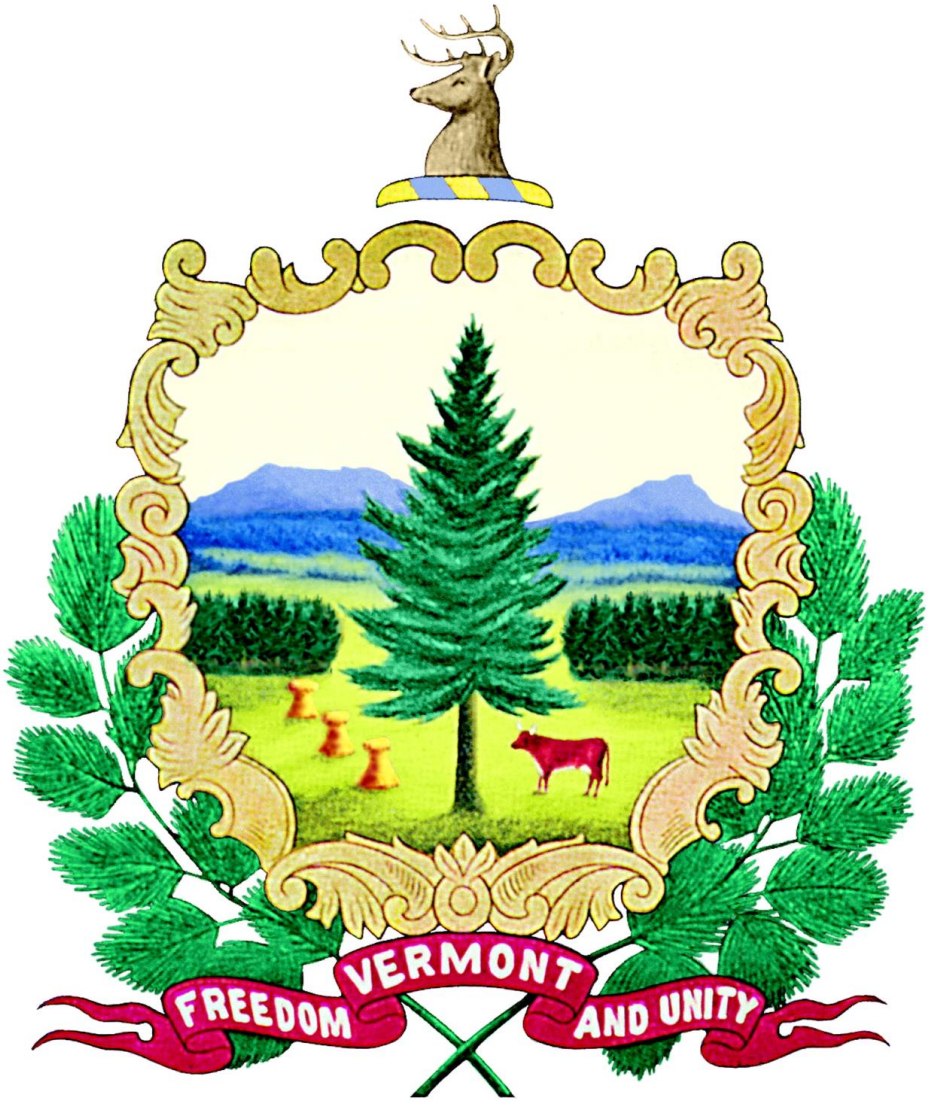


FINANCIAL SECTION

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

The Speaker of the House of Representatives,
President Pro-Tempore of the Senate
and the Governor of the State of Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont (the State), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of certain funds and component units of the State, which represent the indicated percentages of total assets and total revenues of the opinion units as presented in the table below. Additionally, we did not audit the information disclosed in Note V-E. Those financial statements and information in Note V-E. were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for those funds and component units, is based solely on the reports of the other auditors.

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
Governmental Activities	Universal Service Fund	0.04%	0.10%
Business-Type Activities	State Lottery Fund; Energy Efficiency Utility Fund	5.54%	21.38%
Special Fund	Universal Service Fund	1.15%	2.10%
State Lottery Fund	State Lottery Fund	100.00%	100.00%
Aggregate Remaining Fund Information	Energy Efficiency Utility Fund	0.42%	6.17%

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
Aggregate Discretely Presented Component Units	Vermont Student Assistance Corporation; University of Vermont and State Agricultural College; Vermont State Colleges; Vermont Housing Finance Agency; Vermont Economic Development Authority; Vermont Housing and Conservation Board; Vermont Municipal Bond Bank; Vermont Educational and Health Buildings Financing Agency; Vermont Veterans' Home	100.00%	100.00%

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 from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the accompanying table of contents (collectively referred to as RSI) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

The Speaker of the House of Representatives,
President Pro-Tempore of the Senate
and the Governor of the State of Vermont

We and other auditors 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 State's basic financial statements. The introductory section, other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2020, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 State'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 State's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Boston, Massachusetts
December 29, 2020

INTRODUCTION

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ended June 30, 2020. This Management Discussion & Analysis (MD&A) section is intended to serve as an introduction to the state's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to assist the reader in focusing on significant financial matters, provide an easily readable overview of the state's financial activities, identify any material changes from the original budget, and highlight financial matters that occurred during fiscal year 2020. The following presentation is in summary form; to gain a thorough understanding of the state's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

Government-wide

- Vermont reported a deficit net position of $319.2 million, comprised of $6.660 billion in total assets and $712.1 million in deferred outflows offset by $7.263 billion in total liabilities, and $428.2 million in deferred inflows at June 30, 2020 (Table 2). Of this deficit net position amount, $2.754 billion represents the net investment in capital assets, $919.4 million is restricted for various purposes, and $3.993 billion represents a deficit unrestricted net position. The reasons for the deficit unrestricted net position are discussed in the Government-wide Financial Analysis section.

- The primary government's net position has decreased by $258.5 million as a result of this year's operations. The net position for governmental activities decreased $112.5 million and net position for business activities decreased by $146 million (Table 3). The decrease in net position for business activities was primarily due to reductions in the financial position of the Unemployment Compensation Trust Fund.

Fund level

- Vermont's governmental funds reported a combined ending fund balance of $1.095 billion, an increase of $38.7 million or 3.7% above the prior year. Of this ending fund balance, $64.0 million is non-spendable, $532.8 million is restricted for specific purposes, and $498.4 million is available for spending (committed, assigned, and unassigned fund balance). The increase in ending fund balance is primarily attributable to an increase in the fund balance of the General Fund ($51.7 million), and an increase in Capital Projects Funds ($35.3 million), offset by an decrease in Special Revenue Funds ($48.8 million).

- Vermont's enterprise funds reported a combined net position of $391.7 million, a decrease of $146.0 million over last year.

- Vermont's General Fund reported an ending fund balance of $264.5 million, of which $56.6 million is non-spendable, and $207.9 million is available for spending (assigned and unassigned).

Capital assets

- The carrying amount of capital assets for the primary government increased to $3.164 billion, an increase of $75.9 million over last year. The increase is primarily due to $112.1 million in infrastructure assets, $9.6 million in construction in process, and $5.3 million in land and land improvements; offset by a $40.9 million decrease in machinery and equipment and $10.2 million decrease in buildings and improvements.

Long-term debt

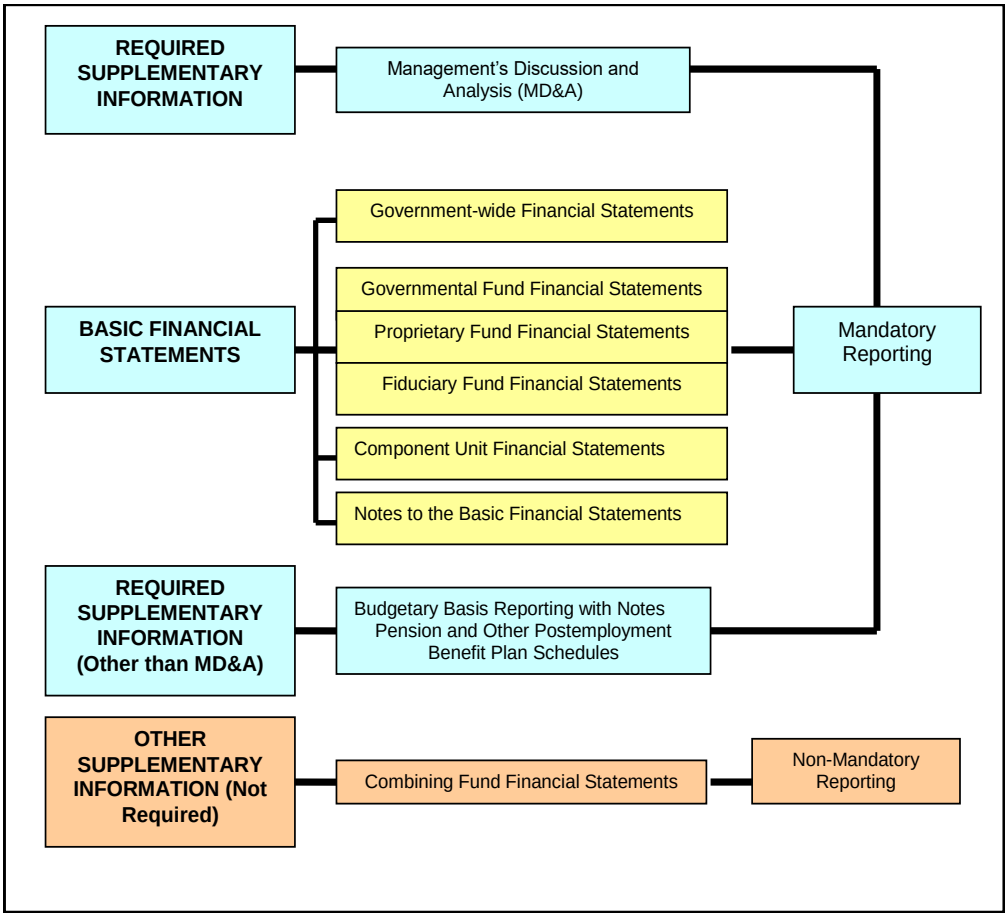
- Vermont's debt outstanding for general and special obligation bonds increased $27.3 million as compared to fiscal year 2019. In 2020, Vermont issued $127.8 million in general obligation bonds, and retired $98.8 million in general obligation bonds and $1.7 million in special obligation bonds.

More information regarding the government-wide financial statements, fund level financial statements, capital asset activity and long-term debt activity can be found beginning on page 23.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report (CAFR) consists of an introductory section, a financial section, and a statistical section. The financial section contains the Independent Auditor's Report, this discussion and analysis section, the basic financial statements (BFS) with required supplementary information (RSI), and other supplementary information. Additional information regarding the above sections may be found below as well as in the notes to the financial statements.

The layout of the financial section and the relationship of the financial statements and supplementary information is presented in the following diagram. Notice the relationships between the various elements of the CAFR, such as "mandatory versus non-mandatory" reporting, or "required versus not required" supplementary information. This diagram is designed to illustrate how the various elements of the state's financial activity fit together in this CAFR.



Basic Financial Statements

Vermont's basic financial statements (BFS) consist of four components: 1) government-wide financial statements, 2) funds' financial statements, 3) component units' financial statements, and 4) notes to the financial statements. The fund financial statements include governmental, proprietary, and fiduciary types of funds that will be described later in this analysis. Notes to the financial statements provide explanations and/or additional detail for all of the above financial statements and are considered an integral part of the financial statements.

Table 1 summarizes the major features of the basic financial statements with further explanations below:

Table 1 - Major Features of the State's Government-wide and Fund Financial Statements				
	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's discretely presented component units	The activities of the state that are not proprietary or fiduciary, such as Human Services and Transportation	Activities the state operates similar to private businesses, such as the Liquor Control Fund and State Lottery Fund	Instances in which the state is the trustee or agent for someone else's resources, such as the retirement plans for public employees
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expense, and Changes in Net Position, Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, and both short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and both short-term and long-term	All assets and liabilities, both financial and capital, and both short-term and long-term
Type of inflow / outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

1) Government-Wide Financial Statements

Vermont's government-wide financial statements, which follow this MD&A section, are designed to present a broad view of the state's operations and financial position in a manner similar to the accounting principles used by most private-sector business. All of Vermont's activities except its fiduciary funds' activities are reported in the government-wide statements. Fiduciary activities are not included because the resources of these funds are not available to support Vermont's own programs.

The government-wide statements contain both short-term and long-term information about the state's financial position and assist in assessing the state's economic condition at the end of each fiscal year. Vermont prepares these statements using the "flow of economic resources" measurement focus and the accrual basis of accounting. The methods utilized to prepare these statements are similar to those used by most private sector businesses. They consider all financial activity connected with the reported fiscal year including revenues, expenses,

transfers, sales or acquisitions of capital assets, and any other activity affecting or possibly affecting the financial condition of the state, even if cash involved has not yet been received or paid.

The government-wide financial statements present two statements:

The *Statement of Net Position* presents a snapshot of both the primary government's and its component units' assets, liabilities, deferred outflows, and deferred inflows, as of the date of this report, with the difference between the assets and deferred outflows, and liabilities and deferred inflows reported as "net position". Over time, increases or decreases in the primary government's net position may serve as an indicator as to whether the financial position of the state is improving or deteriorating.

The *Statement of Activities* presents the reported year's financial activity and hence, the reason(s) for the changes in net position included on the Statement of Net Position. All changes in financial activities are recognized as soon as the underlying event(s) giving rise to the changes occur, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not result in cash flows until future fiscal periods. This statement also presents the relationship between the state's major expenditure functions and the associated sources of program revenues associated with each expenditure function.

Both of the above financial statements segregate Vermont's financial activity into three categories: governmental activities, business-type activities, and discretely presented component unit activities. The governmental activities and business-type activities are combined to report on what is termed *primary government activities* which are separate and distinct from the *component units' activities* of the discretely presented component units.

Primary Government Activities

Governmental Activities – The financial activities reported in this section generally represent those services (functions) normally performed by a government entity. These activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. The governmental activities include public education, general government, public health services, legal and judiciary services, natural resources, public safety, regulatory services, social services, and public transportation. Taxes, grants, and intergovernmental revenues are the main sources of funding for these activities.

Business-Type Activities – These business-type activities of the state include the operations of Vermont's enterprise activities. For financial reporting purposes, these activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. Activities categorized as major include the Unemployment Compensation Trust Fund program, Liquor Control Fund, and the State Lottery Fund. Activities reported as non-major include the Federal Surplus Property Program, making equipment loans to municipalities, and several other activities. Both major and non-major activities normally recover all or a portion of their costs through user fees and charges to the external consumers of their goods and services, much like a private business.

Component Units' Activities

Discretely Presented Component Units – These are legally separate (incorporated) entities for which the primary government has the ability to impose its will on the entity, receive a benefit from activities of the entity, or could incur a financial burden due to the activities of the entity. Vermont's discretely presented component units are presented in the aggregate in the government-wide statements. This aggregate total consists of four major and five non-major component units. This categorization is determined by the entity's relative significance to Vermont. Additional information or financial statements for each of these individual component units can be obtained from their respective administrative offices. Addresses and additional information about the component units are presented in Note I to the financial statements.

Blended Component Units – Vermont has no blended component units.

Included with the basic financial statements are two schedules that reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with governmental activities (accrual basis of accounting) on the government-wide statements.

The following summarizes some of the differences in modified accrual and accrual accounting:

- Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund statements.
- Certain revenues that are earned, but not available, are reported as revenues of governmental activities, but are reported as unavailable revenue on the governmental fund statements.
- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences, net pension and other postemployment benefit obligations, and bonds and notes payable appear as liabilities in the government-wide statements but are not reported in the governmental fund statements.
- Internal service funds are reported primarily as governmental activities but reported as proprietary funds in the fund financial statements.
- Capital outlay spending results in recording capital assets on the government-wide statements but is reported as an expenditure on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements. Payments of bond and note principal results in a reduction in liabilities on the government-wide statements but are reported as expenditures on the governmental fund statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Net position balances are allocated as *net investment in capital assets* (capital assets, net of accumulated depreciation, and reduced by outstanding balances for bonds and notes attributable to those assets) *restricted net position* (those with constraints placed on their use by external sources or imposed by law through constitutional provision or enabling legislation) and *unrestricted net position* (the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not meet any of the above restrictions).

The notes to the basic financial statements provide additional information that is integral to understanding the data provided in the government-wide and fund financial statements.

2) 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. In line with practices of other state and local governments, Vermont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus and report on the state's activities in more detail than the government-wide statements. All of Vermont's funds have been divided into three categories for reporting purposes: governmental, proprietary, and fiduciary. For governmental activities, the governmental funds financial statements indicate how these services are financed in the short-term as opposed to the government-wide statements, which present a long-term view of the state's finances.

In accordance with GASB Statement No. 34, the focus of governmental fund financial statements has shifted from fund types to reporting on the most significant funds of the state, or major funds. Accordingly, the governmental and proprietary funds are divided into major and non-major categories as required by the Governmental Accounting Standards Board. For the governmental and proprietary funds, the major funds are reported in individual columns in the fund financial statements while the non-major funds are presented in a consolidated column in the fund financial statements. Combining schedules or statements in the Other Supplementary Information section present detailed non-major fund activity. Fiduciary funds are reported by fiduciary type (pension and other postemployment benefit trusts, private purpose trusts, and agency funds). Combining schedules or statements for the individual pension, other postemployment benefit, and agency funds are presented in the Other Supplementary Information section.

The three categories of funds are Governmental Funds, Proprietary Funds, and Fiduciary Funds. These fund categories use different accounting methods and should be interpreted differently as described below. Following is a brief overview of these three major categories of funds.

Governmental Funds

Most of the state's basic services are accounted for in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as the balances of resources available at the end of the fiscal year. This approach uses the "flow of current financial resources" measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the state's finances that help determine whether adequate financial resources are available to meet the current needs of the state.

Because the time period focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Schedules reconciling the governmental funds' Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances to their respective government-wide statements are provided on the pages immediately following each governmental fund financial statement to facilitate this comparison.

Vermont reports twenty governmental funds of which six are classified as "major" governmental funds. These major funds are the General Fund, Transportation Fund, Education Fund, Special Fund, Federal Revenue Fund and Global Commitment Fund. Each major fund is presented in a separate column in the Governmental Funds' *Balance Sheet* and in the *Statement of Revenues, Expenditures, and Changes in Fund Balances*. The "non-major" governmental funds include the Fish and Wildlife Fund, two capital projects funds, two debt service funds, and nine permanent funds, all of which are presented in one consolidated column in the governmental fund statements. Combining and individual non-major governmental fund statements are reported in the Other Supplementary Information section of this report.

Fund balance (the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources) is classified as non-spendable, restricted and unrestricted (committed, assigned or unassigned).

Vermont budgets and controls its financial activities on the cash basis of accounting. State law requires financial transactions to be recorded in either of two major categories – the General Fund or various special revenue funds. References to these funds in this report include the terms "budgetary" or "budgetary basis" to differentiate them from the GAAP funds of the same name which encompass different funding categories. Vermont adopts an annual appropriated budget for its budgetary general fund and each special revenue fund. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with the approved budgets. These schedules can be found as part of the required supplementary information section of this report.

The governmental funds' financial statements immediately follow the government-wide financial statements.

Proprietary Funds

This category of funds includes enterprise funds (business-type) and internal service funds. These funds report activities that operate much like those of commercial enterprises. These funds' financial reports include a *Statement of Net Position;* a *Statement of Revenues, Expenses and Changes in Net Position*; and a *Statement of Cash Flows*.

Enterprise funds provide the same type of information as the business-type activities section in the government-wide financial statements, only in more detail and at the fund level. Like the government-wide financial statements, enterprise fund financial statements use the accrual basis of accounting. Enterprise funds account for services provided to the general public, government, and non-state government entities. They normally derive their revenue by charging user fees in order to cover the costs of their services.

