items	3,138
Nonspendable Cemetery Fund Principal	215,000
Nonspendable Library Endowment Fund Principal	<u>35,295</u>
Total Non-Major Funds	<u>253,433</u>
Total Nonspendable Fund Balances	<u>\$710,868</u>

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

Major Funds

General Fund:

Restricted for Library Development by Donations	\$ <u>26,635</u>
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Capital Fund:

Restricted for Aerial Ladder Truck Purchase by by Unspent Bond Proceeds (Source of Revenue is Bond Proceeds)	<u>1,314,498</u>
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Non-Major Funds

Special Revenue Funds:

Restricted for Police Expenses by Agreement (Source of Revenue is Grant Revenue)	53,688
Restricted for Records Preservation Expenses by Statute (Source of Revenue is Recording Fees)	<u>61,417</u>
Total Special Revenue Funds	<u>115,105</u>

TOWN OF STOWE, VERMONT
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Permanent Funds:

Restricted for Cemetery Fund by Trust Agreements	\$ 405,658
– Expendable Portion	
Restricted for Library Endowment Fund by Trust Agreements	<u>1,097,210</u>
– Expendable Portion	
Total Permanent Funds	<u>1,502,868</u>
Total Non-Major Funds	<u>1,617,973</u>
Total Restricted Fund Balances	<u>\$2,959,106</u>

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

Major Funds

General Fund:

Committed for Annual Leave by the Voters	\$ <u>128,684</u>
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Capital Projects Fund:

Committed for Capital Projects by the Voters	<u>1,826,454</u>
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Total Committed Fund Balances	<u>\$1,955,138</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 2024	\$ 350,000
Assigned for Transfer to Equipment Fund	815,000
Assigned for Library Operations Expenses	30,375
Assigned for Library Damage Expenses	<u>68,864</u>

Total General Fund	<u>1,264,239</u>
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Capital Fund:

Assigned for Capital Project Expenditures	<u>108,000</u>
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Non-Major Funds

Special Revenue Funds:

Assigned for Appraisal Expenses	<u>230,713</u>
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Total Assigned Fund Balances	<u>\$1,602,952</u>
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TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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The unassigned deficit of \$59,603 in the Grant Fund will be funded with the collection of grant revenues.

The unassigned deficit of \$73,660 in the Equipment Fund will be funded with a transfer from the General Fund.

N. Restricted Net Position

The restricted net position of the Town as of June 30, 2023 consisted of the following:

Governmental Activities:

Restricted for Library Development by Donations	\$ 26,635
Restricted for Police Expenses by Agreement	53,688
Restricted for Records Preservation Expenses by Statute	61,417
Restricted for Cemetery Fund by Trust Agreements – Non-Expendable Portion	215,000
Restricted for Cemetery Fund by Trust Agreements – Expendable Portion	408,796
Restricted for Library Endowment Fund by Trust Agreements – Non-Expendable Portion	35,295
Restricted for Library Endowment Fund by Trust Agreements – Expendable Portion	<u>1,097,210</u>
Total Governmental Activities	<u>\$1,898,041</u>

Business-type Activities:

Electric Fund:

Restricted for Electric Capital Projects by State Agreement	<u>\$583,381</u>
Total Business-type Activities	<u>\$583,381</u>

The net position held in trust for various purposes in the Town’s Private-Purpose Trust Fund as of June 30, 2023 consisted of the following:

Private-Purpose Trust Fund:

Restricted for Recreation Scholarships by Donations	<u>\$83,935</u>
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TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2022, the measurement date selected by the State of Vermont, the retirement system consisted of 359 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 Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2022, the measurement date selected by the State of Vermont, VMERS was funded at 73.60% and had a plan fiduciary net position of \$845,979,471 and a total pension liability of \$1,149,351,427 resulting in a net position liability of \$303,371,956. As of June 30, 2023, the Town's proportionate share of this was 1.1801% resulting in a net pension liability of \$3,580,138. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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 1.1801% was a decrease of 0.0639 from its proportion measured as of the prior year.

TOWN OF STOWE, VERMONT
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For the year ended June 30, 2023, the Town recognized pension expense of \$770,436 which was comprised of \$640,058 determined by the State of Vermont’s actuary and \$130,378 of employer contributions made by the Town in excess of the amount required. The total employer contribution made by the Town was \$487,870. For the year ended June 30, 2023, the Town funded the employer contribution for Group B at 10.6% resulting in a lower contribution for members (1.775%).

As of June 30, 2023, 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	\$ 268,870	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	581,237	0
Changes of assumptions	183,033	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	43,743	134,510
Town's required employer contributions made subsequent to the measurement date	357,492	0
	\$ 1,434,375	\$ 134,510

The deferred outflows of resources resulting from the Town’s required employer contributions made subsequent to the measurement date in the amount of \$357,492 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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>	
2024	\$279,450
2025	242,496
2026	79,180
2027	<u>341,247</u>
Total	<u>\$942,373</u>

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.

Creditable Service – Service as a member plus purchased service.

TOWN OF STOWE, VERMONT
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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 retirement 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 allowance computed as of date of death. For Group D, 70% of the unreduced accrued benefit plus children's benefit.

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.

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 Contributions – Upon termination, if the member so elects or if no other benefit is payable, the member's accumulated contributions with interest are refunded.

Member Contribution Rates – Group A – 3.25%. Group B – 5.625%. Group C – 10.75%. Group D – 12.10%.

Employer Contribution Rates – Group A – 4.75%. Group B – 6.25%. Group C – 8.00%. Group D – 10.60%.

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

Significant Actuarial Assumptions and Methods

Investment Rate of Return: 7.00%, net of pension plan investment expenses, including inflation.

Inflation: 2.30% per year.

Salary increases: Varying service-based rates from 0-10 years of service, then a single rate of 4.50% (includes assumed inflation rate of 2.30%) for all subsequent years.

Cost-of-Living Adjustments: 1.10% for Group A members and 1.20% for Groups B, C and D members. The January 1, 2022 COLA was 2.00% for Group A members and 2.30% for Groups B, C and D members. The January 1, 2023 COLA was 2.00% for Group A members and 3.00% for Groups B, C and D members.

TOWN OF STOWE, VERMONT
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JUNE 30, 2023

Mortality:

Pre-Retirement: Groups A, B and C – 40% PubG-2010 General Employee Amount-Weighted below-median and 60% of PubG-2010 General Employee Amount-Weighted, with generational projection using scale MP-2019. Group D – PubG-2010 General Employee Amount-Weighted above-median, with generational projection using scale MP-2019.

Healthy Post-Retirement – Retirees: Groups A, B and C – 104% of 40% PubG-2010 General Healthy Retiree Amount-Weighted below-median and 60% of PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019. Group D – PubG-2010 General Healthy Retiree Amount-Weighted, with generational projection using scale MP-2019.

Healthy Post-Retirement – Beneficiaries: Groups A, B and C – 70% Pub-2010 Contingent Survivor Amount-Weighted below-median and 30% of Pub-2010 Contingent Survivor Amount-Weighted, with generational projection using scale MP-2019. Group D – Pub-2010 Contingent Survivor Amount-Weighted, with generational projection using scale MP-2019.

Disabled Post-Retirement: All Groups – PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019.

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

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.

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, 2022 are summarized in the following table:

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Passive Global Equities	24%	4.30%
Active Global Equities	5%	4.30%
Large Cap US Equities	4%	3.25%
Small/Mid Cap US Equities	3%	3.75%
Non-US Developed Market Equities	7%	5.00%
Private Equity	10%	6.50%
Emerging Market Debt	4%	3.50%
Private & Alternate Credit	10%	4.75%
Non-Core Real Estate	4%	6.00%
Core Fixed Income	19%	0.00%
Core Real Estate	3%	3.50%
US TIPS	3%	(0.50)%
Infrastructure/Farmland	4%	4.25%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates set by the Board (employers) and statute (members). The Board voted to authorize employer contribution rate increases of 0.50% each year for a period of four years beginning July 1, 2022. In 2022, the Legislature passed H.740, which effectively split the Board-authorized increases evenly between members and employers by including an increase in the employee rate of 0.25% for each group for four years, beginning July 1, 2022. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plans' Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2022. 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 7.00 percent, as well as what the proportionate share would be if it were calculated using a discount rate that is one percent lower (6.00%) or one percent higher (8.00%):

<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
\$5,364,679	\$3,580,138	\$2,112,278

Additional Information

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

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 Town no longer allows new entrants to this plan. The total payroll for the year, excluding the Electric Department, was \$6,038,794 while covered payroll was \$446,012. Pension expense was \$47,277.

Deferred Compensation Plan

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

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

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

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

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

Total covered payroll for the pension contributions for the year ended June 30, 2023 was \$2,090,685. The Electric Department’s pension contributions for the years ended June 30, 2023, 2022 and 2021 were \$178,492, \$137,551 and \$135,758, respectively. The total fees relating to the pension plan for the years ended June 30, 2023, 2022 and 2021 were \$9,686, \$7,642 and \$8,810, respectively.

TOWN OF STOWE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2023

B. Risk Management

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

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

C. Property Taxes

The Town is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State of Vermont. Property taxes are assessed based on property valuations as of April 1, the voter approved budgets and the State education property tax liability. Property taxes are levied in July and are payable in four (4) installments on August 15, November 15, February 15 and May 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 2023 were as follows:

	<u>Homestead</u>	<u>Non-Homestead</u>
Education	1.7390	1.8711
Farmers Contracts	0.0049	0.0049
Town	<u>0.4579</u>	<u>0.4579</u>
Total	<u>2.2018</u>	<u>2.3339</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.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

There are currently pending claims against the Town where the Town’s insurance carrier is providing defense. The Town is vigorously defending the claims. The Town and the insurer do not believe that the claims could exceed the insurance policy limits in the event of unfavorable rulings.