Vermont reports nine enterprise funds of which three are reported as major funds in separate columns on the proprietary fund statements. These three are the Unemployment Compensation Fund, the Liquor Control Fund,

and the State Lottery Fund. The other six enterprise funds are reported as "non-major funds" and are consolidated into one column on the proprietary fund statements.

Internal service funds are used to report activity that provides goods and services to other funds, departments, or agencies of the primary government and its component units, or to other governments on a cost reimbursement basis. These funds provide communication and information technology, facilities and property management, fleet management, printing, risk management and insurance services. The internal service fund activities are allocated proportionately between the governmental activities (predominately) and the business-type activities in the government-wide statements based on the benefit of the services provided to these activities. The reconciliation between the government-wide financial statements for business-type activities and the proprietary fund statements is presented at the end of the proprietary fund financial statements.

Vermont reports twenty-four internal service funds, which are reported in one consolidated column entitled "Governmental Activities – Total Internal Service Funds" on the Proprietary Funds Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

The proprietary funds' financial statements immediately follow the governmental fund financial statements. Combining non-major enterprise and combining internal service fund statements may be found in the Other Supplementary Information section of this report.

Fiduciary Funds

The fiduciary funds are used to account for assets held by Vermont in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. Fiduciary funds are excluded from the government-wide financial statements because Vermont cannot use these assets to finance its operations. The fiduciary funds use the accrual basis of accounting.

Vermont's fiduciary funds are divided into the following three basic categories: Pension and Other Postemployment Benefit Trust Funds (includes three separate defined benefit pension plans, three separate defined contribution pension plans, two defined benefit other postemployment benefit plans, and one defined contribution other postemployment benefit plan); a Private Purpose Trust Fund (which reports only the Unclaimed Property Fund); and Agency Funds (nine agency funds which account for the assets held for distribution by Vermont as an agent for other governmental units, organizations or individuals). These funds' financial reports include a *Statement of Fiduciary Net Position;* and a *Statement of Changes in Fiduciary Net Position*.

The fiduciary funds financial statements can be found immediately following the proprietary funds' financial statements. Individual pension and other postemployment benefit trust funds' and agency funds' financial statements are reported in the Other Supplementary Information section of this report.

3) Discretely Presented Component Units' Financial Statements

As mentioned previously, Vermont has included the net position and activities of four major component units in individual columns and five non-major component units in a single column on the statements. The component units' financial statements can be found immediately after the fiduciary funds. Combining individual non-major component units' financial statements can be found in Other Supplementary Information section of this report.

4) Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and the fund financial statements. They are an integral part of the financial statements and focus on the primary government and its activities. The notes also explain some of the information contained in the financial statements and provide more detail than is practical in the financial statements.

The notes include a summary of significant accounting policies; additional information regarding the reconciliation of government-wide and fund financial statements; discussions on stewardship, compliance and accountability; detailed notes on all activities and funds; and other information. The notes to the financial statements can be found immediately following the component units' financial statements.

Required Supplementary Information Other Than MD&A
The basic financial statements are followed by a section of required supplementary information. This section includes:

- The Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Investment Returns, the Schedule of Employer and Non-employer Contributions, and the Schedule of the State's Proportionate Share of the Net Pension Liability for the two defined benefit pension trusts are included in the required supplementary information section. Also, this section includes the Schedule of Changes in Net OPEB Liability and Related Ratios, The Schedule of Investment Returns, Schedule of Employer and Non-employer Contributions, and the Schedule of the State's Proportionate Share of the Net OPEB Liability for the other postemployment benefit plans.

- Schedules for the General Fund and budgeted Special Revenue Funds comparing their original budgeted amounts; final budgeted amounts; actual inflows, outflows, and balances stated on a budgetary basis; and variances between the final budgeted amounts and actual amounts presented on a budgetary basis. See Note III.A for additional information regarding the budgetary process, including the budgetary basis.

- Notes to Required Supplementary Information include a schedule reconciling the statutory fund balance presented on a budgetary basis to the fund balance prepared on a modified accrual basis as presented in the governmental fund financial statements for the general fund and each budgeted special revenue fund, as well as additional information regarding the budgetary process.

Other Supplementary Information
The combining fund financial statements referred to earlier in connection with non-major funds and non-major component units are presented following the Required Supplementary Information section. The total columns of these combining financial statements carry to the applicable fund financial statement. These combining statements include the following:

- Non-major governmental funds
- Non-major proprietary (enterprise) funds
- Internal service funds
- Fiduciary funds (including individual pension and other postemployment benefit trust funds, and agency funds)
- Non-major component units

Statistical Section
A statistical section containing information regarding financial trends, revenue capacity, and debt capacity, as well as operating, economic and demographic information is presented immediately following the combining financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The following primary government condensed financial statement information is derived from Vermont's June 30, 2020 and 2019 government-wide Statement of Net Position. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

Vermont's combined deficit net position (governmental and business-type activities) totals $319.2 million at the end of fiscal year 2020, as shown in Table 2. Approximately $2.754 billion of the combined net position represents Vermont's investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any related debt still outstanding that was used to acquire those assets. This net investment in capital assets represents resources used to provide services to citizens, and therefore is not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets

themselves cannot be used to liquidate these liabilities. Capital assets net of accumulated depreciation increased by $75.9 million primarily due to a $112.1 million increase in infrastructure assets, $9.6 million in construction in process, and $5.3 million in land and land improvements; offset by $40.9 million decrease in machinery and equipment and $10.2 million in buildings and improvements.

An additional portion of the primary government's net position ($919.4 million) represents resources that are subject to external restrictions on how they may be used. This is a decrease of $146.3 million and is primarily a result of additional amounts that are restricted for natural resources ($6.5 million), offset by a decrease in unemployment compensation ($134.1 million), human services ($7.9 million), protection to persons and property ($5.4 million), and transportation ($4.6 million).

Internally imposed designations of resources are not presented as restricted net position. The remaining balance of unrestricted net position is a deficit of $3.993 billion. The governmental activities' negative unrestricted net position balance is mainly the result of three actions: 1) the net pension and net other postemployment benefit liabilities; 2) the amount of net position that is restricted for various purposes; and 3) long-term debt issued by Vermont for municipal, non-profit or component unit capital purposes, $224.4 million outstanding at June 30, 2020, that does not result in a governmental activities' capital asset.

Current assets increased by $1.185 billion primarily due to increases in cash and cash equivalents ($1.008 billion), taxes receivable ($108.9 million), federal grants receivable ($40.1 million), and investments ($3.4 million). The increase in cash & cash equivalents is largely due to the $1.25 billion in federal assistance Vermont received through the Coronavirus Aid, Relief, and Economic Security (CARES) Act that was passed by Congress to deal with the impact of the COVID-19 pandemic, but was not spent by the fiscal year end. Long term liabilities increased by $272 million primarily due to the increase in net pension liabilities and net other postemployment benefit liabilities ($238.9 million) and in bonds, notes, and leases payable ($30.8 million).

At the end of fiscal year 2020, Vermont reported positive total net position balances in its business-type activities and its discretely presented component units, and a deficit net position in its governmental activities.

(Table on next page.)

TABLE 2
State of Vermont's Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current assets	$ 2,469.1	$ 1,303.3	$ 598.8	$ 579.8	$ 3,067.9	$ 1,883.1
Other assets	426.8	465.6	1.7	1.8	428.5	467.4
Capital assets	3,159.5	3,083.3	4.1	4.4	3,163.6	3,087.7
Total assets	6,055.4	4,852.2	604.6	586.0	6,660.0	5,438.2
DEFERRED OUTFLOWS						
Total deferred outflows	709.8	727.8	2.3	2.6	712.1	730.4
LIABILITIES						
Other liabilities	1,767.7	674.3	193.0	29.7	1,960.7	704.0
Long-term liabilities	5,287.2	5,012.3	15.2	17.7	5,302.4	5,030.0
Total liabilities	7,054.9	5,686.6	208.2	47.4	7,263.1	5,734.0
DEFERRED INFLOWS						
Total deferred inflows	421.4	492.0	6.8	3.3	428.2	495.3
NET POSITION						
Net Investment in capital assets	2,750.2	2,656.9	4.1	4.4	2,754.3	2,661.3
Restricted	528.8	540.5	390.6	525.2	919.4	1,065.7
Unrestricted (deficit)	(3,990.1)	(3,796.0)	(2.8)	8.3	(3,992.9)	(3,787.7)
Total net position	$ (711.1)	$ (598.6)	$ 391.9	$ 537.9	$ (319.2)	$ (60.7)

Totals may not add due to rounding.

Changes in Net Position

Governmental type activities had an overall decrease in net position of $112.5 million, or a 18.8% increase in the deficit net position, resulting from an operating loss of $164.2 million offset by net transfers in from business-type activities of $51.7 million. The $284.2 million increase in revenues over 2019 was due to an increase of $376.4 million in program revenues, offset by a $92.2 million decrease in general revenues.

Business-type activities had an overall decrease in net position of $146 million or 27.1%, resulting from an operating loss of $94.3 million and net transfers out of $51.7 million to governmental activities; primarily from the Lottery ($27.5 million) to support education and $23 million transfer from Liquor Control Fund to the General Fund. Revenues increased from 2019, primarily due to an increase in unemployment federal grants ($533 million) and increase in liquor sales ($23.3 million); offset by a decrease in lottery ticket sales ($1.9 million) and an increase in unemployment compensation ($735.5 million) expenses.

The primary government condensed financial statement information is derived from Vermont's June 30, 2020 and 2019 government-wide Statement of Changes in Net Position. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

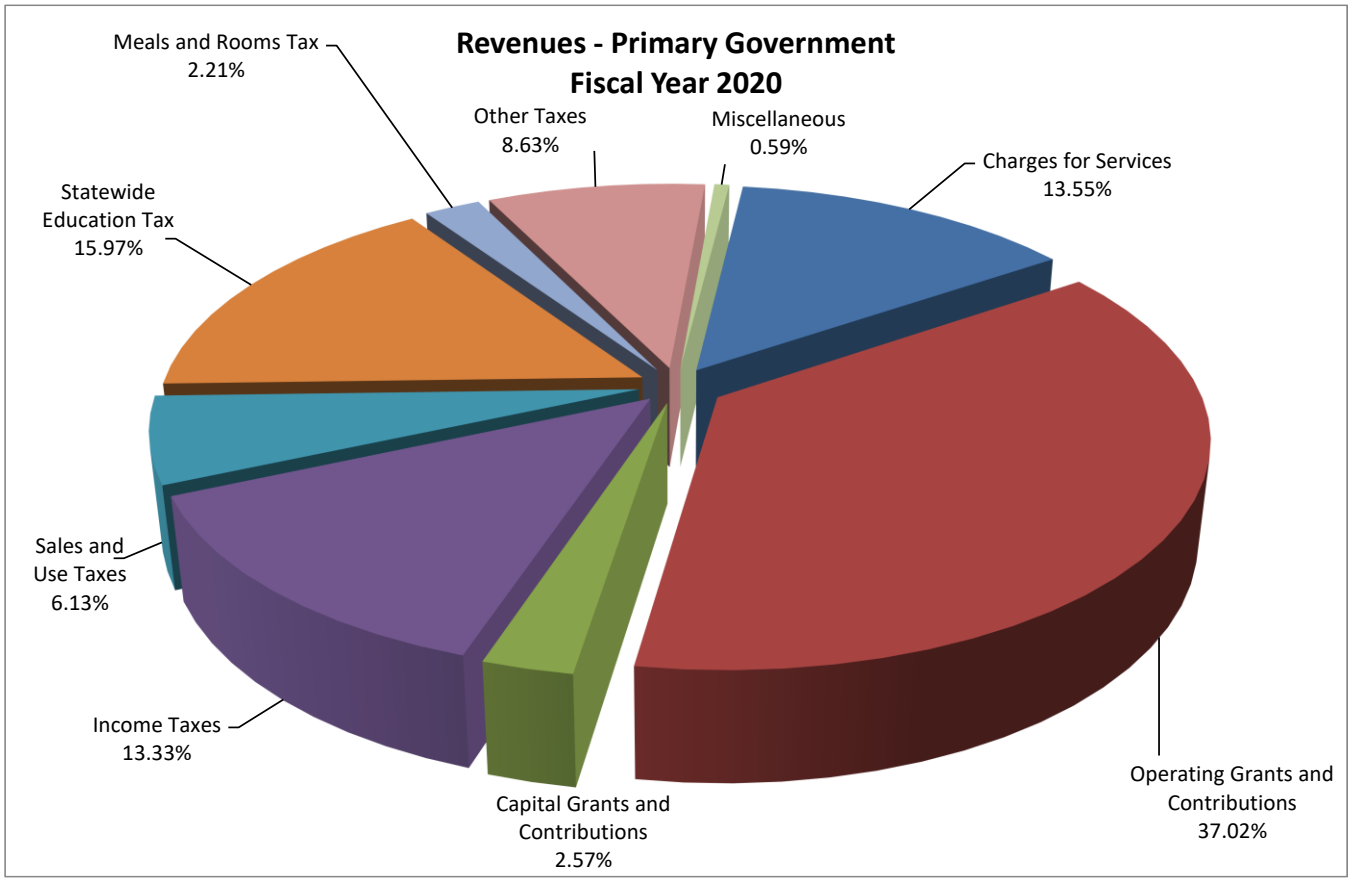
(Table on next page.)

TABLE 3
State of Vermont's Changes in Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	$ 546.4	$ 434.6	$ 424.1	$ 396.5	$ 970.5	$ 831.1
Operating grants and contributions	2,116.2	1,860.7	535.1	2.5	2,651.3	1,863.2
Capital grants and contributions	184.3	175.2	-	-	184.3	175.2
General revenues						
Income taxes	954.9	1,045.4	-	-	954.9	1,045.4
Sales and use taxes	439.1	416.8	-	-	439.1	416.8
Statewide education tax						
Gross tax assessed	1,309.9	1,271.5	-	-	1,309.9	1,271.5
Income sensitivity adjustment	(165.8)	(166.0)	-	-	(165.8)	(166.0)
Meals and rooms tax	158.4	184.6	-	-	158.4	184.6
Other taxes	617.8	653.7	-	-	617.8	653.7
Miscellaneous	29.8	30.3	12.0	11.2	41.8	41.5
Total revenues	6,191.0	5,906.8	971.2	410.2	7,162.2	6,317.0
Expenses						
General government	302.0	159.7	-	-	302.0	159.7
Protection to persons and property	377.0	326.0	-	-	377.0	326.0
Human services	2,690.5	2,539.0	-	-	2,690.5	2,539.0
Labor	46.6	31.1	-	-	46.6	31.1
General educaton	2,267.4	2,157.2	-	-	2,267.4	2,157.2
Natural resources	149.2	143.8	-	-	149.2	143.8
Commerce and community development	36.4	41.8	-	-	36.4	41.8
Transportation	467.8	460.6	-	-	467.8	460.6
Interest on long-term debt	18.3	17.8	-	-	18.3	17.8
Unemployment compensation	-	-	801.1	65.7	801.1	65.7
State lottery	-	-	110.0	110.2	110.0	110.2
Liquor control	-	-	71.6	66.7	71.6	66.7
Other business type expenses	-	-	82.8	60.0	82.8	60.0
Total expenses	6,355.2	5,877.0	1,065.5	302.6	7,420.7	6,179.6
Change in net position before transfers	(164.2)	29.8	(94.3)	107.6	(258.5)	137.4
Transfers net in (out)	51.7	31.7	(51.7)	(31.7)	-	-
Change in net position	(112.5)	61.5	(146.0)	75.9	(258.5)	137.4
Net position, beginning of year,	(598.6)	(660.1)	537.9	462.0	(60.7)	(198.1)
Net position, end of year	$ (711.1)	$ (598.6)	$ 391.9	$ 537.9	$ (319.2)	$ (60.7)

Totals may not add due to rounding.

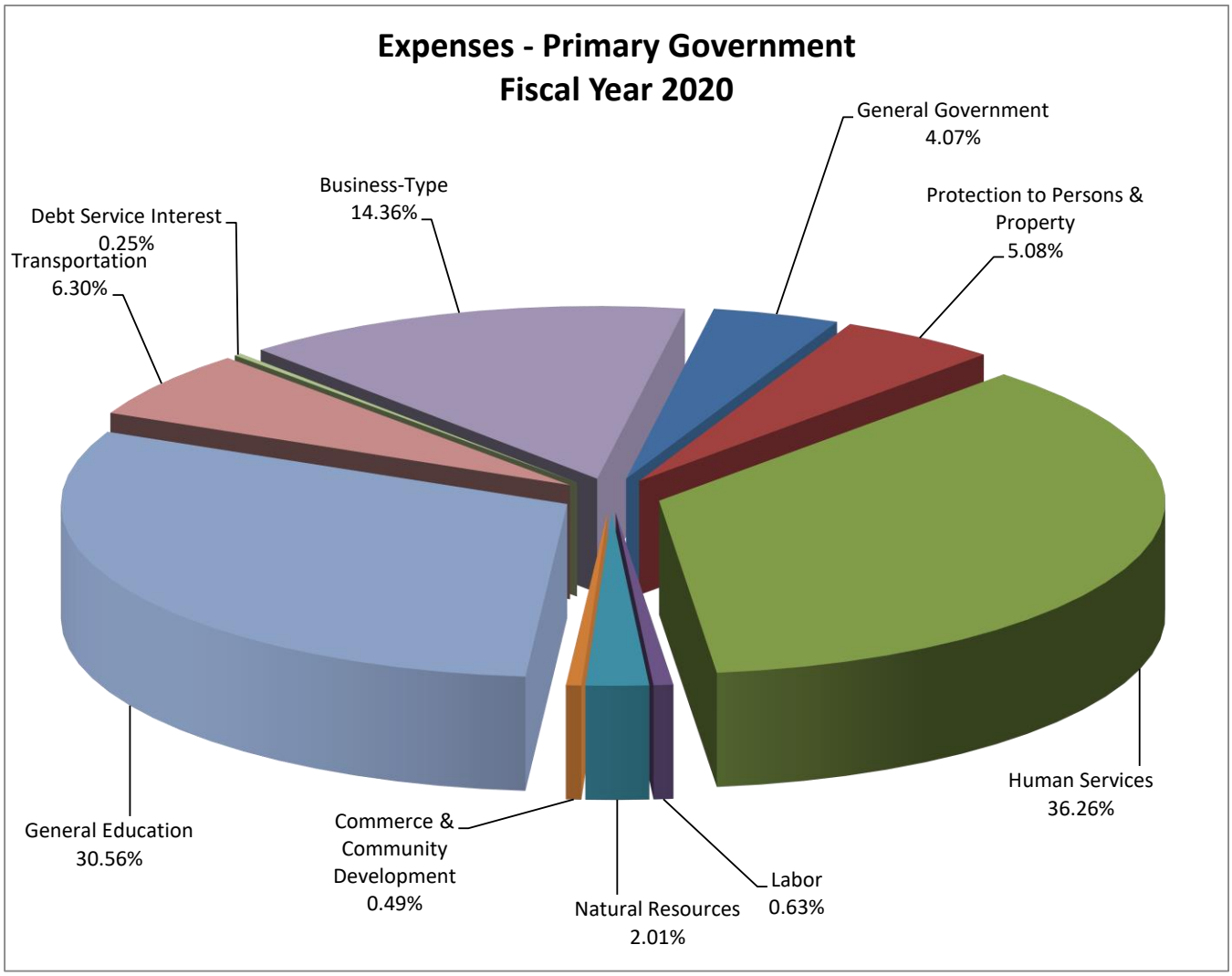
The following graph illustrates the revenues of Vermont's primary government for fiscal year 2020. Approximately 39.6% comes from other entities and governments in the form of operating and capital grants and contributions (primarily federal grant revenues). An additional 29.2% of total revenues are generated by the statewide education and income taxes.



Percentages may not equal 100% due to rounding.