E. Concentration of Revenue

The Electric Department’s largest customer represents approximately 23.7% of operating revenue and 7.1% of accounts receivable.

F. 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, 2023 held by SED is as follows:

Hydro Quebec Contract:

This contract began on November 1, 2012, for energy and renewable credits. The contract began with 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. Stowe also can include Hydro Quebec renewable attributes towards their annual Renewable Energy Standard (RES) obligation for Tier I.

<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

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 compliance years 2017 through 2019. Beginning in compliance year 2020 SED is now able to claim all St. Lawrence renewable attributes towards Tier I. SED’s share of the second contract, the Niagara Project, has been an average of 481 kW. Effective September 1, 2007, the Niagara contract was renewed through September 1, 2025. SED is able to use Niagara Environmental Attributes towards RES Tier I compliance.

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. As the extension terminated on April 30, 2023, the contract was renegotiated through a maximum date of November 1, 2032. The contract timeline is subject to earlier termination if Ryegate Associates fails to meet the requirements of Section 8009(k) in the petition. SED’s allocation for the November 1, 2022, through October 31, 2023, contract year is 1.5198% of unit generation.

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. Projects within Standard Offer consist of behind the meter and ISO-NE settlement. Each utility will receive a percent share of each project. SED’s share for November 1, 2021 through October 31, 2022 was 1.4422% and increased to 1.5580% for November 1, 2022 through December 31, 2023. SED receives a modest capacity credit, and renewable energy credits for these resources. The rate per resource is based on fuel 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 contracting for longer terms with fixed prices that would qualify. By May of 2012, the Vermont Energy Act of 2012 expanded the program to 127.5 MW over a 10-year span with a new pricing mechanism for qualified projects. making contracts long term and at fixed prices to qualified renewable energy projects. The 2020 RFP for the Standard Offer Program within the Public Utility Commission through Orders in Dockets 7523, 7533, 7780, 7873, 7874, 8817, Case 17-3935-INV, Case 18-2820-INV and most recently Case No. 19-4466-INV, included the avoided cost price caps. Price caps are subject to a location and fuel type.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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, for the life of the units' operation. 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.

Stated in MMWEC's 2021-22 budget, the operating reserve is used to help mitigate cost increases. The funds will be used for any unforeseen events or capital expenditures.

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 (VPPSA). SED receives 15.8% of VPPSA's joint ownership of McNeil or 3% of the full capability of the plant. 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.

McNeil was retrofitted in 2008 to make it eligible to generate Connecticut Class I Renewable Energy Certificates (RECs). McNeil's operating costs have been increased throughout the past two years to collect a reserve fund for the planned shutdown and overhaul of the plant. With COVID-19 the capital project was delayed and has since been completed. The capital budget going forward is higher than usual due to the larger costs of the project overhaul.

Brown Bear II Hydro (Old Miller Hydro Contract):

SED has signed a purchase power agreement for 2.613% of the 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. The first PPA terminated on May 31, 2016. The second extension of this contract terminated on May 31, 2021.

The Miller Hydro was purchased by Brown Bear Hydro and a PPA was renegotiated beginning on June 1, 2021. It is the same 2.613% of unit, but it is only for energy and renewable energy credits going forward. This will terminate on November 30, 2025.

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. The RECs from this purchase qualify for Tier I RES compliance.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 0.09619% 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.

On November 14, 2014, Stowe contracted with Green Mountain Power (GMP) for a transfer of use rights agreement. GMP is now the interconnection rights holder and pays SED for that right. This contract terminated on October 31, 2020. Beginning in November 2020 SED has sold the HQ rights to Nalcor. Nalcor pays SED for that right until termination of December 31, 2023.

Nebraska Valley – Beech Hill Solar:

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. Stowe benefits from this project in the ability to use the renewable energy credits towards Tier 2 of the Renewable Energy Standard. The project is a distributed generation, or behind Stowe's meter, which provides additional benefits include energy, capacity, and transmission. The project began operation in August, 2016.

FirstLight (Cabot/Turners Falls Hydro):

Beginning on January 1, 2021 Stowe will receive an estimated 2.6% of their load from a Purchased Power Agreement for a bilateral percentage amount from the Cabot and Turners Fall Hydro Plants. Stowe will also receive renewable energy credits that are Vermont Tier I qualified. This PPA will expire on December 31, 2030.

TOWN OF STOWE, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Great River Hydro Project:

SED contracted a PPA for generation and RECs from the Moore Dam and Great River Hydro projects. It began January 1, 2023 and will terminate on December 31, 2037. SED's share is estimated to be 5.9% of load.

Market Contracts:

SED's portfolio contains market contracts. Beginning on December 1, 2022, SED purchased shaped block power from a counterparty. This purchase was to lock in coverage for SED's position during the month of December, 2022 through March, 2023. Also, SED contracted for a load following contract for the Mount Mansfield ski resort. The contract provides optimal supply flexibility for this load type.