The following graph illustrates the percentages of total primary government expenses for fiscal year 2020. The largest category of expense is for human services (36.3% of total expense) which provides for Vermont's low-income, elderly care services and persons in state custody in the form of grants for selected services such as food stamps, health care, housing and child protective services. The second most significant category of expense is for general education (30.6% of total expenses) which supports secondary and higher education.

(Chart on next page.)



Governmental Activities

In 2020, governmental activities' expenses exceeded revenues by $164.2 million (before transfers), the net transfers of $51.7 million from business activities resulted in a decrease of $112.5 million, for a 18.8% increase in deficit net position. Revenues increased by $284.2 million, primarily due to an increase in program revenues ($376.4 million), offset by a decrease in general revenues ($92.2 million). Spending increased for human services ($151.5 million), general government ($142.3 million), general education ($110.2 million), protection to persons and property ($51.0 million), labor ($15.5 million), transportation ($7.2 million), and natural resources ($5.4 million); offset by a decrease in spending in commerce and community development ($5.4 million).

The following table provides a two-year comparison of governmental activities revenues:

(Table on next page.)

TABLE 4

Revenues - Governmental Activities

Revenue Type	(In Millions) 2020	2019	Change
Charges for services	$ 546.4	$ 434.6	$ 111.8
Operating grants	2,116.2	1,860.7	255.5
Capital grants	184.3	175.2	9.1
Income taxes	954.9	1,045.4	(90.5)
Sales and use taxes	439.1	416.8	22.3
Statewide education tax	1,144.1	1,105.5	38.6
Meals and rooms tax	158.4	184.6	(26.2)
Other taxes	617.8	653.7	(35.9)
Miscellaneous	29.8	30.3	(0.5)
Total	$ 6,191.0	$ 5,906.8	$ 284.2

The following table provides a two-year comparison of governmental activities expenses:

TABLE 5

Expenses - Governmental Activities

Functional Category	(In Millions) 2020	2019	Change
General government	$ 302.0	$ 159.7	$ 142.3
Protection to persons and property	377.0	326.0	51.0
Human services	2,690.5	2,539.0	151.5
Labor	46.6	31.1	15.5
General education	2,267.4	2,157.2	110.2
Natural resources	149.2	143.8	5.4
Commerce and community development	36.4	41.8	(5.4)
Transportation	467.8	460.6	7.2
Interest on long-term debt	18.3	17.8	0.5
Total	$ 6,355.2	$ 5,877.0	$ 478.2

The following table shows to what extent program revenues (charges for services and grants and contributions) covered program expenses. For fiscal year 2020, program revenues covered $2.847 billion or 44.8% of $6.355 billion in program expenses. The remaining $3.508 billion or 55.2% of program expenses was paid for by state taxes and other general revenue.

(Table on next page.)

TABLE 6
Net Program Revenue
For the years ended June 30, 2020 and 2019

	Program Expenses	Less Program Revenues	Net Program (Expense)/Revenue		Program Revenues as a Percentage of Program Expenses	
	2020	2020	2020	2019	2020	2019
Functions/programs						
General government	$ 301,976,723	$ 343,700,581	$ 41,723,858	$ (104,482,547)	113.8%	27.5%
Protection to persons and property	376,982,613	229,228,112	(147,754,501)	(108,536,109)	60.8%	65.1%
Human services	2,690,565,030	1,583,062,491	(1,107,502,539)	(1,027,433,628)	58.8%	59.7%
Labor	46,572,613	29,086,723	(17,485,890)	1,331,930	62.5%	122.5%
General education	2,267,430,111	147,040,942	(2,120,389,169)	(2,021,232,305)	6.5%	6.3%
Natural resources	149,165,703	91,667,663	(57,498,040)	(37,973,594)	61.5%	72.7%
Commerce and community development	36,434,112	11,006,782	(25,427,330)	(31,022,470)	30.2%	35.2%
Transportation	467,780,974	411,251,410	(56,529,564)	(60,474,929)	87.9%	94.9%
Interest on long-term debt	18,346,420	850,370	(17,496,050)	(16,719,367)	4.6%	6.0%
	$ 6,355,254,299	$ 2,846,895,074	$(3,508,359,225)	$(3,406,543,019)	44.8%	43.1%

FINANCIAL ANALYSIS OF THE PRIMARY GOVERNMENT'S INDIVIDUAL FUNDS

As noted earlier, the State of Vermont uses fund accounting to account for its ongoing operations and to demonstrate compliance with finance-related legal requirements imposed by legislative mandates as well as externally imposed restrictions.

Governmental Funds

The focus of the state's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the state's financing requirements. In particular, unrestricted (unassigned, assigned, and committed) fund balances may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2020, the unrestricted fund balance is 45.5% of the total fund balance of governmental funds, which is available for spending on governmental programs at Vermont's discretion in the coming year. The remainder of this fund balance is restricted or non-spendable to indicate that it is not available for appropriation, such as the principal of Vermont's Permanent Funds, and other items that are non-spendable, such as advances and long-term receivables. At the end of fiscal year 2020, Vermont's governmental funds reported combined fund balances of $1.095 billion, an increase of $38.7 million in comparison with the prior fiscal year.

The General Fund is the chief operating fund of Vermont. At the end of fiscal year 2020, the General Fund's total fund balance was $264.5 million. The fund balance was made up of non-spendable amounts totaling $56.6 million, and available amounts totaling $207.9 million of which $195.5 million is unassigned. During 2020, total revenues and other financing sources were greater than total expenditures and other financing uses by $51.7 million.

General Fund revenues decreased by $62.8 million, or 3.84%, primarily due to a $58.2 million decrease in taxes. Expenditures decreased by $29.0 million or 2.8%, primarily due to a $25.4 million decrease in general government, $7.8 million decrease in general education, $1.6 million increase in protection to persons and property, and $1.5 million increase in natural resources. The General Fund's statutory reserve for budgetary stabilization increased by $1.6 million to $79.8 million, the statutory maximum.

The Transportation Fund's total fund balance was $5.6 million at June 30, 2020, a decrease of $28.0 million from the fiscal year 2019's ending total fund balance. Transportation Fund revenues decreased $8.8 million or 1.55%, primarily due to a decrease in motor fuel tax ($13.1 million), purchase and use tax ($4.5 million), other taxes ($2.7 million), fees ($3.1 million), and non-business licenses ($3.7 million); offset by increases in federal grant funding ($19.3 million) for transportation related projects. Transportation expenditures increased $28.0 million for transportation related projects. The Transportation Fund's statutory reserve for budget stabilization increased by

$258.8 thousand to $14.1 million, the statutory maximum.

The Education Fund at June 30, 2020 had a total fund balance of $96.2 million, an decrease of $7.3 million from fiscal year 2019's ending balance. Education fund expenditures increased by $58.7 million, primarily due to an increase in grants to school districts of $60.3 million. Revenues from the statewide education tax increased $38.5 million, sales and use taxes increased $21.8 million, meals and rooms taxes decreased $6.1 million, and purchase and use tax decreased $2.3 million. The Education Fund's statutory reserve for budget stabilization decreased $4.0 million to $33 million.

The Special Fund's total fund balance at the end of fiscal year 2020 was $167 million, a decrease of 7.4% compared to 2019. The Special Fund's total fund balance is comprised of $18.6 million as restricted, $148.0 million as committed and assigned. Special Fund revenues decreased $4.1 million or 1.42%, and expenditures increased $7.5 million or 3.0%. The increase in expenditures was primarily in the protection to persons and property function ($6.3 million) and natural resources ($4.0 million); offset by a decrease in human services function ($1.2 million). This resulted in a decrease in "excess of revenues over expenditures" of $11.5 million from last fiscal year. Fiscal year 2020 transfers out to other funds exceeded transfers in from other funds by $39.6 million. The Special Fund received transfers in of $68.7 million, in part, consisting of Federal Revenue Fund monies for the earned income tax credit ($18.6 million); earned federal receipts ($15.4 million); matching funds for school-based Medicare services ($27.2 million); and $1.5 million from General Fund for Tobacco Litigation funding, $1.5 million for Emergency Relief and Assistance funding and $955 thousand for broadband connectivity funding. Transfers out of $108.4 million consisted primarily of $40.9 million for Securities, Insurance, & Captive Funds to the General Fund; $3.8 million to the General Fund for Attorney General Fees and reimbursements; $2.7 million for Bond Investment Earnings and $2.8 million from the Secretary of State Services fund; $45.5 million to Global Commitment fund; $10.6 million in reimbursed Medicaid funds and $1.9 million from the Education Financial Systems fund to the Education Fund.

The Federal Revenue Fund accounts for all federal grants except those federal grants that are awarded to the Agency of Transportation (which are included in the Transportation Fund), the Global Commitment to Health Medicaid waiver (which are included in the Global Commitment Fund) and the Department of Fish and Wildlife (which are included in the Fish and Wildlife Fund, a non-major governmental fund). The Federal Revenue Fund's federal grant revenues for fiscal year 2020 were $992.5 million, an increase of $222 million compared to fiscal year 2019's federal grant revenues. Expenditures were $956.7 million in fiscal year 2020, an increase of $231.3 million compared to 2019. The Federal Revenue Fund's total fund balance at the end of fiscal year 2020 ($472.7 million) was a decrease of $5.1 million as compared to the total fund balance at the end of fiscal year 2019.

The fiscal year 2020 ending total fund balance for the Global Commitment Fund was $29.1 million, an increase of $2.7 million. Total revenues and net transfers of $1,542.6 million exceeded expenditures by $2.7 million.

See Note I, Section C for more information regarding these funds.

Proprietary Funds

Vermont's *enterprise funds* provide the same type of information presented in the business-type activities in the government-wide financial statements, but in more detail. The Unemployment Compensation Trust Fund's total net position balance decreased from $516.3 million at June 30, 2019 to $382.2 million at June 30, 2020, a decrease of $134.1 million. Expenditures from the fund for unemployment benefits increased by $736.8 million from 2019.

Vermont's *internal service funds'* total net position at June 30, 2020 was $72.5 million, a $31.4 million increase from June 30, 2019. This change is primarily due to increases in net position of $21.2 million in the Medical Insurance fund, Communication & Information Technology fund ($5.4 million), State Liability fund ($3.1 million), and Highway Garage fund ($1.0 million); offset by a decrease in the Workers Compensation fund of $2.1 million. It should be remembered that the internal service funds' activity has been combined with the governmental funds' activity in the government-wide financial statements.

Fiduciary Funds

Vermont's fiduciary funds account for resources held for the benefit of parties outside state government. The Pension and Other Postemployment Benefit Trust Funds' net position increased by 2.97% percent to $4.86 billion at June 30, 2020. For more information regarding the Vermont's retirement and other postemployment benefit plans, see Note IV.G.4 to the financial statements. The Unclaimed Property fund's total assets balance at June 30, 2020 is $15.3 million, and total liabilities balance is $9.2 million, including the escheat property claims liability estimated at $9.2 million, resulting in ending net position of $6.1 million. Net position of all fiduciary funds is reported as restricted for particular purposes.

GENERAL FUND BUDGET HIGHLIGHTS

Vermont ended fiscal year 2020 with General Fund revenues of $1.459 billion, expenditures of $1.520 billion, and net transfers to other funds of $73.6 million (non-GAAP budgetary basis). This was a $153 million decrease in revenues over the previous year. The fiscal year 2020 General Fund consensus revenue forecast initially approved by the Emergency Board in July 2019 was subsequently revised upward by the Emergency Board at their January 2020 meeting. Compared to target, the revenues were 7.4% below the July 2019 revenue forecast of $1,576 million, and 8.49% below the January 2020 revised revenue forecast of $1,595 million. Personal income tax receipts were $129.7 million below target, meals and rooms tax below budget by $20.1 million, estate tax receipts were $5.7 million below target and corporate income tax receipts were $20.4 million above target. The General Fund results allowed for a fully funded General Fund Budget Stabilization Reserve of $79.8 million, representing the statutory maximum of 5% of the prior year appropriations level.

PRIMARY GOVERNMENT'S CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Vermont's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2020 was $3.164 billion, a total increase of 2.5% (Table 7). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the state, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items. Additional information on Vermont's capital assets can be found in Note IV.E of the notes to the financial statements.

TABLE 7
Capital Assets at Fiscal Year End
(Net of depreciation, amounts in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land, Land Use Rights, and Land Improvements	$ 161,052	$ 155,710	$ -	$ -	$ 161,052	$ 155,710
Construction in Progress	675,571	665,972	-	-	675,571	665,972
Works of Art	136	136	-	-	136	136
Buildings and Improvements	430,745	440,947	-	-	430,745	440,947
Machinery and Equipment	207,595	248,243	4,071	4,373	211,666	252,616
Infrastructure	1,684,415	1,572,277	-	-	1,684,415	1,572,277
Totals	$ 3,159,514	$ 3,083,285	$ 4,071	$ 4,373	$ 3,163,585	$ 3,087,658

Totals may not add due to rounding.

Many component unit, municipal and non-profit organizations' capital construction projects and acquisitions are financed by Vermont, but the assets are actually owned by these other entities. Therefore, these capital assets are recorded on the financial statements of those entities and not on the books of the state; however, the general obligation bonds issued by Vermont to finance these capital assets are reported as a liability of the state's governmental activities. At June 30, 2020, Vermont had $224.4 million of general obligation bonds outstanding related to capital assets of these other entities.

Debt Administration

Bonded Indebtedness

Vermont has no constitutional or other limit on its power to issue obligations or to incur debt besides borrowing only for public purposes. In 1990, the General Assembly created the Capital Debt Affordability Advisory Committee and made it responsible for overseeing the long-term capital planning for the state. Annually, the General Assembly passes appropriations for capital purposes and authorizes the State Treasurer to issue general obligation bonds to provide the financing for all or a portion of the appropriations. Bonds are backed by the full faith and credit of the State of Vermont, including the state's power to levy additional taxes to ensure repayment of the debt.

During fiscal year 2020, the State of Vermont's outstanding general and special obligation bond debt increased by approximately $27.3 million. This increase can be accounted for by the issuance of general obligation bonds of $127.8 million; offset by the redemption of general obligation bonds of $98.8 million and $1.7 million in special obligation bonds. Additional information on Vermont's bonded debt is contained in Note IV.G.1 of the notes to the financial statements.

Vermont's general obligation bond ratings are as follows: Aa1 by Moody's Investor Service (since October 2018), AA+ by Standard & Poor's Ratings Services (since September 2000), and AA+ by Fitch Ratings (since July 2019).

ECONOMIC OUTLOOK AND STATE REVENUE OUTLOOK

Vermont's economy started the fiscal year reflecting a steady but a still improving outlook. In calendar year 2019, the national economy as measured by current-dollar Gross Domestic Product (GDP) grew by 4.0 percent, while Vermont's current-dollar Gross State Product (GSP) grew at 3.1 percent, slightly lower than the national rate. Vermont faces demographic challenges to labor market growth contributing to the state's economy being forecasted to grow at a rate slightly lower than the national rate. In January 2020, the first case of coronavirus (COVID-19) in the U.S. was confirmed, with concern growing over the spread of COVID-19 the U.S. declared a public health emergency in February 2020. In March 2020, the World Health Organization declared the spread of COVID-19 a worldwide pandemic, the U.S. declared a national emergency, and Vermont's Governor declared a state of emergency in response to COVID-19. In Vermont and across the nation, mitigation actions such as the closure of non-essential businesses, school closings, limits on gatherings, and stay at home orders were used in an effort to control the severe public health crisis. These actions, while necessary to help contain the spread of the virus, had a severe impact on economic activity. The COVID-19 pandemic drove the economy into recession, ending the nation's longest economic expansion.

Vermont's labor market was strong at the beginning of fiscal year with an unemployment rate of 2.4 percent (seasonally adjusted), one of the lowest in the nation at the time. The U.S. national unemployment rate was 3.7 percent in comparison. The mitigation actions in response to the COVID-19 pandemic that forced limits on economic activity had a severe impact on the labor markets, and by April, Vermont's unemployment rate jumped to 16.5 percent. As Vermont slowly reopened its economy, the unemployment rate improved to 9.5 percent in June 2020, the end of the fiscal year.

Vermont's housing market has steadily strengthened during the fiscal year. Recently Vermont's housing market has benefited from out of state buyers seeking a safe haven from more urban areas. Vermont's home price growth is forecasted to grow at a higher rate than the U.S. national average.

Vermont establishes a consensus revenue forecast each July and January. Due to delays related to the COVID-19 pandemic, the consensus revenue forecast was delivered in August 2020. The August 2020 consensus revenue forecast for the General Fund is $1,413.9 million, which is a $182.4 million downgrade for fiscal year 2021 in comparison to last January's revenue forecast of $1,596.3 million. For fiscal year 2022, the General Fund forecast is for a downgrade to $1,508.0 million, from last January's revenue forecast of $1,611.8 million. The August 2020 consensus revenue forecast for the Transportation Fund is $258.6 million, which is a 10.2 percent downgrade for fiscal year 2021 in comparison to last January's revenue forecast of $287.9 million. For fiscal year 2022, the Transportation Fund forecast is a downgrade to $275.7 million, from last January's revenue forecast of $291.2 million. The August 2020 consensus revenue forecast for the Education Fund is $511.6 million, which is a 10.9 percent downgrade for fiscal year 2021 in comparison to last January's revenue forecast of $574.3 million. For fiscal year 2022, the Education Fund forecast is for a downgrade to $552.1 million, from last January's revenue forecast of $590.9 million. The assumptions used in the forecasts are subject to a higher than normal level of uncertainty due to COVID-19.