Sources of Energy

The percentages of energy (kWh) acquired for the year ended June 30, 2023 was as follows:

Resource	Description	(MWH)	kWh's	% of Total Resources	Fuel	Location	Termination Date
NYPA - Niagara	ISO Bilateral	3,084	3,084,428	3.8%	Hydro	Roseton	2025
NYPA - St. Lawrence	ISO Bilateral	85	84,839	0.1%	Hydro	Roseton	2032
Ryegate	PUC	2,093	2,093,079	2.6%	Wood		2022
VEPPI - Standard Offer ISO Settlement	PUC	95	95,246	0.1%	Farm Methane	VT Nodes	Exp. Varies
HQ PPA Contract	ISO Bilateral	17,462	17,461,600	21.6%	Hydro	HQ Highgate 120	2038
Cabot/Turners	ISO Bilateral	1,806	1,805,503	2.2%	Hydro		2030
McNeil	Wood Unit	6,422	6,421,740	7.9%	Wood	Essex	Life of Unit
Stonybrook 1A/1B/1C	Dispatchable	1,824	1,823,781	2.3%	Natural Gas/Oil	Stonybrook 115	Life of Unit
Bilateral Purchase - Seabrook	ISO Bilateral	15,589	15,589,041	19.3%	Nuclear		2035
Miller Hydro Purchase	Run of River	2,342	2,341,752	2.9%	Hydro		2025
Saddleback Wind	Wind	1,856	1,856,072	2.3%	Wind	Carthage, ME	2035
Bilateral Purchase - Mtn	ISO Bilateral	7,562	7,562,443	9.4%			2022
Bilateral	ISO Bilateral	2,473	2,473,000	3.1%			3/31/2023
Great River Hydro	ISO Bilateral	892	891,760	1.1%	Hydro		12/31/2037
ISO Energy Net Interchange	ISO Bilateral	<u>14,302</u>	<u>14,301,664</u>	<u>17.7%</u>			
Totals		<u>77,887</u>	<u>77,885,948</u>	<u>96.2%</u>			
Nebraska Valley (BTM)	Solar	1,261	1,261,230	1.6%	Solar	Behind the Meter Generation	Life of Unit
VEPPI Standard Offer (BTM)	PUC	<u>1,769</u>	<u>1,768,906</u>	<u>2.2%</u>	Varies	Behind the Meter Generation	
Totals		<u>80,917</u>	<u>80,916,084</u>	<u>100.0%</u>			

Future Projects and State Renewable Energy Standard

Solar Projects:

SED is analyzing a solar project built within Vermont. The project will be a PPA for the solar project's generation and environmental attributes.

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, 2023

Battery Project:

SED is also reviewing the technology of energy storage.

Renewable Portfolio and Upcoming Renewable Energy Standard (RES):

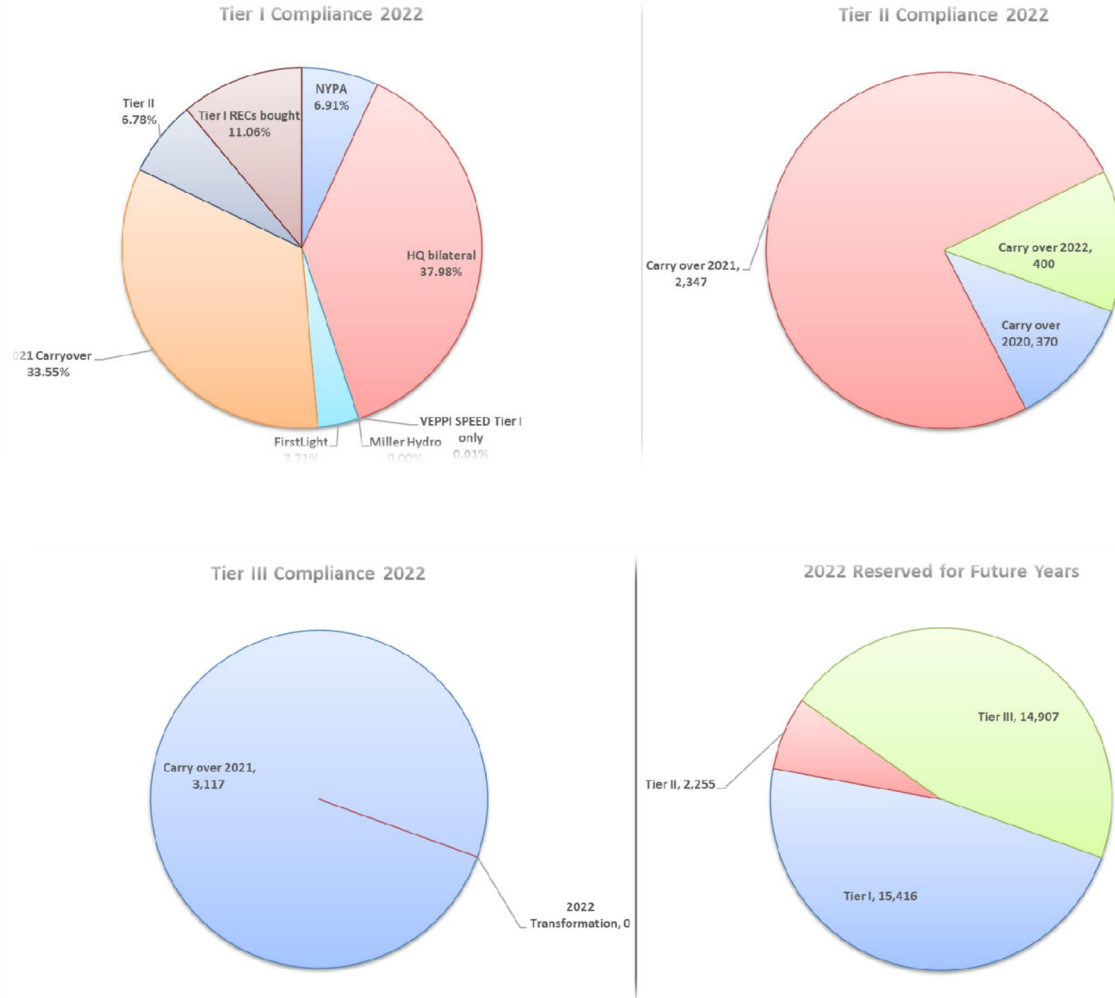
In July, 2015, Act 56 (H.40) was established using the 2011 Vermont Comprehensive Energy Plan in order to detail the State's goals and place direction on how utilities will reach these goals. The RES requires utilities to buy or retain renewable energy credits and energy transformation projects. Each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