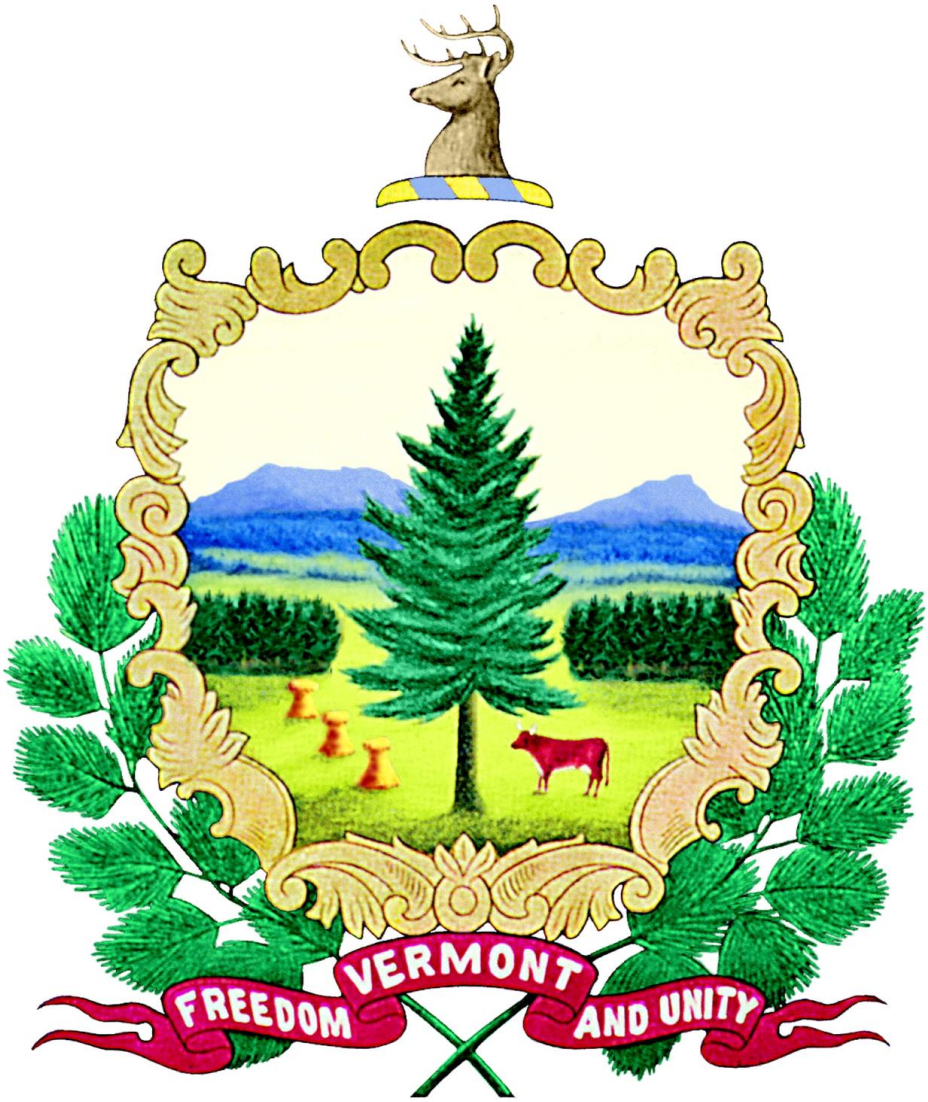
Vermont's three major funds with forecasted revenue were impacted by the COVID-19 pandemic and the associated delay in tax filing deadlines, which caused certain tax receipts normally received prior to fiscal year-end, to be collected in July and August. On the budgetary basis, total fiscal year 2020 revenues across all three major funds ended the year about 7.3 percent below the prior January consensus revenue forecast, with the General Fund down about 8.5 percent, the Transportation Fund down about 7.2 percent and the Education Fund 3.8 percent below target. The personal income tax revenue related to the delay in tax filing deadlines came in stronger than expected in July and August 2020. While on a budgetary basis this is included as part of fiscal year 2021 revenues, this revenue is accrued in the fiscal year 2020 General Fund's Statement of Revenues, Expenditures and Changes in Fund Balance under the modified accrual basis of accounting.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Vermont's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

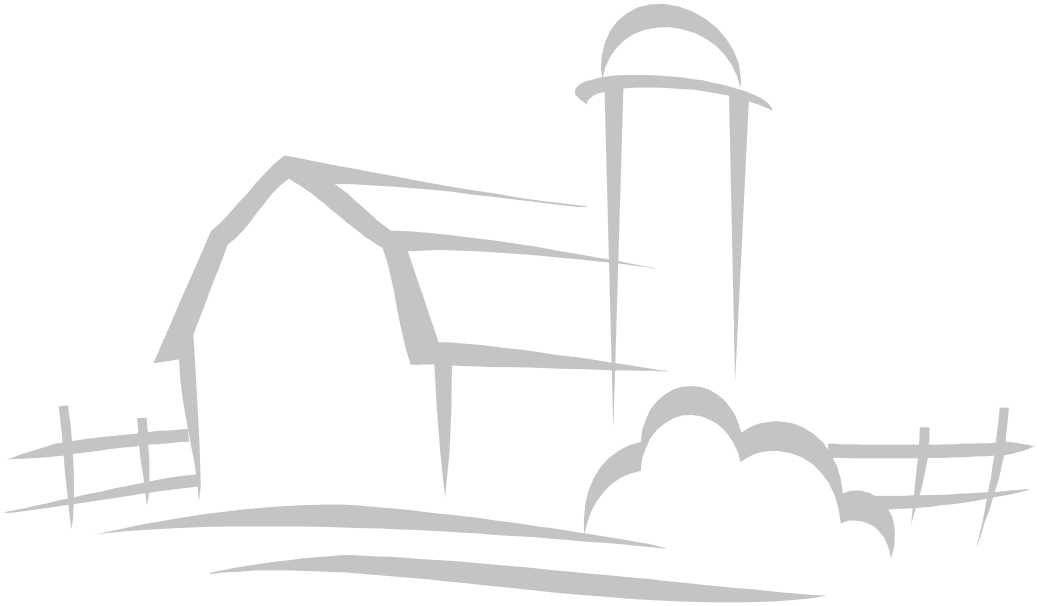
State of Vermont
Department of Finance and Management
109 State Street, 5th Floor
Pavilion Building
Montpelier, Vermont 05609-0401

Component units of the State of Vermont issue their own financial statements. These statements may be obtained by directly contacting them at the addresses found in Note I to the financial statements.

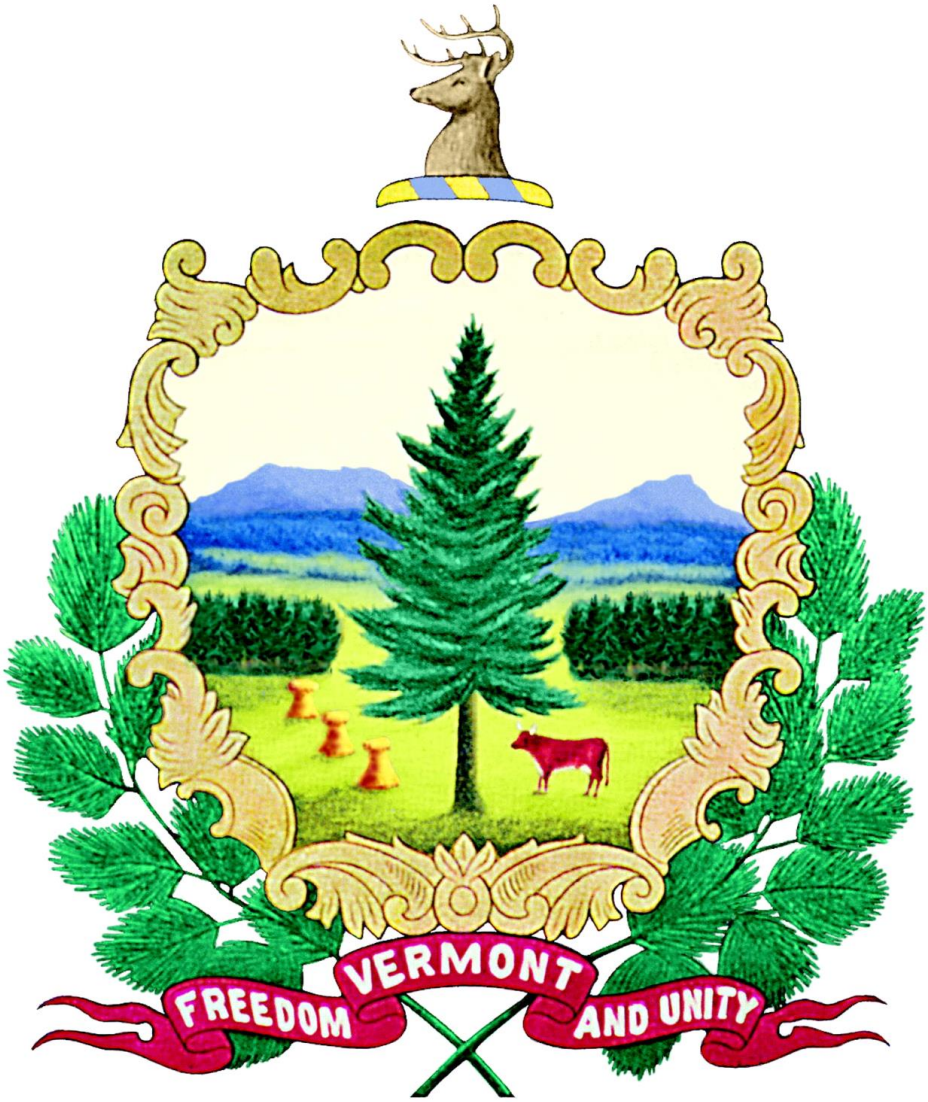


BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK



Vermont



GOVERNMENTAL-WIDE FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET POSITION
June 30, 2020

	Primary Government			Discretely Presented
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets				
Cash and cash equivalents	$ 1,685,707,929	$ 524,165,107	$ 2,209,873,036	$ 326,637,933
Cash and cash equivalents - restricted	-	-	-	77,418,335
Taxes receivable, net	234,378,565	24,298,640	258,677,205	-
Loans and notes receivable, net	29,801,850	491,657	30,293,507	201,323,227
Federal grants receivable	267,718,220	6,822,919	274,541,139	9,602,638
Other receivables, net	57,256,459	36,867,029	94,123,488	86,184,993
Investments	180,851,734	-	180,851,734	267,511,879
Inventories	2,929,356	9,590,497	12,519,853	358,483
Internal balances	3,452,964	(3,452,964)	-	-
Receivable from primary government	-	-	-	4,476,976
Receivable from component units	2,067,410	-	2,067,410	-
Other current assets	4,902,343	-	4,902,343	20,252,708
Total current assets	2,469,066,830	598,782,885	3,067,849,715	993,767,172
Noncurrent Assets				
Cash and equivalents	-	-	-	7,244,686
Cash and cash equivalents - restricted	-	-	-	83,311,874
Taxes receivable	121,170,149	-	121,170,149	-
Other receivables	42,735,591	-	42,735,591	-
Loans and notes receivable	257,447,736	998,946	258,446,682	1,787,142,825
Receivable from component units	5,500,000	-	5,500,000	-
Investments	-	776,869	776,869	1,002,391,685
Investments - restricted	-	-	-	90,990,503
Other noncurrent assets	-	-	-	24,592,245
Capital assets				
Land	161,052,475	-	161,052,475	52,935,134
Construction in progress	675,570,981	-	675,570,981	46,545,678
Works of art	136,003	-	136,003	-
Capital assets being depreciated:				
Infrastructure	2,945,113,962	-	2,945,113,962	41,568,376
Property, plant and equipment	1,339,754,264	5,832,241	1,345,586,505	1,584,573,078
Less accumulated depreciation	(1,962,114,119)	(1,761,419)	(1,963,875,538)	(833,682,105)
Total capital assets, net of depreciation	3,159,513,566	4,070,822	3,163,584,388	891,940,161
Total noncurrent assets	3,586,367,042	5,846,637	3,592,213,679	3,887,613,979
Total assets	6,055,433,872	604,629,522	6,660,063,394	4,881,381,151
DEFERRED OUTFLOW OF RESOURCES				
Loss on refunding of bonds payable	5,121,630	-	5,121,630	37,628,361
Interest rate swap	-	-	-	670,000
VHCB related deferred outflows	-	-	-	32,859,000
Pension related outflows	499,468,857	1,736,225	501,205,082	4,735,948
OPEB related outflows	205,208,534	585,858	205,794,392	74,589,101
Total deferred outflow of resources	709,799,021	2,322,083	712,121,104	150,482,410

The accompanying notes are an integral part of these financial statements.

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current Liabilities				
Accounts payable and other current liabilities	388,536,211	63,617,176	452,153,387	203,705,479
Income tax refunds payable	105,683,012	-	105,683,012	-
Payable to primary government	-	-	-	2,067,410
Payable to component units	4,476,976	-	4,476,976	-
Intergovernmental payable - due to federal government	8,924,784	-	8,924,784	-
Accrued interest payable	8,927,824	-	8,927,824	6,060,615
Current portion of long-term liabilities	146,491,547	7,613,379	154,104,926	169,002,916
Unearned revenue	1,104,737,613	121,756,698	1,226,494,311	178,451,617
Total current liabilities	1,767,777,967	192,987,253	1,960,765,220	559,288,037
Long-term Liabilities				
Lottery prize awards payable	-	476,340	476,340	-
Bonds, notes and leases payable	620,520,758	-	620,520,758	2,394,773,928
Payable to primary government	-	-	-	5,500,000
Compensated absences	2,238,249	49,332	2,287,581	-
Claims and judgments	35,733,476	-	35,733,476	-
Net pension liabilities	2,382,334,113	5,444,250	2,387,778,363	14,187,745
Net other postemployment benefits liabilities	2,232,349,430	4,779,360	2,237,128,790	736,446,068
Other long-term liabilities	14,043,764	4,489,439	18,533,203	32,165,201
Total long-term liabilities	5,287,219,790	15,238,721	5,302,458,511	3,183,072,942
Total liabilities	7,054,997,757	208,225,974	7,263,223,731	3,742,360,979
DEFERRED INFLOW OF RESOURCES				
Deferred lease revenue	-	-	-	2,655,000
Gain on refunding of bonds payable	28,376	-	28,376	15,322,000
Service concession arrangement	-	-	-	1,312,000
Split interest arrangements	-	-	-	3,250,000
Pension related inflows	24,066,887	540,997	24,607,884	709,089
OPEB related inflows	397,284,129	6,213,828	403,497,957	44,741,892
Total deferred inflow of resources	421,379,392	6,754,825	428,134,217	67,989,981
NET POSITION				
Net investment in capital assets	2,750,187,692	4,070,821	2,754,258,513	213,681,509
Restricted for				
Unemployment compensation	-	382,204,685	382,204,685	-
Funds held in permanent investments				
Expendable	109,954	-	109,954	421,634,185
Nonexpendable	7,416,453	-	7,416,453	263,722,254
General government	999,522	-	999,522	14,886,445
Protection to persons and property	11,351,558	8,467,648	19,819,206	-
Human services	62,500,265	-	62,500,265	1,760,778
Labor	7,745,862	-	7,745,862	-
General education	1,814,493	-	1,814,493	108,832,000
Natural resources	427,831,333	-	427,831,333	-
Commerce and community development	5,834,582	-	5,834,582	405,355,343
Debt service	3,211,004	-	3,211,004	-
Unrestricted (deficit)	(3,990,146,974)	(2,772,348)	(3,992,919,322)	(208,359,913)
Total net position	$ (711,144,256)	$ 391,970,806	$ (319,173,450)	$ 1,221,512,601

STATE OF VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities				
General government	$ 301,976,723	$ 188,168,682	$ 155,531,899	$ -
Protection to persons and property	376,982,613	150,340,793	78,887,319	-
Human services	2,690,565,030	24,990,677	1,558,071,814	-
Labor	46,572,613	4,780,805	24,305,918	-
General education	2,267,430,111	4,090,384	142,950,558	-
Natural resources	149,165,703	49,327,691	42,339,972	-
Commerce and community development	36,434,112	2,388,063	8,610,719	8,000
Transportation	467,780,974	122,269,214	104,653,089	184,329,107
Interest on long-term debt	18,346,420	-	850,370	-
Total governmental activities	6,355,254,299	546,356,309	2,116,201,658	184,337,107
Business-type activities				
State Lottery	109,966,739	137,388,381	-	-
Liquor Control	71,571,507	91,117,540	-	-
Unemployment Compensation	801,125,474	120,163,576	535,114,850	-
Other	82,829,671	75,383,344	-	-
Total business-type activities	1,065,493,391	424,052,841	535,114,850	-
Total primary government	$ 7,420,747,690	$ 970,409,150	$ 2,651,316,508	$ 184,337,107
Component Units				
Vermont Student Assistance Corporation	$ 69,516,000	$ 41,478,000	$ 32,885,000	$ -
University of Vermont and State Agricultural College	743,797,000	459,857,000	299,263,000	1,490,000
Vermont State Colleges	187,586,982	105,769,711	78,773,500	2,479,815
Vermont Housing Finance Agency	25,519,000	26,016,000	3,063,000	-
Other	87,429,590	59,446,133	12,912,768	5,052,946
Total component units	$ 1,113,848,572	$ 692,566,844	$ 426,897,268	$ 9,022,761

General Revenues
Taxes
Personal and corporate income
Sales and use
Meals and rooms
Purchase and use
Motor fuel
Statewide education
Other taxes

Total taxes
Investment earnings
Tobacco litigation settlement
Miscellaneous
Additions to non-expendable endowments
Transfers

Total general revenues and transfers

Changes in net position

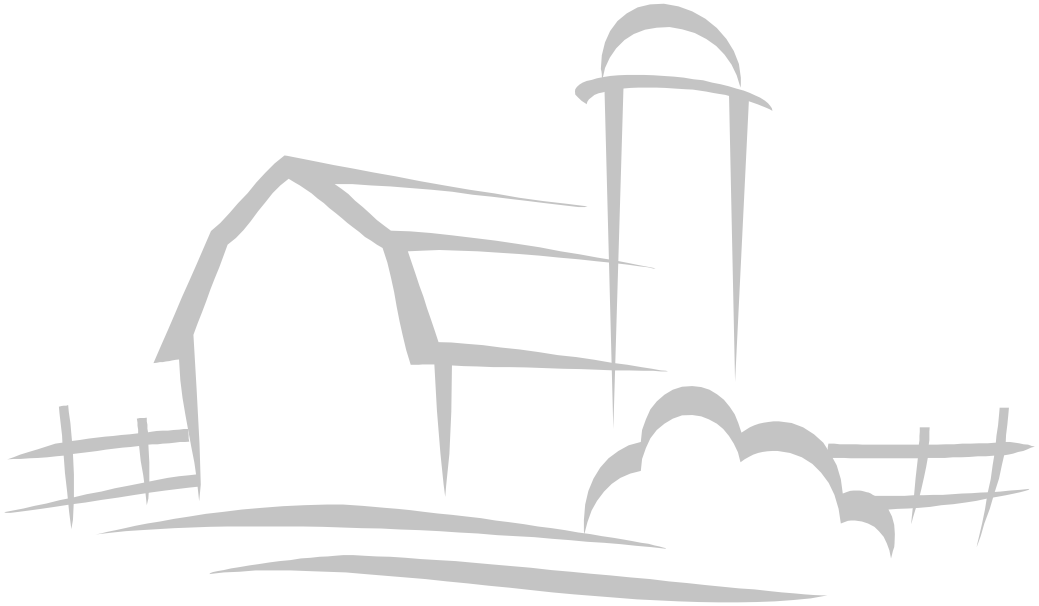
Net Position - Beginning, as restated

Net Position - Ending

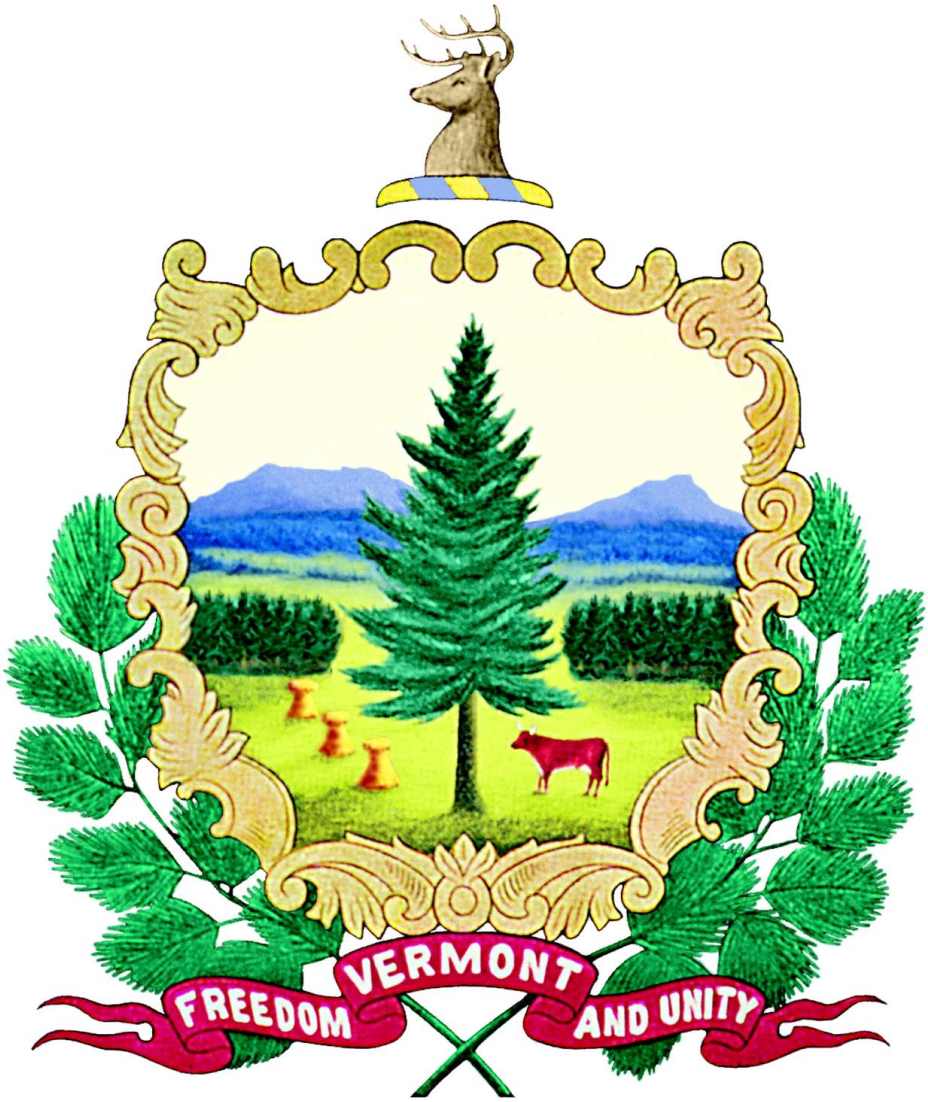
The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Discretely Presented Component Units
Governmental Activities	Business-type Activities	Total	
$ 41,723,858	$ -	$ 41,723,858	$ -
(147,754,501)	-	(147,754,501)	-
(1,107,502,539)	-	(1,107,502,539)	-
(17,485,890)	-	(17,485,890)	-
(2,120,389,169)	-	(2,120,389,169)	-
(57,498,040)	-	(57,498,040)	-
(25,427,330)	-	(25,427,330)	-
(56,529,564)	-	(56,529,564)	-
(17,496,050)	-	(17,496,050)	-
(3,508,359,225)	-	(3,508,359,225)	-
-	27,421,642	27,421,642	-
-	19,546,033	19,546,033	-
-	(145,847,048)	(145,847,048)	-
-	(7,446,327)	(7,446,327)	-
-	(106,325,700)	(106,325,700)	-
(3,508,359,225)	(106,325,700)	(3,614,684,925)	-
-	-	-	4,847,000
-	-	-	16,813,000
-	-	-	(563,956)
-	-	-	3,560,000
-	-	-	(10,017,743)
-	-	-	14,638,301
954,939,552	-	954,939,552	-
439,103,169	-	439,103,169	-
158,422,153	-	158,422,153	-
105,054,814	-	105,054,814	-
66,363,821	-	66,363,821	-
1,144,067,944	-	1,144,067,944	-
446,408,930	-	446,408,930	10,804,840
3,314,360,383	-	3,314,360,383	10,804,840
5,231,013	12,075,904	17,306,917	31,545,637
23,993,500	-	23,993,500	-
528,092	11,296	539,388	1,694,346
-	-	-	1,617,785
51,651,845	(51,651,845)	-	-
3,395,764,833	(39,564,645)	3,356,200,188	45,662,608
(112,594,392)	(145,890,345)	(258,484,737)	60,300,909
(598,549,864)	537,861,151	(60,688,713)	1,161,211,692
$ (711,144,256)	$ 391,970,806	$ (319,173,450)	$ 1,221,512,601

THIS PAGE INTENTIONALLY LEFT BLANK



Vermont



GOVERNMENTAL FUNDS
FINANCIAL STATEMENTS

STATE OF VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Transportation Fund	Education Fund	Special Fund
ASSETS				
Cash and cash equivalents	$ 205,577,334	$ 3,076,010	$ 68,454,035	$ 174,504,549
Investments	-	-	-	3,765,780
Receivables				
Taxes receivable, net	292,534,100	346,618	60,955,857	1,711,462
Accrued interest receivable	163,254	71,995	-	5,550
Notes and loans receivable	19,838,708	1,473,593	-	7,747,754
Other receivables, net	11,927,653	10,317,728	1,978,958	24,208,811
Intergovernmental receivables - federal government, net	-	35,060,471	-	-
Due from other funds	3,772,477	23,079	391,754	4,956,309
Due from component units	2,067,410	-	-	-
Interfund receivable	63,669,451	5,077,613	-	-
Advances to other funds	300,075	-	-	-
Advances to component units	5,500,000	-	-	-
Other assets	-	-	-	1,637,000
Total assets	$ 605,350,462	$ 55,447,107	$ 131,780,604	$ 218,537,215
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 22,826,694	$ 25,217,018	$ 24,747,451	$ 17,068,030
Accrued liabilities	26,317,042	7,569,915	-	6,793,865
Retainage payable	266,201	81,594	-	562,966
Due to other funds	70,889,145	6,987,866	33,000	7,744,357
Due to component units	412,500	-	-	-
Intergovernmental payable - federal government	-	-	-	-
Tax refunds payable	34,972,916	-	216,711	713
Interfund payable	51,183,289	-	-	-
Unearned revenue	6,788,047	23,937	-	349,879
Total liabilities	213,655,834	39,880,330	24,997,162	32,519,810
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue	127,225,645	10,006,077	10,619,080	19,413,266
Total deferred inflow of resources	127,225,645	10,006,077	10,619,080	19,413,266
FUND BALANCES				
Nonspendable				
Advances	5,800,075	-	-	-
Long-term receivables	50,807,657	-	-	-
Permanent fund principal	-	-	-	-
Restricted	-	-	-	18,593,629
Committed	-	5,560,700	96,164,362	145,397,097
Assigned	12,403,439	-	-	2,613,413
Unassigned	195,457,812	-	-	-
Total fund balances	264,468,983	5,560,700	96,164,362	166,604,139
Total liabilities, deferred inflows and fund balances	$ 605,350,462	$ 55,447,107	$ 131,780,604	$ 218,537,215

The accompanying notes are an integral part of these financial statements.

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
$ 1,089,659,664	$ -	$ 31,570,281	$ -	$ 1,572,841,873
134,908,818	-	42,177,136	-	180,851,734
-	-	677	-	355,548,714
67,697	-	-	-	308,496
254,130,489	-	-	-	283,190,544
1,356,650	34,135,820	51,571	-	83,977,191
151,835,880	80,821,869	-	-	267,718,220
2,164,772	67,598,747	-	(77,335,297)	1,571,841
-	-	-	-	2,067,410
51,183,289	-	-	-	119,930,353
-	-	-	-	300,075
-	-	-	-	5,500,000
-	-	-	-	1,637,000
$ 1,685,307,259	$ 182,556,436	$ 73,799,665	$ (77,335,297)	$ 2,875,443,451
$ 80,622,005	$ 144,715,329	$ 5,999,105	$ -	$ 321,195,632
12,500,742	1,795,768	1,112,001	-	56,089,333
483,462	-	869,618	-	2,263,841
13,031,197	2,138,287	1,068,702	(77,335,297)	24,557,257
-	-	4,064,476	-	4,476,976
8,924,784	-	-	-	8,924,784
-	-	-	-	35,190,340
-	10,800	-	-	51,194,089
1,096,877,878	-	26,999	-	1,104,066,740
1,212,440,068	148,660,184	13,140,901	(77,335,297)	1,607,958,992
162,736	4,837,492	5,710	-	172,270,006
162,736	4,837,492	5,710	-	172,270,006
-	-	-	-	5,800,075
-	-	-	-	50,807,657
-	-	7,416,453	-	7,416,453
472,704,455	29,058,760	12,409,830	-	532,766,674
-	-	40,826,996	-	287,949,155
-	-	-	-	15,016,852
-	-	(225)	-	195,457,587
472,704,455	29,058,760	60,653,054	-	1,095,214,453
$ 1,685,307,259	$ 182,556,436	$ 73,799,665	$ (77,335,297)	$ 2,875,443,451

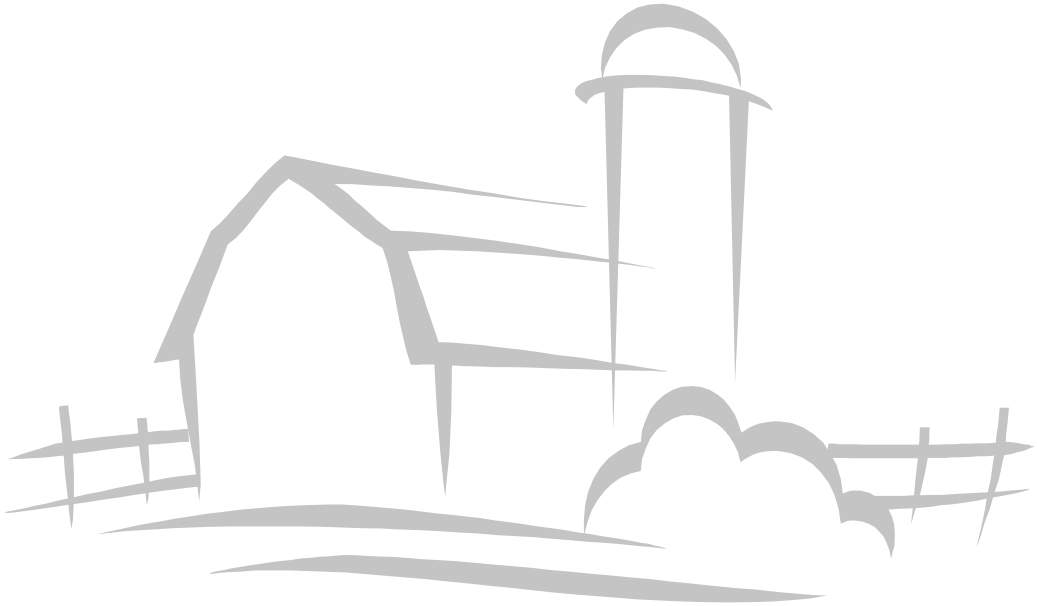
STATE OF VERMONT
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2020

Total fund balances from previous page……..	$ 1,095,214,453
Capital assets used in governmental activities (net of internal service funds' capital assets) are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds [1] ……	3,102,713,977
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to certain funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position……	72,299,344
Amounts presented in the statement of net position relating to, but not in fund balances due to a different basis of accounting [1] ……	460,689,635
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore are not reported in the funds [1] ……	(5,442,061,665)
Net position of governmental activities……	$ (711,144,256)

[1] Additional information on these amounts can be found in Note II. A.

The accompanying notes are an integral part of these financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK



Vermont

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Transportation Fund	Education Fund	Special Fund
REVENUES				
Taxes				
Personal income tax	$ 853,606,595	$ -	$ -	$ 1,173,340
Corporate income tax	138,185,464	-	-	739,561
Sales and use tax	-	-	439,421,558	-
Meals and rooms tax	112,506,427	-	39,708,903	7,229,465
Motor fuels tax	-	64,367,133	-	1,230,004
Purchase and use tax	-	70,041,735	35,012,197	-
Statewide education tax	-	-	1,144,067,944	-
Other taxes	381,655,051	17,853,662	2,295,969	43,865,195
Earnings of departments				
Fees	44,706,000	20,102,073	-	85,469,543
Rents and leases	-	2,176,151	-	3,875,445
Sales of services	2,513,153	4,573	-	9,626,556
Federal grants	-	288,970,116	-	-
Fines, forfeits and penalties	4,885,911	3,766,381	-	13,558,106
Investment income	3,280,184	389,888	838,313	2,081,067
Licenses				
Business	1,143,327	614,742	-	29,550,768
Non-business	62,175	90,379,875	-	2,732,778
Special assessments	20,132,207	-	-	8,755,084
Other revenues	7,126,333	2,363,234	-	72,841,813
Total revenues	1,569,802,827	561,029,563	1,661,344,884	282,728,725
EXPENDITURES				
General government	92,770,233	3,759,395	143,446	13,486,274
Protection to persons and property	163,006,133	20,028,937	-	87,266,933
Human services	434,659,642	-	-	71,559,459
Labor	3,995,159	-	-	3,657,039
General education	252,702,652	-	1,708,571,754	18,049,967
Natural resources	30,183,250	-	-	53,371,521
Commerce and community development	17,147,249	-	-	5,550,018
Transportation	-	559,875,150	-	3,832,988
Capital outlay	-	-	-	-
Debt service	174,663	-	-	-
Total expenditures	994,638,981	583,663,482	1,708,715,200	256,774,199
Excess of revenues over (under) expenditures	575,163,846	(22,633,919)	(47,370,316)	25,954,526
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	-	-	-	-
Premium from the issuance of bonds	5,279,530	-	-	-
Issuance of refunding bonds	39,202,429	-	-	322,571
Payment to bond escrow agent	(44,375,000)	-	-	-
Transfers in	89,588,011	-	40,051,899	68,730,385
Transfers out	(613,172,426)	(5,325,113)	-	(108,369,697)
Total other financing sources (uses)	(523,477,456)	(5,325,113)	40,051,899	(39,316,741)
Net change in fund balances	51,686,390	(27,959,032)	(7,318,417)	(13,362,215)
Fund balances, July 1,	212,782,593	33,519,732	103,482,779	179,966,354
Fund balances, June 30	$ 264,468,983	$ 5,560,700	$ 96,164,362	$ 166,604,139

The accompanying notes are an integral part of these statements.

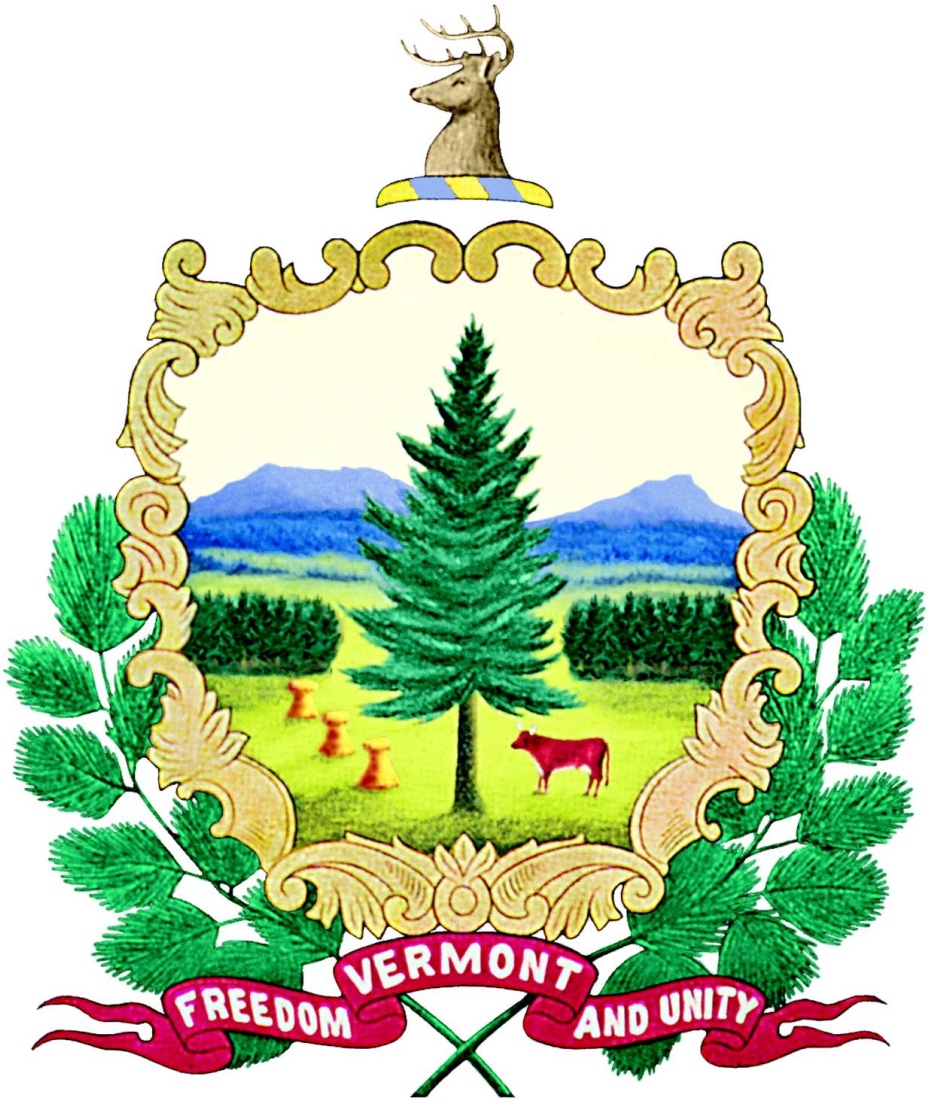
Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 854,779,935
-	-	-	-	138,925,025
-	-	-	-	439,421,558
-	-	-	-	159,444,795
-	-	745,853	-	66,342,990
-	-	-	-	105,053,932
-	-	-	-	1,144,067,944
-	-	-	-	445,669,877
-	-	173,096	-	150,450,712
-	-	64,314	-	6,115,910
-	-	-	-	12,144,282
992,495,135	983,636,200	8,159,372	-	2,273,260,823
-	-	11,929	-	22,222,327
3,389,211	-	2,584,996	-	12,563,659
-	-	795	-	31,309,632
-	-	8,320,650	-	101,495,478
-	-	-	-	28,887,291
2,079,026	13,839,750	1,359,922	-	99,610,078
997,963,372	997,475,950	21,420,927	-	6,091,766,248
6,387,030	-	-	-	116,546,378
90,009,430	-	-	-	360,311,433
602,241,482	1,537,174,774	25,000	-	2,645,660,357
38,633,285	-	-	-	46,285,483
169,300,118	2,645,164	1,527,166	-	2,152,796,821
39,207,758	-	17,782,306	-	140,544,835
9,229,606	-	-	-	31,926,873
1,705,759	-	-	-	565,413,897
-	-	58,937,700	-	58,937,700
-	-	80,321,422	-	80,496,085
956,714,468	1,539,819,938	158,593,594	-	6,198,919,862
41,248,904	(542,343,988)	(137,172,667)	-	(107,153,614)
-	-	88,255,000	-	88,255,000
-	-	11,634,361	-	16,913,891
-	-	-		39,525,000
-	-	-		(44,375,000)
5,847,787	572,330,657	80,997,981	(805,894,875)	51,651,845
(52,155,757)	(27,239,463)	(5,736,748)	805,894,875	(6,104,329)
(46,307,970)	545,091,194	175,150,594	-	145,866,407
(5,059,066)	2,747,206	37,977,927	-	38,712,793
477,763,521	26,311,554	22,675,127	-	1,056,501,660
$ 472,704,455	$ 29,058,760	$ 60,653,054	$ -	$ 1,095,214,453

STATE OF VERMONT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Total net change in fund balances from the previous page	**$ 38,712,793**
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period (net of internal service funds) [1]	77,305,325
Repayment of bond principal is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position [1]	100,510,000
Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position [1]	(138,330,086)
Receivables in the governmental funds that are not available to provide current financial resources are not reported as revenues in the governmental funds	(36,267,956)
Estimated personal income tax refunds that are not due and payable are not reported as governmental fund liabilities	(2,565,762)
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 the governmental funds [1]	(183,198,167)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities	31,239,461
Total changes in net position of governmental activities as reported on the statement of activities	**$ (112,594,392)**

[1] Additional information on these amounts can be found in Note II. B.

The accompanying notes are an integral part of these financial statements.