- The Tier I category establishes renewable energy in Stowe's portfolio. Stowe can claim any class of REC that has a qualification of a renewable energy plant in New England.
 - Requirement to reach 75% of Tier I classification by 2032
 - Total renewable energy requirement started in 2017 at 55%
 - Requirements increase by 4% every three years
 - The Hydro Quebec bilateral and NYPA contracts that have been executed by the State of Vermont also qualify although the power originates outside of New England
- The Tier II category is for distributed generation. Tier II helps support the reliability of the electric system and helps with transmission constraints. Resources must be 5 MW or less and directly connected to the Vermont utilities sub transmission or distribution system. SED's 1 MW solar project provides qualification requirements for Tier II. Projects that are greater than 5 MW name plate are required to receive State approval to qualify for this category.
 - Requirement to reach 10% of Tier II classification by 2032
 - Total renewable energy requirement started in 2017 at 1%
 - Requirements increasing by three-fifths of a percent each year
- Tier III category allows Vermont utilities to either retire Tier II REC or incentivize energy transformation projects. Tier III encourages projects that will help reduce fossil fuel consumption and greenhouse gas emissions. The Public Utility Commission approves a conversion methodology (developed by the Department of Public Service) that utilities can utilize the exchange of fossil fuel reduction into compliance MWhs of electric energy.
 - Requirements to reach 102/3% of Tier III classification by 2032
 - Total renewable energy requirements started in 2019 at 2%
 - Increasing by two-thirds of a percent each year
 - Excess Tier II-qualifying distributed generation qualifies for Tier III compliance

TOWN OF STOWE, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2023

SED's 2022 100% Compliance is shown below.



G. Unused Line of Credit

The Electric Department has a \$1,500,000 non-revolving line of credit with a local bank, all of which was unused at June 30, 2023. Advances on this line, plus interest were due and payable on November 1, 2023. This line of credit was renewed as a revolving line of credit on November 1, 2023 for one year. The line of credit is secured by substantially all assets of the Electric Department.

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, 2023

	Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:			
Property Taxes	\$ 10,821,063	\$ 10,678,806	\$ (142,257)
Accounting	29,600	30,168	568
Administration	928,484	953,229	24,745
Buildings & Facilities	0	13,474	13,474
Cemetery Commission	1,200	470	(730)
Transfer from Capital Fund - Debt Management	557,751	557,751	0
EMS	200,353	313,358	113,005
Fire	0	5	5
Highway	229,241	271,293	42,052
Library	15,840	4,072	(11,768)
Listers	4,800	4,569	(231)
Parks	24,710	30,440	5,730
Police	230,325	174,289	(56,036)
Public Works - Administration	84,300	84,900	600
Recreation	146,431	171,693	25,262
Stowe Arena	319,095	308,077	(11,018)
Town Clerk & Treasurer	286,503	456,953	170,450
Zoning & Planning	63,840	135,108	71,268
	<u>13,943,536</u>	<u>14,188,655</u>	<u>245,119</u>
Expenditures:			
Accounting	330,058	331,991	(1,933)
Information Technology	282,069	308,289	(26,220)
Administration	708,528	599,885	108,643
Annual Leave Fund Transfer	100,000	100,000	0
Buildings & Facilities	519,861	533,313	(13,452)
Cemetery Commission	21,200	20,450	750
Debt Management	1,403,502	1,381,839	21,663
Economic Development & Community Services	94,850	94,750	100
Elections	4,385	1,879	2,506
Emergency Management	2,707	1,506	1,201
EMS	756,313	832,585	(76,272)
Equipment Fund Transfer	460,000	460,000	0
Fire	602,354	627,133	(24,779)
General Government	644,070	640,187	3,883
Highway	2,540,049	2,532,272	7,777
Insurance	213,019	197,688	15,331
Library	523,337	451,452	71,885
Listers	145,184	148,459	(3,275)
Mountain Rescue	45,465	63,220	(17,755)
Parks	570,073	544,534	25,539
Police	1,939,199	2,093,818	(154,619)
Public Works - Administration	508,984	482,198	26,786

See Disclaimer in Accompanying Independent Auditor's Report.