PROPRIETARY FUNDS

FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	**Liquor Control Fund**	**State Lottery Fund**
ASSETS			
Current Assets			
Cash and cash equivalents	$ 502,800,076	$ -	$ 6,635,165
Receivables			
Taxes receivable, net of allowance for uncollectibles	22,676,009	-	-
Accounts receivable, net of allowance for uncollectibles	21,444,843	1,472,295	2,537,219
Loans receivable	-	-	-
Accrued interest receivable	-	-	-
Due from other funds	-	64,652	-
Intergovernmental receivables - federal government	6,822,919	-	-
Inventories, at cost	-	9,000,218	590,279
Prepaid expenses	-	-	-
Total current assets	553,743,847	10,537,165	9,762,663
Noncurrent Assets			
Investments	-	-	776,869
Loans receivable	-	-	-
Imprest cash and change fund - advances	-	75	300,000
Total noncurrent assets	-	75	1,076,869
Capital Assets			
Land	-	-	-
Construction in progress	-	-	-
Works of art	-	-	-
Capital assets being depreciated/amortized:			
Machinery, equipment and buildings	-	5,625,073	207,168
Less accumulated depreciation	-	(1,564,082)	(197,337)
Total capital assets, net of depreciation	-	4,060,991	9,831
Total noncurrent and capital assets	-	4,061,066	1,086,700
Total assets	553,743,847	14,598,231	10,849,363
DEFERRED OUTFLOW OF RESOURCES			
Pension related outflows	-	1,239,744	496,481
OPEB related outflows	-	343,411	242,447
Total deferred outflow of resources	-	1,583,155	738,928

Business-type Activities-Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
$ 14,429,791	$ -	$ 523,865,032	$ 109,665,614
1,622,631	-	24,298,640	-
11,404,471	-	36,858,828	24,739,199
491,657	-	491,657	770,978
8,201	-	8,201	-
84,302	(84,302)	64,652	25,360,817
-	-	6,822,919	-
-	-	9,590,497	2,929,356
-	-	-	3,265,343
28,041,053	(84,302)	602,000,426	166,731,307
-	-	776,869	-
998,946	-	998,946	3,288,064
-	-	300,075	3,200,442
998,946	-	2,075,890	6,488,506
-	-	-	26,156
-	-	-	4,064,283
-	-	-	8,200
-	-	5,832,241	131,914,321
-	-	(1,761,419)	(79,213,371)
-	-	4,070,822	56,799,589
998,946	-	6,146,712	63,288,095
29,039,999	(84,302)	608,147,138	230,019,402
-	-	1,736,225	-
-	-	585,858	-
-	-	2,322,083	-

continued on next page

STATE OF VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	**Liquor Control Fund**	**State Lottery Fund**
LIABILITIES			
Current Liabilities			
Accounts payable	-	6,037,188	1,085,793
Accrued salaries and benefits	-	502,109	162,481
Claims payable	42,336,168	-	-
Due to lottery winners	-	-	103,827
Due to agents	-	386,075	-
Due to other funds	84,302	858,899	405,703
Interfund payable	-	1,451,051	-
Future and unclaimed prizes payable	-	-	7,227,430
Unearned revenue	121,539,762	3,965	212,971
Capital leases payable	-	-	-
Other current liabilities	7,578,930	-	-
Total current liabilities	171,539,162	9,239,287	9,198,205
Long-term Liabilities			
Due to lottery winners	-	-	476,340
Claims payable	-	-	-
Advances from other funds	-	75	300,000
Capital leases payable	-	-	-
Net pension liabilities	-	4,039,917	1,404,333
Net other postemployment benefits liabilities	-	3,570,275	1,209,085
Other noncurrent liabilities	-	38,489	10,560
Total long-term liabilities	-	7,648,756	3,400,318
Total liabilities	171,539,162	16,888,043	12,598,523
DEFERRED INFLOW OF RESOURCES			
Pension related inflows	-	335,056	205,941
OPEB related inflows	-	4,415,208	1,798,620
Total deferred inflow of resources	-	4,750,264	2,004,561
NET POSITION			
Net investment in capital assets	-	4,060,990	9,831
Restricted for unemployment compensation benefits	382,204,685	-	-
Restricted for protection to persons and property	-	-	-
Unrestricted (deficit)	-	(9,517,911)	(3,024,624)
Total net position	$ 382,204,685	$ (5,456,921)	$ (3,014,793)

The accompanying notes are an integral part of these statements.

Business-type Activities-Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
5,794,636	-	12,917,617	9,945,716
15,918	-	680,508	8,923,633
-	-	42,336,168	22,323,048
-	-	103,827	-
-	-	386,075	-
469,689	(84,302)	1,734,291	709,274
255,108	-	1,706,159	67,023,371
-	-	7,227,430	-
-	-	121,756,698	670,873
-	-	-	295,381
-	-	7,578,930	433,943
6,535,351	(84,302)	196,427,703	110,325,239
-	-	476,340	-
-	-	-	35,733,476
-	-	300,075	-
-	-	-	8,861,949
-	-	5,444,250	-
-	-	4,779,360	-
4,489,722	-	4,538,771	2,576,485
4,489,722	-	15,538,796	47,171,910
11,025,073	(84,302)	211,966,499	157,497,149
-	-	540,997	-
-	-	6,213,828	-
-	-	6,754,825	-
-	-	4,070,821	47,642,259
-	-	382,204,685	-
8,467,648	-	8,467,648	-
9,547,278	-	(2,995,257)	24,879,994
$ 18,014,926	$ -	391,747,897	$ 72,522,253
Adjustment to reflect the consolidation of internal service activities related to enterprise funds.....		222,909	
Net Position - Business-type Activities.....		$ 391,970,806	

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	State Lottery Fund
OPERATING REVENUES			
Charges for sales and services	$ 120,163,576	$ 84,560,408	$ -
Ticket sales	-	-	137,387,256
Rental income	-	-	-
License fees	-	1,763,350	-
Federal donated properties	-	-	-
Other operating revenues	-	4,793,782	1,125
Total operating revenues	120,163,576	91,117,540	137,388,381
OPERATING EXPENSES			
Cost of sales and services	-	54,125,849	107,046,802
Claims expenses	800,438,248	-	-
Salaries and benefits	-	4,105,755	1,638,472
Insurance premium expenses	-	56,301	4,914
Contractual services	-	1,630,809	104,535
Repairs and maintenance	-	80,936	7,620
Depreciation	-	564,438	7,659
Rental expenses	-	43,920	224,521
Utilities and property management	-	1,479,849	268,565
Non-capital equipment purchased	-	81,617	11,042
Promotions and advertising	-	58,020	536,258
Administration expenses	-	120,159	48,461
Supplies and parts	-	170,882	33,308
Distribution and postage	-	7,746	19,450
Travel	-	14,628	5,276
Other operating expenses	-	9,121,513	55,970
Total operating expenses	800,438,248	71,662,422	110,012,853
Operating income (loss)	(680,274,672)	19,455,118	27,375,528
NONOPERATING REVENUES (EXPENSES)			
Federal grants	535,114,850	-	-
Gain on disposal of capital assets	-	11,296	-
Investment income	11,736,674	-	147,034
Interest expense	-	-	-
Other nonoperating expenses	(687,226)	-	-
Total nonoperating revenues (expenses)	546,164,298	11,296	147,034
Income (loss) before other revenues, expenses, gains, losses, and transfers	(134,110,374)	19,466,414	27,522,562
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS			
Transfers in	-	-	-
Transfers out	-	(23,000,000)	(27,522,562)
Total other revenues, expenses, gains, losses, and transfers	-	(23,000,000)	(27,522,562)
Changes in net position	(134,110,374)	(3,533,586)	-
Total net position, July 1,	516,315,059	(1,923,335)	(3,014,793)
Total net position June 30	$ 382,204,685	$ (5,456,921)	$ (3,014,793)

The accompanying notes are an integral part of these financial statements.

Business-type Activities-Enterprise Funds		Governmental Activities
Non-major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
$ 75,167,899	$ 279,891,883	$ 397,416,815
-	137,387,256	-
-	-	20,349,382
-	1,763,350	-
215,445	215,445	-
-	4,794,907	6,144,660
75,383,344	424,052,841	423,910,857
73,881,630	235,054,281	47,339,668
-	800,438,248	185,167,507
29,998	5,774,225	74,730,309
69	61,284	7,022,830
1,789,489	3,524,833	28,181,879
-	88,556	7,747,475
-	572,097	11,476,006
233	268,674	3,408,467
1,710	1,750,124	13,851,790
-	92,659	2,398,546
-	594,278	32,473
6,576,254	6,744,874	11,053,393
-	204,190	4,435,055
-	27,196	57,003
-	19,904	101,842
551,728	9,729,211	3,396,230
82,831,111	1,064,944,634	400,400,473
(7,447,767)	(640,891,793)	23,510,384
-	535,114,850	-
-	11,296	528,092
192,196	12,075,904	1,285,862
-	-	(50,737)
-	(687,226)	-
192,196	546,514,824	1,763,217
(7,255,571)	(94,376,969)	25,273,601
-	-	6,104,329
(1,129,283)	(51,651,845)	-
(1,129,283)	(51,651,845)	6,104,329
(8,384,854)	(146,028,814)	31,377,930
26,399,780	537,776,711	41,144,323
$ 18,014,926	$ 391,747,897	$ 72,522,253

Total change in net position reported above……	$ (146,028,814)
Consolidation adjustment of internal service activities related to enterprise funds…….	138,469
Change in net position - business type activities..	$ (145,890,345)

STATE OF VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

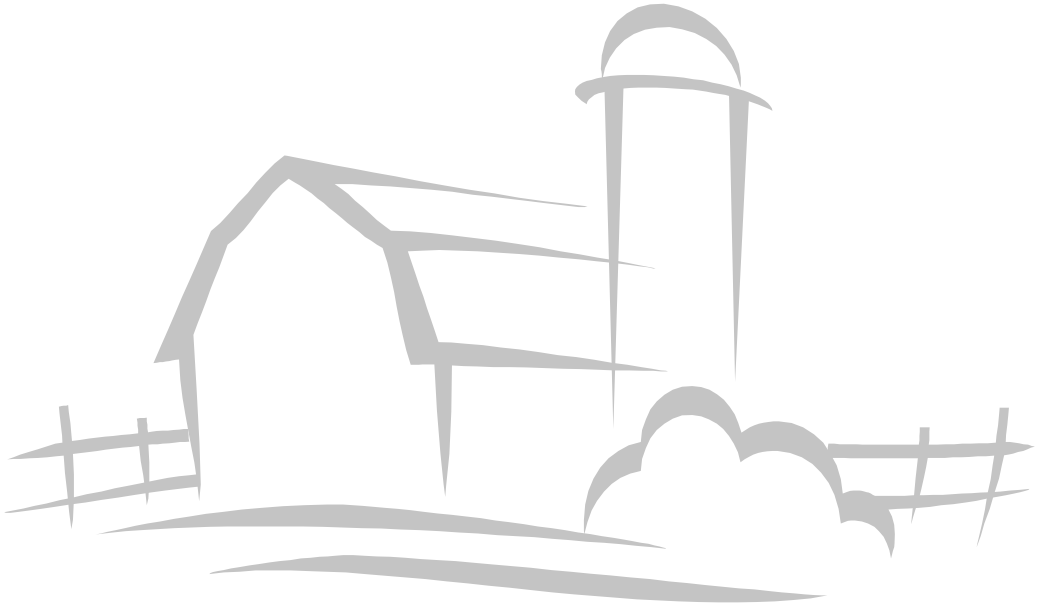
	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	State Lottery Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 104,177,799	$ 85,009,252	$ 137,799,619
Cash paid to suppliers for goods and services	-	(60,086,215)	(7,833,811)
Cash paid to employees for services	-	(4,380,517)	(1,779,112)
Cash paid for prizes and commissions	-	-	(99,574,773)
Cash paid to claimants	(752,901,507)	-	-
Other operating revenues	-	6,557,132	1,125
Other operating expenses	-	(9,121,513)	(55,970)
Total cash provided (used) by operating activities	(648,723,708)	17,978,139	28,557,078
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	-
Transfers out	-	(23,000,000)	(26,822,401)
Other nonoperating expenses	(687,226)	-	-
Interfund loans and advances	-	1,451,051	-
Federal grants	646,145,346	-	-
Net cash provided (used) by noncapital financing activities	645,458,120	(21,548,949)	(26,822,401)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(281,921)	-
Payment of capital leases and loans	-	-	-
Interest paid on capital leases and loans	-	-	-
Proceeds from capital loans	-	-	-
Proceeds from sale of capital assets	-	23,156	-
Net cash provided (used) by capital and related financing activities	-	(258,765)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	11,736,674	-	93,581
Proceeds from sales/maturities of investments	-	-	110,157
Proceeds from loan repayments	-	-	-
Loans issued	-	-	-
Net cash provided (used) by investing activities	11,736,674	-	203,738
Net increase (decrease) in cash and cash equivalents	8,471,086	(3,829,575)	1,938,415
Cash and cash equivalents, July 1	494,328,990	3,829,650	4,996,750
Cash and cash equivalents, June 30	$ 502,800,076	$ 75	$ 6,935,165
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	$ (680,274,672)	$ 19,455,118	$ 27,375,528
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	-	564,438	7,659
(Increase) decrease in accounts/taxes receivable	(16,024,796)	(571,161)	387,707
(Increase) decrease in due from other funds	-	345,105	-
(Increase) decrease in inventory	-	(603,173)	8,636
(Increase) decrease in prepaid expenses	-	-	10,000
(Increase) decrease in deferred outflows	-	147,248	117,121
Increase (decrease) in accounts payable	-	(1,603,718)	143,655
Increase (decrease) in accrued salaries and benefits	-	41,652	13,324
Increase (decrease) in claims payable	41,035,198	-	-
Increase (decrease) in due to lottery winners	-	-	(110,158)
Increase (decrease) in due to agents	-	(8,608)	-
Increase (decrease) in future and unclaimed prizes payable	-	-	842,219
Increase (decrease) in due to other funds	39,019	670,935	7,816
Increase (decrease) in unearned revenues	-	3,965	24,656
Increase (decrease) in other liabilities	6,501,543	-	-
Increase (decrease) in other noncurrent liabilities	-	-	-
Increase (decrease) in net pension liabilities	-	23,736	(158,919)
Increase (decrease) in net OPEB liabilities	-	(2,798,526)	(1,245,456)
Increase (decrease) in deferred inflows	-	2,311,128	1,133,290
Total adjustments	31,550,964	(1,476,979)	1,181,550
Net cash provided (used) by operating activities	$ (648,723,708)	$ 17,978,139	$ 28,557,078
Noncash investing, capital, and financing activities:			
Retirement of assets not fully depreciated	-	11,860	-
Fair market value of donated inventory sold	-	-	-

NOTE: Total cash and cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, and imprest cash and change fund - advances on the Statement of Net Position.

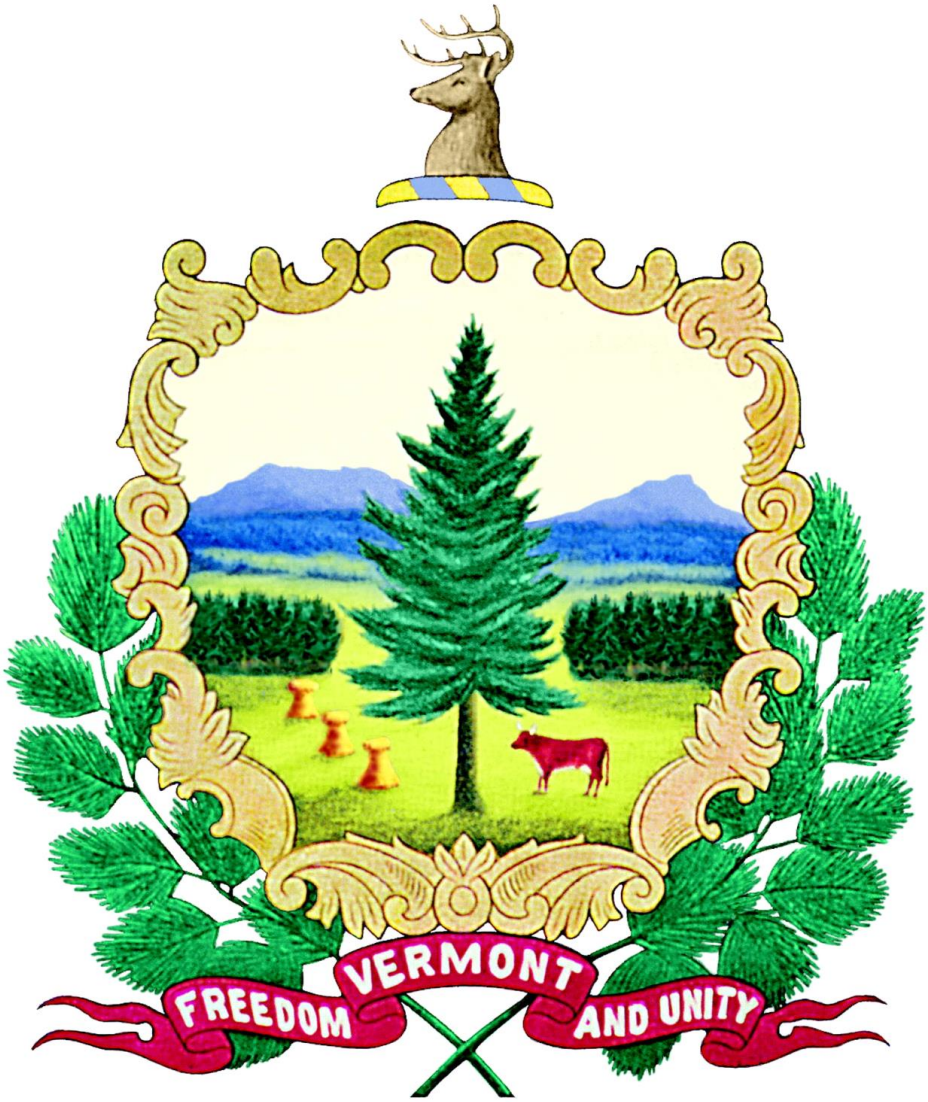
The accompanying notes are an integral part of these financial statements.

Business-type Activities-Enterprise Funds		Governmental Governmental Activities
Non-major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
$ 73,581,827	$ 400,568,497	$ 409,026,109
(81,558,580)	(149,478,606)	(126,981,110)
(29,006)	(6,188,635)	(73,538,497)
-	(99,574,773)	-
-	(752,901,507)	(188,083,413)
-	6,558,257	5,382,331
(793)	(9,178,276)	(3,396,230)
(8,006,552)	(610,195,043)	22,409,190
-	-	6,104,329
(1,129,283)	(50,951,684)	-
-	(687,226)	-
(114,146)	1,336,905	(152,572)
-	646,145,346	-
(1,243,429)	595,843,341	5,951,757
-	(281,921)	(10,696,117)
-	-	(813,234)
-	-	(50,738)
-	-	396,525
-	23,156	823,567
-	(258,765)	(10,339,997)
162,670	11,992,925	1,285,862
-	110,157	-
525,910	525,910	687,655
(693,163)	(693,163)	(955,034)
(4,583)	11,935,829	1,018,483
(9,254,564)	(2,674,638)	19,039,433
23,684,355	526,839,745	93,826,623
$ 14,429,791	$ 524,165,107	$ 112,866,056
$ (7,447,767)	$ (640,891,793)	$ 23,510,384
-	572,097	11,476,006
(1,543,055)	(17,751,305)	(4,840,188)
(39,019)	306,086	(1,722,820)
-	(594,537)	(443,320)
-	10,000	(634,005)
-	264,369	-
(884,681)	(2,344,744)	(1,375,259)
992	55,968	1,191,812
-	41,035,198	(2,915,906)
-	(110,158)	-
-	(8,608)	-
-	842,219	-
134,881	852,651	(215,331)
-	28,621	(1,633,119)
-	6,501,543	10,936
1,772,097	1,772,097	-
-	(135,183)	-
-	(4,043,982)	-
-	3,444,418	-
(558,785)	30,696,750	(1,101,194)
$ (8,006,552)	$ (610,195,043)	$ 22,409,190
-	11,860	(293,845)
215,445	215,445	747,253