TOWN OF STOWE, VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures/(Cont'd):			
Recreation	\$ 440,129	\$ 467,054	\$ (26,925)
Social Services	55,812	56,222	(410)
Solid Waste	601	596	5
Stowe Arena	593,274	631,755	(38,481)
Town Clerk & Treasurer	313,366	295,555	17,811
Zoning & Planning	<u>292,247</u>	<u>284,444</u>	<u>7,803</u>
Total Expenditures	<u>14,110,636</u>	<u>14,183,074</u>	<u>(72,438)</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>\$ (167,100)</u>	5,581	<u>\$ 172,681</u>
Adjustments to Reconcile from the Budgetary Basis of Accounting to the Modified Accrual Basis of Accounting:			
Annual Leave Fund Income		4,792	
Annual Leave Fund Transfer In		100,000	
Annual Leave Fund Expenses		(150,299)	
Library Operations Fund Income		3,408	
Library Operations Fund Expenses		(28,927)	
Library Operations Fund Transfer In		34,724	
FEMA Fund Income		30,551	
Library Damage Fund Income		69,103	
Library Damage Fund Expenses		<u>(41,438)</u>	
Net Change in Fund Balance		27,495	
Fund Balance - July 1, 2022		<u>3,396,396</u>	
Fund Balance - June 30, 2023		<u>\$ 3,423,891</u>	

The reconciling items are due to combining four (4) funds, the Annual Leave Fund, the Library Operations Fund, the FEMA Fund and the Library Damage Fund, with the General Fund in order to comply with GASB Statement No. 54.

TOWN OF STOWE, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 VMERS DEFINED BENEFIT PLAN
 JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Plan Net Pension Liability	\$ 303,371,956	\$ 147,184,198	\$ 252,974,064	\$ 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	1.1801%	1.2440%	1.2018%	1.2195%	1.3779%	1.3420%	1.3498%	1.3825%	1.4096%
Town's Proportionate Share of the Net Pension Liability	\$ 3,580,138	\$ 1,830,952	\$ 3,040,255	\$ 2,115,736	\$ 1,938,407	\$ 1,625,911	\$ 1,737,171	\$ 1,065,864	\$ 128,646
Town's Covered Employee Payroll	\$ 3,917,388	\$ 3,694,367	\$ 3,528,123	\$ 3,396,370	\$ 3,468,811	\$ 3,197,390	\$ 2,997,269	\$ 2,842,541	\$ 2,731,082
Town's Proportionate Share of the Net Pension Liability as a Percentage of Town's Covered Employee Payroll	91.3909%	49.5606%	86.1720%	62.2940%	55.8810%	50.8512%	57.9585%	37.4969%	4.7104%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.60%	86.29%	74.52%	80.35%	82.60%	83.64%	80.95%	87.42%	98.32%

Notes to Schedule

Benefit Changes: None.

Changes in Assumptions and Methods: None.

Changes in Plan Provisions: At the November 17, 2020 Board meeting, the Board voted unanimously to authorize employer contribution rate increases of 0.50% each year for a period of four years, beginning July 1, 2022. In 2022, the Legislature passed H.740, which effectively split the Board-authorized increases evenly between members and employers by including an increase in the employee rate of 0.25% for each group for four years, beginning July 1, 2022.

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

TOWN OF STOWE, VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 VMERS DEFINED BENEFIT PLAN
 FOR THE YEAR ENDED JUNE 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution (Actuarially Determined)	\$ 357,492	\$ 295,263	\$ 276,581	\$ 250,003	\$ 234,309	\$ 246,026	\$ 219,161	\$ 205,062	\$ 192,329
Contributions in Relation to the Actuarially Determined Contributions	<u>357,492</u>	<u>295,263</u>	<u>276,581</u>	<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>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Town's Covered Employee Payroll	\$ 4,569,768	\$ 3,917,388	\$ 3,694,367	\$ 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	7.823%	7.537%	7.487%	7.086%	6.899%	7.093%	6.854%	6.842%	6.766%