THIS PAGE INTENTIONALLY LEFT BLANK



Vermont



FIDUCIARY FUNDS

FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	Pension and Other Postemployment Benefits Trust Funds	Private Purpose Trust Fund Unclaimed Property Fund	Agency Funds
ASSETS			
Cash and cash equivalents	$ 69,292,380	$ 6,277,970	$ 7,492,481
Investments			
Fixed income	306,658,933	-	-
Equities	343,956,243	2,204,565	-
Mutual and commingled funds	3,538,331,116	-	-
Real estate and private partnerships	598,901,022	-	-
Receivables:			
Taxes	-	-	2,265,850
Contributions - current	22,540,784	-	-
Contributions - non-current	6,314,229	-	-
Investments sold	78,976,330	-	-
Interest and dividends	2,429,984	-	-
Due from other funds	-	4,000	-
Other	29,658,019	-	2,452,701
Prepaid expenses	239,344	-	-
Other assets	-	6,813,869	-
Capital assets:			
Construction in progress			
Capital assets being depreciated:			
Equipment	8,465,392	10,019	-
Less accumulated depreciation	(5,866,349)	(7,091)	-
Total capital assets, net of depreciation	2,599,043	2,928	-
Total assets	4,999,897,427	15,303,332	$ 12,211,032
LIABILITIES			
Accounts payable	2,380,007	13,374	$ -
Accrued salaries and benefits	-	40,957	-
Claims payable	-	9,150,554	-
Investments purchased	137,615,584	-	-
Due to other funds	146	342	-
Interfund loans payable	-	-	6,734
Due to depositories	-	-	713,969
Intergovernmental payable - other governments	-	-	7,224,038
Amounts held in custody for others	-	-	2,911,756
Other liabilities	-	-	1,354,535
Total liabilities	139,995,737	9,205,227	$ 12,211,032
NET POSITION			
Restricted for employees' pension benefits	4,779,673,274	-	
Restricted for employees' other postemployment benefits	80,228,416	-	
Held in trust for individuals, organizations and other governments	-	6,098,105	
Net position restricted for benefits and other purposes	$ 4,859,901,690	$ 6,098,105	

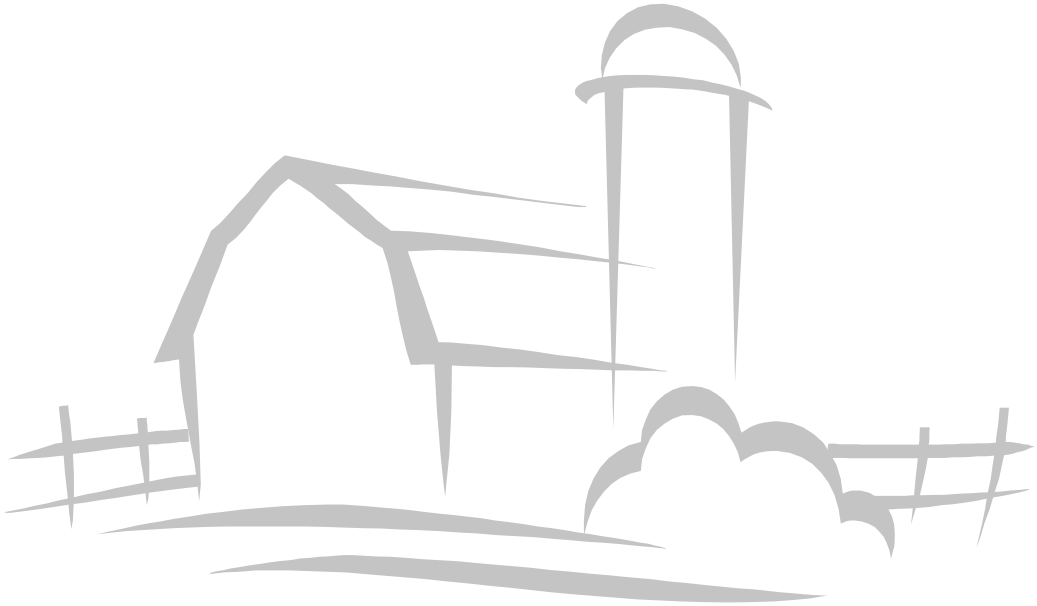
The accompanying notes are an integral part of these financial statements.

STATE OF VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

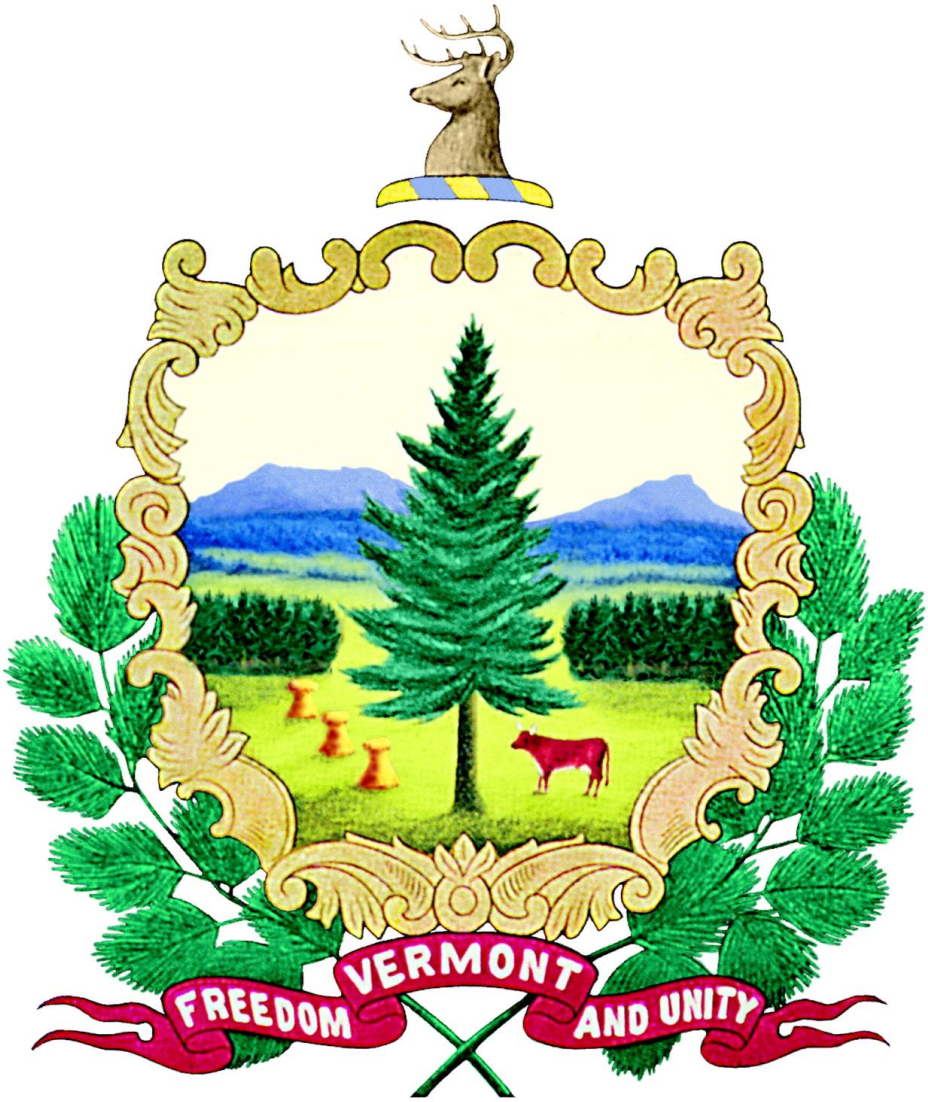
	Pension and Other Postemployment Benefits Trust Funds	Private Purpose Trust Fund Unclaimed Property Fund
ADDITIONS		
Contributions		
Employer - pension benefit	$ 107,544,191	$ -
Employer - healthcare benefit	38,599,577	-
Non-employer - pension benefit	120,247,389	-
Non-employer - healthcare benefit	35,176,080	-
Plan member	103,516,799	-
Other revenues	6,694,193	-
Total contributions	411,778,229	-
Investment Income		
Net appreciation in fair value of investments	159,877,415	-
Dividends	35,945,631	-
Interest income	10,342,682	84,929
Other income	830,146	-
Total investment income	206,995,874	84,929
Less Investment Expenses		
Investment managers and consultants	6,123,856	-
Total investment expenses	6,123,856	-
Net investment income	200,872,018	84,929
Escheat property remittances	-	534,099
Total additions	612,650,247	619,028
DEDUCTIONS		
Retirement benefits	388,113,709	-
Other postemployment benefits	63,890,854	-
Refunds of contributions	7,332,170	-
Death claims	1,287,289	-
Transfers to non-state systems	5,239,384	-
Depreciation	704,126	1,046
Operating expenses	5,970,349	792,166
Total deductions	472,537,881	793,212
Change in net position		
Restricted for employees' pension benefits	125,686,704	-
Restricted for employees' other postemployment benefits	14,425,662	-
Held in trust for individuals, organizations and other governments	-	(174,184)
Restricted Net position, July 1	4,719,789,324	6,272,289
Restricted Net position, June 30	$ 4,859,901,690	$ 6,098,105

The accompanying notes are an integral part of these financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK



Vermont



DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2020

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
ASSETS						
Current Assets						
Cash and cash equivalents	$ 38,328,000	$ 225,009,000	$ 22,432,987	$ 122,000	$ 40,745,946	$ 326,637,933
Cash and cash equivalents - restricted	-	-	5,940,335	68,758,000	2,720,000	77,418,335
Investments	-	224,654,000	1,061,784	15,611,000	26,185,095	267,511,879
Accounts receivable, net	-	40,821,000	17,174,731	-	3,373,526	61,369,257
Accrued interest receivable - loans	14,586,000	-	-	2,137,000	2,587,125	19,310,125
Accrued interest receivable - investments	11,000	-	-	729,000	-	740,000
Loans and notes receivable - current portion	93,745,000	1,927,000	-	21,904,000	83,747,227	201,323,227
Other receivables	1,755,000	548,000	-	335,000	2,127,611	4,765,611
Due from federal government	94,000	7,014,000	-	-	2,494,638	9,602,638
Due from primary government	-	-	-	-	4,476,976	4,476,976
Inventories, at cost	-	158,000	-	-	200,483	358,483
Other current assets	753,000	17,298,000	1,458,477	-	743,231	20,252,708
Total current assets	149,272,000	517,429,000	48,068,314	109,596,000	169,401,858	993,767,172
Noncurrent Assets						
Cash and cash equivalents	-	6,281,000	963,686	-	-	7,244,686
Cash and cash equivalents - restricted	81,643,000	-	-	-	1,668,874	83,311,874
Investments	7,910,000	690,776,000	48,091,685	254,055,000	1,559,000	1,002,391,685
Investments - restricted	-	-	-	-	90,990,503	90,990,503
Loans and notes receivable, net	550,258,000	46,088,000	3,488,786	219,919,000	967,389,039	1,787,142,825
Other assets	2,688,000	201,000	61,683	132,000	21,509,562	24,592,245
Total noncurrent assets	642,499,000	743,346,000	52,605,840	474,106,000	1,083,116,978	2,995,673,818
Capital Assets						
Land	3,150,000	40,128,000	9,004,664	50,000	602,470	52,935,134
Construction in progress	-	43,417,000	2,866,436	-	262,242	46,545,678
Capital assets, being depreciated						
Buildings and leasehold improvements	17,407,000	1,023,996,000	266,053,885	1,988,000	36,694,595	1,346,139,480
Equipment, furniture and fixtures	5,026,000	188,657,000	36,932,380	877,000	6,941,218	238,433,598
Infrastructure	-	-	41,568,376	-	-	41,568,376
Less accumulated depreciation	(12,979,000)	(584,695,000)	(205,446,665)	(2,273,000)	(28,288,440)	(833,682,105)
Total capital assets, net of depreciation	12,604,000	711,503,000	150,979,076	642,000	16,212,085	891,940,161
Total assets	804,375,000	1,972,278,000	251,653,230	584,344,000	1,268,730,921	4,881,381,151
DEFERRED OUTFLOWS OF RESOURCES						
Loss on refunding of bonds payable	-	5,925,000	8,570,206	-	23,133,155	37,628,361
Interest rate swaps	-	-	-	670,000	-	670,000
VHCB related deferred outflows	-	-	-	32,859,000	-	32,859,000
Pension related outflows	-	-	-	-	4,735,948	4,735,948
OPEB related outflows	-	56,779,000	16,151,177	-	1,658,924	74,589,101
Total deferred outflows of resources	-	62,704,000	24,721,383	33,529,000	29,528,027	150,482,410

The accompanying notes are an integral part of these financial statements.

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
LIABILITIES						
Current Liabilities						
Accounts payable and accrued liabilities	2,578,000	87,844,000	13,402,712	515,000	3,836,767	108,176,479
Accrued interest payable	-	-	-	3,286,000	127,000	3,413,000
Bond interest payable	460,000	-	-	-	2,187,615	2,647,615
Unearned revenue	14,031,000	152,233,000	12,187,617	-	-	178,451,617
Other current liabilities	-	-	-	-	91,000,000	91,000,000
Current portion of long-term liabilities	11,975,000	16,962,000	1,613,454	24,053,000	114,399,462	169,002,916
Due to primary government	-	-	-	-	2,067,410	2,067,410
Escrowed cash deposits	-	-	-	3,636,000	893,000	4,529,000
Total current liabilities	29,044,000	257,039,000	27,203,783	31,490,000	214,511,254	559,288,037
Noncurrent Liabilities						
Bonds, notes and leases payable	553,172,000	575,882,000	117,960,911	472,072,000	675,687,017	2,394,773,928
Accounts payable and accrued liabilities	-	21,718,000	-	-	-	21,718,000
Accrued arbitrage rebate	4,254,000	-	-	-	28,674	4,282,674
Advances from primary government	-	-	-	-	5,500,000	5,500,000
Net pension liabilities	-	-	-	-	14,187,745	14,187,745
Net other postemployment benefits liabilities	-	530,031,000	194,057,554	-	12,357,514	736,446,068
Other liabilities	-	-	4,995,832	1,113,000	55,695	6,164,527
Total noncurrent liabilities	557,426,000	1,127,631,000	317,014,297	473,185,000	707,816,645	3,183,072,942
Total liabilities	586,470,000	1,384,670,000	344,218,080	504,675,000	922,327,899	3,742,360,979
DEFERRED INFLOWS OF RESOURCES						
Deferred lease revenue	2,655,000	-	-	-	-	2,655,000
Gain on refunding of bonds payable	15,322,000	-	-	-	-	15,322,000
Service concession arrangement	-	1,312,000	-	-	-	1,312,000
Split interest arrangements	-	3,250,000	-	-	-	3,250,000
Pension related inflows	-	-	-	-	709,089	709,089
OPEB related inflows	-	25,851,000	4,548,824	-	14,342,068	44,741,892
Total deferred inflows of resources	17,977,000	30,413,000	4,548,824	-	15,051,157	67,989,981
NET POSITION						
Net investment in capital assets	12,604,000	139,779,000	45,779,424	642,000	14,877,085	213,681,509
Restricted						
Endowments - expendable	725,000	408,270,000	12,639,185	-	-	421,634,185
Endowments - nonexpendable	7,217,000	237,348,000	19,157,254	-	-	263,722,254
Grants and scholarships	1,224,000	-	-	-	-	1,224,000
Bond resolution	107,608,000	-	-	100,250,000	-	207,858,000
Investment in limited partnerships	-	-	-	-	3,507,000	3,507,000
Collateral for commercial paper program	-	-	-	-	24,178,000	24,178,000
Project and program commitments	-	-	-	4,067,000	47,716,401	51,783,401
Loans receivable	-	-	-	-	242,284,165	242,284,165
Unrestricted (deficit)	70,550,000	(165,498,000)	(149,968,154)	8,239,000	28,317,241	(208,359,913)
Total net position	$ 199,928,000	$ 619,899,000	$ (72,392,291)	$ 113,198,000	$ 360,879,892	$ 1,221,512,601

STATE OF VERMONT
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2020

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
Expenses						
Salaries and benefits	$ 15,709,000	$ 473,213,000	$ 119,066,535	$ 3,736,000	$ 25,074,676	$ 636,799,211
Other expenses	14,105,000	188,531,000	43,206,439	5,744,000	33,010,848	284,597,287
Scholarship, grants and fellowships	25,511,000	27,329,000	10,369,849	-	-	63,209,849
Depreciation	948,000	34,032,000	9,999,987	82,000	1,470,204	46,532,191
Interest on debt	13,243,000	20,692,000	4,944,172	15,957,000	27,873,862	82,710,034
Total expenses	69,516,000	743,797,000	187,586,982	25,519,000	87,429,590	1,113,848,572
Program Revenues						
Charges for services	41,478,000	459,857,000	105,769,711	26,016,000	59,446,133	692,566,844
Operating grants and contributions	32,885,000	299,263,000	78,773,500	3,063,000	12,912,768	426,897,268
Capital grants and contributions	-	1,490,000	2,479,815	-	5,052,946	9,022,761
Total program revenues	74,363,000	760,610,000	187,023,026	29,079,000	77,411,847	1,128,486,873
Net revenue (expense)	4,847,000	16,813,000	(563,956)	3,560,000	(10,017,743)	14,638,301
General Revenues						
Property transfer tax	-	-	-	-	10,804,840	10,804,840
Investment income	1,630,000	10,531,000	1,322,745	10,299,000	7,762,892	31,545,637
Additions to non-expendable endowments	1,013,000	-	604,785	-	-	1,617,785
Miscellaneous	-	36,000	-	-	1,658,346	1,694,346
Total general revenues	2,643,000	10,567,000	1,927,530	10,299,000	20,226,078	45,662,608
Changes in net position	7,490,000	27,380,000	1,363,574	13,859,000	10,208,335	60,300,909
Net position - beginning, as restated	192,438,000	592,519,000	(73,755,865)	99,339,000	350,671,557	1,161,211,692
Net position - ending	$ 199,928,000	$ 619,899,000	$ (72,392,291)	$ 113,198,000	$ 360,879,892	$ 1,221,512,601

The accompanying notes are an integral part of these financial statements.

STATE OF VERMONT
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2020

STATE OF VERMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the State of Vermont (State) have been prepared in accordance with generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles in the United States of America.

The basic financial statements present the financial position of the State, the results of operations of the State and the various funds and fund types, and the cash flows of the various proprietary funds. The basic financial statements are presented as of and for the period ended June 30, 2020.

The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. Financial Reporting Entity

The State of Vermont's Primary Government is comprised of three branches: the Executive Branch, with the Governor as the chief executive officer; the Legislative Branch, with a Senate of 30 members and a House of Representatives of 150 members; and the Judicial Branch, with Supreme and Superior Courts and the Judicial Bureau.

The basic financial statements include all funds, agencies, boards, commissions and organizations of the primary government (the State), as well as component units that have been determined to meet the requirements for inclusion in the State's financial reporting entity.

Component Units are entities that, although legally separate from the State, have been included because they are either financially accountable to the State, or have relationships with the State such that exclusion would cause the State's financial statements to be misleading or incomplete. These component units are financially accountable to the State if the State appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, or if there is a potential for the organization to provide a financial benefit or financial burden to the State. Alternatively, for those organizations where the State does not appoint a voting majority, an organization is financially accountable to the State if the organization is fiscally dependent and the organization provides a financial benefit or financial burden to the State.

Component unit activity may be "blended" into the activity of the primary government or may be reported separately. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. If they are reported separately, they are called "discretely presented component units" and are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. Each discretely presented component unit's designation as either "major" or "non-major" has been determined by the entity's relative significance to the State. Additional information as well as separately issued financial reports may be obtained by contacting the individual entity desired at the address given in the following text.

<u>Discretely Presented Major Component Units</u>

The "Discretely Presented Component Units" contained in the government-wide financial statements report the financial results of the following entities:

Vermont Student Assistance Corporation (VSAC) – The VSAC was established by the Vermont Legislature to provide opportunities for persons who are residents of Vermont to attend colleges or other institutions of higher education by awarding grants and by making, financing, servicing, and guaranteeing loans to qualifying students. The Governor of the State appoints five of the eleven members of the Board of Directors and the State Legislature appoints two additional members. The State of Vermont has the ability to impose its will upon VSAC through its ability to change or alter the organization, structure or programs. For audited financial statements and further information, contact their administrative offices at 10 East Allen Street, P.O. Box 2000, Winooski, Vermont 05404.

University of Vermont (UVM) - The UVM's financial report includes the University, the State Agricultural College, and UVM's two discretely presented component units; the University of Vermont and State Agricultural College Foundation, Inc. (UVMF), and the University Medical Education Associates, Inc. (UMEA). The State appoints thirteen of the twenty-five voting members of the Board of trustees. The State has assumed an obligation to provide financial support through its annual appropriation and is obligated to maintain the University's debt service reserves. Audited financial statements and additional information may be obtained by contacting the university's administrative offices at 348 Waterman Building, Burlington, Vermont 05405.