Notes to Schedule

Valuation Date: June 30, 2022

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

TOWN OF STOWE, VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2023

	Special Revenue Funds	Capital Projects Fund Equipment Fund	Permanent Funds	Total
<u>ASSETS</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 0	\$ 0	\$ 109,809	\$ 109,809
Investments	0	0	1,643,354	1,643,354
Receivables	59,603	0	0	59,603
Due from Other Funds	349,319	0	0	349,319
Prepaid Items	<u>0</u>	<u>0</u>	<u>3,138</u>	<u>3,138</u>
Total Assets	<u>\$ 408,922</u>	<u>\$ 0</u>	<u>\$ 1,756,301</u>	<u>\$ 2,165,223</u>
 <u>LIABILITIES</u>				
Accounts Payable	\$ 20,481	\$ 12,687	\$ 0	\$ 33,168
Accrued Payroll and Benefits Payable	3,353	0	0	3,353
Due to Other Funds	35,355	60,973	0	96,328
Unearned Revenue	<u>3,915</u>	<u>0</u>	<u>0</u>	<u>3,915</u>
Total Liabilities	<u>63,104</u>	<u>73,660</u>	<u>0</u>	<u>136,764</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Grants	<u>59,603</u>	<u>0</u>	<u>0</u>	<u>59,603</u>
Total Deferred Inflows of Resources	<u>59,603</u>	<u>0</u>	<u>0</u>	<u>59,603</u>
 <u>FUND BALANCES/(DEFICIT)</u>				
Nonspendable	0	0	253,433	253,433
Restricted	115,105	0	1,502,868	1,617,973
Assigned	230,713	0	0	230,713
Unassigned/(Deficit)	<u>(59,603)</u>	<u>(73,660)</u>	<u>0</u>	<u>(133,263)</u>
Total Fund Balances/(Deficit)	<u>286,215</u>	<u>(73,660)</u>	<u>1,756,301</u>	<u>1,968,856</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 408,922</u>	<u>\$ 0</u>	<u>\$ 1,756,301</u>	<u>\$ 2,165,223</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, 2023

	Special Revenue Funds	Capital Projects Fund Equipment Fund	Permanent Funds	Total
Revenues:				
Intergovernmental	\$ 490,607	\$ 3,000	\$ 0	\$ 493,607
Charges for Services	0	0	11,550	11,550
Permits, Licenses and Fees	9,586	0	0	9,586
Investment Income	9,282	16,833	108,886	135,001
Donations	0	30,000	0	30,000
Total Revenues	<u>509,475</u>	<u>49,833</u>	<u>120,436</u>	<u>679,744</u>
Expenditures:				
General Government	180,787	0	0	180,787
Public Safety	1,049	0	0	1,049
Public Works	59,603	0	0	59,603
Culture and Recreation	3,621	0	0	3,621
Cemetery	0	0	668	668
Capital Outlay:				
Public Safety	0	1,150,347	0	1,150,347
Public Works	0	83,986	0	83,986
Culture and Recreation	0	132,492	0	132,492
Total Expenditures	<u>245,060</u>	<u>1,366,825</u>	<u>668</u>	<u>1,612,553</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>264,415</u>	<u>(1,316,992)</u>	<u>119,768</u>	<u>(932,809)</u>
Other Financing Sources/(Uses):				
Proceeds from Sale of Vehicles	0	13,000	0	13,000
Transfers In	0	460,000	0	460,000
Transfers Out	(4,000)	0	(43,224)	(47,224)
Total Other Financing Sources/(Uses)	<u>(4,000)</u>	<u>473,000</u>	<u>(43,224)</u>	<u>425,776</u>
Net Change in Fund Balances	260,415	(843,992)	76,544	(507,033)
Fund Balances - July 1, 2022	<u>25,800</u>	<u>770,332</u>	<u>1,679,757</u>	<u>2,475,889</u>
Fund Balances/(Deficit) - June 30, 2023	<u>\$ 286,215</u>	<u>\$ (73,660)</u>	<u>\$ 1,756,301</u>	<u>\$ 1,968,856</u>

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TOWN OF STOWE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2023

	Police DEA Fund	Appraisal Fund	Records Preservation Fund	Grant Fund	ARPA Fund	Total
<u>ASSETS</u>						
Receivables	\$ 0	\$ 0	\$ 0	\$ 59,603	\$ 0	\$ 59,603
Due from Other Funds	<u>53,688</u>	<u>234,214</u>	<u>61,417</u>	<u>0</u>	<u>0</u>	<u>349,319</u>
Total Assets	<u>\$ 53,688</u>	<u>\$ 234,214</u>	<u>\$ 61,417</u>	<u>\$ 59,603</u>	<u>\$ 0</u>	<u>\$ 408,922</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 0	\$ 148	\$ 0	\$ 20,333	\$ 0	\$ 20,481
Accrued Payroll and Benefits Payable	0	3,353	0	0	0	3,353
Due from Other Funds	0	0	0	35,355	0	35,355
Unearned Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,915</u>	<u>0</u>	<u>3,915</u>
Total Liabilities	<u>0</u>	<u>3,501</u>	<u>0</u>	<u>59,603</u>	<u>0</u>	<u>63,104</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable Grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>59,603</u>	<u>0</u>	<u>59,603</u>
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>	<u>59,603</u>	<u>0</u>	<u>59,603</u>
<u>FUND BALANCES/(DEFICIT)</u>						
Restricted	53,688	0	61,417	0	0	115,105
Assigned	0	230,713	0	0	0	230,713
Unassigned/(Deficit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(59,603)</u>	<u>0</u>	<u>(59,603)</u>
Total Fund Balances/(Deficit)	<u>53,688</u>	<u>230,713</u>	<u>61,417</u>	<u>(59,603)</u>	<u>0</u>	<u>286,215</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 53,688</u>	<u>\$ 234,214</u>	<u>\$ 61,417</u>	<u>\$ 59,603</u>	<u>\$ 0</u>	<u>\$ 408,922</u>

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, 2023

	Police DEA Fund	Appraisal Fund	Records Preservation Fund	Grant Fund	ARPA Fund	Total
Revenues:						
Intergovernmental	\$ 2,985	\$ 39,834	\$ 0	\$ 17,453	\$ 430,335	\$ 490,607
Permits, Licenses and Fees	0	0	9,586	0	0	9,586
Investment Income	<u>1,232</u>	<u>6,432</u>	<u>1,618</u>	<u>0</u>	<u>0</u>	<u>9,282</u>
Total Revenues	<u>4,217</u>	<u>46,266</u>	<u>11,204</u>	<u>17,453</u>	<u>430,335</u>	<u>509,475</u>
Expenditures:						
General Government	0	126,115	43,089	11,583	0	180,787
Public Safety	0	0	0	1,049	0	1,049
Public Works	0	0	0	59,603	0	59,603
Culture and Recreation	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,621</u>	<u>0</u>	<u>3,621</u>
Total Expenditures	<u>0</u>	<u>126,115</u>	<u>43,089</u>	<u>75,856</u>	<u>0</u>	<u>245,060</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>4,217</u>	<u>(79,849)</u>	<u>(31,885)</u>	<u>(58,403)</u>	<u>430,335</u>	<u>264,415</u>
Other Financing Sources/(Uses):						
Transfers Out	<u>0</u>	<u>(4,000)</u>	<u>0</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>0</u>	<u>(4,000)</u>
Net Change in Fund Balances	4,217	(83,849)	(31,885)	(58,403)	430,335	260,415
Fund Balances/(Deficit) - July 1, 2022	<u>49,471</u>	<u>314,562</u>	<u>93,302</u>	<u>(1,200)</u>	<u>(430,335)</u>	<u>25,800</u>
Fund Balances/(Deficit) - June 30, 2023	<u>\$ 53,688</u>	<u>\$ 230,713</u>	<u>\$ 61,417</u>	<u>\$ (59,603)</u>	<u>\$ 0</u>	<u>\$ 286,215</u>

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TOWN OF STOWE, VERMONT
 COMBINING BALANCE SHEET
 NON-MAJOR PERMANENT FUNDS
 JUNE 30, 2023

	Cemetery Fund	Library Endowment Fund	Total
<u>ASSETS</u>			
Cash	\$ 91,535	\$ 18,274	\$ 109,809
Investments	529,123	1,114,231	1,643,354
Prepaid Items	3,138	0	3,138
Total Assets	\$ 623,796	\$ 1,132,505	\$ 1,756,301
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:	\$ 0	\$ 0	\$ 0
Fund Balances:			
Nonspendable	218,138	35,295	253,433
Restricted	405,658	1,097,210	1,502,868
Total Fund Balances	623,796	1,132,505	1,756,301
Total Liabilities and Fund Balances	\$ 623,796	\$ 1,132,505	\$ 1,756,301

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TOWN OF STOWE, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

	Cemetery Fund	Library Endowment Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Charges for Services	\$ 11,550	\$ 0	\$ 11,550
Investment Income	<u>28,360</u>	<u>80,526</u>	<u>108,886</u>
Total Revenues	<u>39,910</u>	<u>80,526</u>	<u>120,436</u>
Expenditures:			
Cemetery	<u>668</u>	<u>0</u>	<u>668</u>
Total Expenditures	<u>668</u>	<u>0</u>	<u>668</u>
Excess of Revenues Over Expenditures	<u>39,242</u>	<u>80,526</u>	<u>119,768</u>
Other Financing Sources/(Uses):			
Transfers Out	<u>(8,500)</u>	<u>(34,724)</u>	<u>(43,224)</u>
Total Other Financing Sources/(Uses)	<u>(8,500)</u>	<u>(34,724)</u>	<u>(43,224)</u>
Net Change in Fund Balances	30,742	45,802	76,544
Fund Balances - July 1, 2022	<u>593,054</u>	<u>1,086,703</u>	<u>1,679,757</u>
Fund Balances - June 30, 2023	<u>\$ 623,796</u>	<u>\$ 1,132,505</u>	<u>\$ 1,756,301</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Stowe, Vermont, as of and for the year ended June 30, 2023, 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 February 2, 2024. 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.

Report on 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) as a basis for designing 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. 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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. 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".

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.

Sullivan, Powers & Co.

February 2, 2024
Montpelier, Vermont
VT Lic. #92-000180