Vermont State College System (VSC) – The Vermont State College System's annual report includes the financial activity for the following organizations:

System Offices and Services
Community College of Vermont
Castleton University
Northern Vermont University
Vermont Technical College
Vermont Manufacturing Extension Center
Small Business Development Center
Vermont Tech Office of Continuing Education and Workforce Development

The Governor, with the advice and consent of the Senate, appoints nine of the fifteen members of the board of trustees, and the legislature appoints an additional four members. The State has assumed an obligation to provide financial support through its annual appropriations and has assumed an obligation to maintain VSC's debt service reserves. Audited financial statements and additional information about the system itself or about any of the individual organizations included in the system may be obtained by contacting the Office of the Chancellor, Vermont State Colleges, P.O. Box 7, Montpelier VT 05601.

Vermont Housing Finance Agency (VHFA) – The VHFA was created in 1974 by an Act of the General Assembly of the State of Vermont for the purpose of financing and promoting affordable, safe and decent housing opportunities for low- and moderate-income Vermonters. The State appoints voting members of VHFA's board of commissioners. The State is able to impose its will on the organization as the Governor can remove any member of the board at will. The State also has an obligation to maintain the organization's debt reserves. Audited financial statements and additional information may be obtained by contacting the Agency's administrative offices at 164 Saint Paul Street, Burlington, VT 05401.

Discretely Presented Non-major Component Units

Vermont Economic Development Authority (VEDA) VEDA, a tax-exempt entity, was created by the Vermont Legislature for the purpose of promoting economic prosperity in the State by directly financing eligible businesses and projects including manufacturing, agricultural, and travel and tourism enterprises; and by operating programs which provide eligible borrowers with access to capital. The authority has 15 voting members consisting of the Secretary of the Agency of Commerce and Community Development; the State Treasurer; the Secretary of Agriculture, Food and Markets; the Commissioner of Forest, Parks, & Recreation; and the Commissioner of Public Service; or a designee of any of the above; and ten members, who are residents of the State of Vermont and appointed by the Governor with the advice and consent of the senate. The State has the ability to impose its will on the entity as the Governor can remove members at will and the State can change the structure and activities of

the organization at any time. The entity's services primarily benefit the Vermont citizenry.

VEDA also administers the State Infrastructure Bank (SIB), the Drinking Water State Revolving Loan Fund – Private Loans, the Brownfields Revitalization Fund, Clean Energy Development Fund, and the Windham County Economic Development Fund. These five funds are administered for the benefit of the State and are consolidated and reported in VEDA's agency fund. Audited financial statements and additional information may be obtained by contacting VEDA at 58 East State Street, Suite 5, Montpelier, Vermont 05602.

Vermont Housing and Conservation Board (VHCB) – The Legislature created and charged this organization with two goals: create affordable housing for Vermont residents; and conserve and protect Vermont's agricultural lands, historic properties, forestlands, important natural areas, and recreational lands. The VHCB's Board of Directors is appointed by the Governor of the State of Vermont and there is a material financial relationship. Funding for the organization is provided by the Legislature, comprised of 50% of the revenue from the property transfer tax, plus other monies appropriated from time to time. Audited financial statements and additional information may be obtained by contacting the VHCB at 58 East State Street, Suite 5 Montpelier, Vermont 05602.

Vermont Municipal Bond Bank (VMBB) – The Vermont Legislature established the VMBB for the express purpose of fostering and promoting adequate capital markets and facilities for borrowing money by governmental units of the State of Vermont for the financing of public improvements or other public purposes. The Governor appoints the four directors, and can remove members at will. VMBB is authorized, with written consent of the Governor and the State Treasurer, to carry out these charges by borrowing money or by issuing its own bonds and notes to obtain funds which are then utilized to purchase bonds and notes issued by local governmental entities. The State is obligated annually to appropriate any funds necessary to maintain required reserves of the bond bank. The VMBB has a December 31 (annual) year-end. Audited financial statements and additional information regarding VMBB may be obtained by contacting VMBB at 20 Winooski Falls Way, Winooski VT 05404.

VMBB also administers the Special Environmental Revolving Fund in accordance with 24 V.S.A. 4753(b). This fund was created by the Vermont Legislature for the purpose of fostering and promoting timely expenditures by municipalities for water supply, water pollution control, and solid waste management. The fund has a June 30 year-end and publishes its own audited financial statements. For financial reporting purposes, its financial statements have been consolidated with the State's Federal Revenue Fund financial statements in this CAFR. The Special Environmental Revolving Fund's audited financial statements may be obtained by contacting the Department of Environmental Conservation at Davis 3, 1 National Life Drive, Montpelier, VT 05602-3901.

Vermont Educational and Health Buildings Financing Agency (VEHBFA) – VEHBFA is a non-profit entity which finances or assists in the financing of projects for eligible Vermont educational institutions, health care related entities, and private libraries. The majority of the Board of VEHBFA is appointed by the Governor of the State. The Board may appoint officers, agents, consultants and employees. Their compensation is subject to approval of the Governor. It has a December 31 (annual) year-end. Audited financial statements and additional information may be obtained by contacting VEHBFA at 20 Winooski Falls Way, Winooski VT 05404.

Vermont Veterans' Home – The Vermont Veterans' Home was originally chartered in 1884 by the Vermont Legislature and incorporated on November 24, 1884. A Board of Trustees appointed by the Governor oversees the operations of the Vermont Veterans' Home. The State can impose its will on the entity as directors serve at the pleasure of the Governor. The Vermont Veterans' Home is financially accountable to the State as the State provides all funding and controls the finances of the Home. Audited financial statements and additional information may be obtained by contacting them at 325 North Street, Bennington, Vermont 05201.

Vermont Transportation Authority (VTA) – The Vermont Legislature specifically authorized the creation of VTA pursuant to the acquisition, operation, and support of an authorized transportation facility as defined in 29 V.S.A. 701. All members of the authority are appointed by the Governor, and all resources revert to the State on termination of the authority. The VTA, currently inactive, has remained in the State Statutes in case it becomes necessary to reactivate it in the future. Additional information may be obtained from the Agency of Transportation – Rail Division, National Life Building, Montpelier, Vermont 05633–5001.

Joint Ventures

A joint venture is a legal entity or other contractual arrangement that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. The Tri-State Lotto Commission (31 V.S.A. 673) is classified as a joint venture. The financial activities of this organization have not been included in the State's financial statements; however, see Note V. E. for additional information regarding the organization.

Jointly governed Organizations

The following organizations are classified as jointly governed organizations, because they represent units over which control is exercised jointly by the State along with various other governmental agencies. There is no specific ongoing financial benefit or burden for the State associated with these organizations, which distinguishes these arrangements from those classified as joint ventures. The financial activities of these organizations are not included in the State's financial statements.

Connecticut River Valley Flood Control Commission (10 V.S.A. 1153)
New England Board of Higher Education (16 V.S.A. 2692)
New England Interstate Water Pollution Control Commission (10 V.S.A. 1333)
Northeastern Forest Fire Protection Commission (10 V.S.A. 2503)

Related Organizations

Related organizations are separate legal entities for which the primary government appoints a voting majority of the board members, but does not have either (a) the ability to impose its will on the organization or (b) a relationship of financial benefit or burden with the organization. The Vermont State Housing Authority (24 V.S.A. 4005) has been classified as a related organization, and thus their financial activity has not been included in the State's financial statements.

Excluded Organizations

The following entities have been determined not to be part of the reporting entity after applying the criteria of GASB Statement No. 14 "The Financial Reporting Entity", as amended by GASB Statements No. 61.

Vermont Sustainable Jobs Fund, Inc.
Vermont Information Technology Leaders (VITL)
Vermont Council on the Humanities
Vermont Council on the Arts
Vermont Historical Society
Vermont Public Power Supply Authority
Connecticut River Atlantic Salmon Commission (10 V.S.A. 4654)
Texas Low Level Radioactive Waste Disposal Compact (10 V.S.A. 7013)

These organizations have not been included in the reporting entity because they are legally separate entities and the voting majority of their governing boards are not appointed by the State. They are not fiscally dependent on the State's primary government and exclusion from the reporting entity would not render Vermont's financial statements incomplete or misleading.

B. Basis of Presentation—Government-wide Financial Statements

The basic financial statements of the State of Vermont 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 State as a whole and present a longer-term view of the State'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 State and present information on how operations were financed and what remains available for future spending.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, although the latter are excluded from the government-wide financial statements.

The State of Vermont's Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) report information on all of the financial activities of both the primary government and its component units, except fiduciary activity. Fiduciary fund activity has not been included in these entity-wide statements in accordance with the requirements of GASB Statement No. 34. For the most part, the effect of interfund activity has also been removed from these government-wide statements. However, Interfund services provided and used are not eliminated in the process of consolidation. Primary government activities are segregated between governmental activities and business-type activities. Governmental activities' sources of revenues are normally taxes and inter-governmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Further, the primary government is reported separately from its legally separate discretely presented component units.

The Statement of Activities demonstrates the degree to which direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Items not properly included among program revenues are reported instead as general revenues. Taxes and other resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net position (the amount by which assets and deferred outflows exceed liabilities and deferred inflows) are reported on the Statement of Net Position in three components:

(1) Net investment in capital assets– total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that are related to the acquisition or construction of those assets, including related deferred outflows of resources and deferred inflows of resources.
(2) Restricted – for amounts when constraints placed on the net position are either externally imposed, or are imposed by constitutional provisions or enabling legislation.
(3) Unrestricted – the total net position which do not fit the two preceding categories.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted assets first with unrestricted resources utilized as needed.

C. Basis of Presentation—Fund Financial Statements

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. A fund is defined as a separate accounting entity with a self-balancing set of accounts. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and discretely presented component units. Major governmental funds, major proprietary funds, and major component units are reported in individual columns in their respective fund financial statements. Non-major funds and component units are combined and reported in a single column. The single test for classifying a fund as either major or non-major consists of applying the following two steps:

a. Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, etc.) for all funds in that category or type (that is total governmental or total enterprise), **and**
b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

In addition to the above major fund criteria, any other governmental or enterprise fund that government officials believe is particularly important to financial statement users (i.e. because of public interest or for consistency) may be reported as a major fund.

The financial activities of the State reported in the accompanying financial statements have been classified into the following governmental, proprietary and fiduciary funds:

Governmental Funds

General Fund – The Vermont Legislature has established the General Fund as the basic operating fund of the State. As such, the General Fund is used to finance and to account for all expenditures for which no special revenues have otherwise been provided by law. All revenues received by the State and not otherwise required by law to be deposited in any other designated fund or used for any designated purpose are deposited in the General Fund. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year to be re-appropriated in the future.

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects, and include the following:

Transportation Fund – This fund is a major special revenue fund. It is used primarily for preservation, maintenance, and improvements to the State's transportation infrastructure. This infrastructure includes highways, bridges, railroads, airports, public transportation, and other related activities. The fund is also used for construction of transportation capital facilities. The primary sources of revenue in this fund are motor fuel taxes, motor vehicle purchase and use tax, motor vehicle license and registration fees, traffic ticket revenue, other statutorily specified revenues, as well as reimbursements from the federal government for transportation projects.

Education Fund – This fund is a major special revenue fund. It was established by the Vermont Legislature to equalize statewide education funding requirements. Sources of funding and allowable expenditures are codified in 16 V.S.A. 4025. These allowable expenditures include payments to school districts and supervisory unions for the support of education, the costs of short-term borrowing, and statewide education tax income sensitivity adjustments. Funding includes the statewide education tax, allocations of other taxes, State lottery profits, Medicaid reimbursements, and appropriated transfers from the General Fund.

Special Fund – This fund is a major special revenue fund. It combines many individual special revenue funds that account for proceeds or specific revenues not categorized above that are limited to expenditures for specific purposes. These purposes cross the entire range of State government activities.

Federal Revenue Fund – This fund is a major special revenue fund. All federal grant receipts are recorded in this fund except for those federal funds specifically designated for human services as part of the global commitment to health Medicaid waiver, transportation or fish and wildlife purposes (which are recorded in the State's Global Commitment Fund, Transportation Fund or Fish and Wildlife Fund respectively).

Global Commitment (to Health) Fund – This fund is a major special revenue fund created in accordance with Section 16c of 33 V.S.A. 1901(e). It is the result of Vermont entering into a Medicaid demonstration waiver agreement with the Federal Government. This agreement caps Federal expenditures in Medicaid services, but gives Vermont great latitude in promoting universal access to health care, cost containment, and effective administration. The State will be financially at risk for managing costs within the capped limits but stands to benefit from any savings realized from program efficiencies. As part of the agreement, the Agency of Human Services (AHS) has contracted with the Department of Vermont Health Access (DVHA), which serves as a publicly sponsored managed care organization, and adheres to all Federal managed care organization regulations.

In addition to the grant received from the Federal Government, General and Special Fund resources are used to fund payments from the Agency of Human Services to the DVHA for the purpose of providing services under the global commitment to health care waiver approved by the Federal Centers for Medicare and Medicaid Services under Section 1115 of the Social Security Act. These payments are reported as transfers out of the General and Special Funds and as transfers into the Global Commitment Fund. These funds will be expended as appropriated by the general assembly, authorized by the Director of the DVHA, and approved by the Commissioner of Finance and Management consistent with agreements between the DVHA and departments delivering eligible services under the waiver. These resources paid to the Global Commitment Fund are adjusted by the AHS each quarter to the actual expenditures paid.

Non-major governmental funds column includes the balances and activities of the following:

Fish and Wildlife Fund – This fund is a non-major special revenue fund. The fund's revenue is committed by statute and can only be utilized for fish and wildlife purposes. Principal sources of revenue include license fees and federal grants.

Capital Projects Funds – These funds, consisting of the General Obligation Bond Projects Fund and the Transportation Infrastructure Bond Projects Fund, are non-major governmental funds, and account for and report financial resources that are restricted, committed, or assigned to be used for expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. These capital expenditures may be for the State directly or for outside organizations such as the Vermont State College System, municipalities, etc.

Debt Service Funds—These funds, consisting of the General Obligation Debt Service Fund and the Transportation Infrastructure Debt Service Fund, are non-major governmental funds, and account for and report financial resources that are restricted, committed, or assigned to be used for expenditures for bond principal and interest.

Permanent Funds – These are non-major governmental funds that report resources that are legally restricted to the extent that only earnings, not principal, may be expended for purposes that benefit the government or citizenry, such as higher education, cemetery care, and monument preservation.

Proprietary Funds

These funds account for those activities for which the intent of management is to recover the cost of providing goods or services to the general public or other departments of government primarily through user charges; or where prudent financial management dictates that periodic determinations of results of operations are appropriate. These funds include the following types:

Enterprise Funds – These nine funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The State's intent in these funds is to recover the costs including depreciation expense associated with providing the goods and services to the public primarily through user charges. Three of these enterprise funds, reporting the activities of the State's unemployment compensation

program, the Division of Liquor Control, and the State's lottery program, are reported as "major funds" while the remaining six are reported as non-major funds.

Unemployment Compensation Trust Fund – accounts for federal monies and unemployment taxes collected from employers to provide payment of benefits to the unemployed (21 V.S.A. Chapter 17).

Liquor Control Fund – accounts for the operations of the Division of Liquor Control which purchases, distributes, and sells distilled spirits through its agency stores (7 V.S.A. Chapter 5).

State Lottery Fund – accounts for the operations of the Vermont Lottery (31 V.S.A. Chapter 14). The net profits of the State Lottery Fund are used to support public education and are transferred monthly to the Education Fund.

Internal Service Funds – These twenty-four separate funds are used to account for the financing of goods and services provided by one State department to other State agencies, departments, or intergovernmental units. Their objective is not to make a profit but rather to recover the total cost of providing these goods and services by charging users of their services and products. Activities accounted for in the State's internal service funds include risk management; employee group insurance programs; equipment acquisition and maintenance; rental and maintenance of facilities; financial, human resource, audit, and information technology services; postage, copying and supply procurement services; and State vehicle fleet management. In the government-wide financial statements, Internal Service Funds are reported within the governmental activities.

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These funds include the following:

Pension and Other Postemployment Benefit Trust Funds – These funds are used to report assets and associated financial activity that are held in trust for the members and beneficiaries of the Vermont State Retirement (defined benefit) System, the Vermont State Defined Contribution Retirement System, the State Teachers' Retirement (defined benefit) System, the Vermont Municipal Employees' (defined benefit) Retirement System, the Vermont Municipal Employees' Defined Contribution Plan, the State's Single Deposit Investment Account, the State Employees' Postemployment Benefit Trust Fund, the Retired Teachers' Health and Medical Benefit Fund and the Vermont Municipal Employees' Health Benefit Fund.

Private Purpose Trust Fund – The State's only fund in this category is the *Unclaimed Property Fund*, which accounts for all abandoned property that is required to be remitted to the State. The Unclaimed Property Division in the State Treasurer's Office administers procedures for returning this property to its rightful owner if they can be located. In addition to monetary assets, from time to time, the Unclaimed Property Division may have custody of tangible property that has not been valued and therefore is not reported in the financial statements.

Agency Funds – These funds report assets and liabilities for deposits and investments entrusted to the State as an agent for others. They have no net position and report items such as Federal income tax withholding, social security tax withholding, etc.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Statewide education property taxes are recognized as revenues in the year for which the taxes are levied. This property tax is levied by the State on July 1, is included in the property tax bills levied by municipalities, and is collected by municipalities. The municipalities, by December 1 and June 1, must make payment to the State Treasurer in the amount specified by the Commissioner of Taxes.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The State uses a 60-day availability period for revenue recognition. Major revenue sources considered susceptible to accrual include federal grants, interest on investments, and sales and income taxes. Expenditures generally are recorded when a liability is due and payable, with the following exceptions:

a. Employees' vested annual, personal, and compensatory leave time are recorded as expenditures when utilized. The amount of accumulated leave unpaid at the end of the fiscal year has been reported only in the accrual-basis financial statements and does not include any accruals for the State's share of any payroll taxes that will be due when the expenditures are actually paid. See the "Compensated Absences" section of this footnote for additional information.
b. Interest on general long-term debt is recognized when due to be paid.
c. Debt service expenditures and claims and judgments are recorded only when payment is due to be paid.

Proprietary Funds, Fiduciary Funds, and Discretely Presented Proprietary Fund Type Component Units **–** The financial statements presented for these types of funds use the economic resources measurement focus and the accrual basis of accounting. The financial statements presented for agency funds, a type of fiduciary fund, uses the accrual basis of accounting, but has no measurement focus. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from non–operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are categorized as non-operating revenues and expenses.

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash balances for most funds are deposited with the State Treasurer. Except for the Pension and Other Post Employment Benefit Funds, and bond proceeds in the Capital Projects Funds, cash balances deposited with the State Treasurer are pooled together and amounts that are not immediately required are invested in short-term investments.

Income earned by these short-term investments is allocated based on average daily balances to those funds authorized to receive it while any remaining earnings are deposited in the General Fund.

Cash and cash equivalents as reported in the financial statements include bank accounts, imprest cash, short-term investments with an original maturity of three months or less at the time of acquisition such as certificates of deposit, commercial paper, federal government agencies' discount notes, money market accounts, and repurchase agreements.

Investments

The investments are categorized at their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure fair value of the asset that prioritizes inputs into three levels: Level 1 - quoted prices for identical instruments in active markets; Level 2 - significant inputs that are observable; Level 3 - significant inputs that are unobservable.

Also, certain investments that are measured at net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. For additional information regarding types of investments and basis of valuation, see Note IV.B. - Investments.

Receivables

Receivables in the government-wide financial statements represent amounts due to the State at June 30 that will be collected at some time in the future. They consist primarily of accrued taxes and federal grants and are reported net of allowance for uncollectible accounts. See Note IV.C. - Receivables for further information. Receivables reported in the governmental funds financial statements consist primarily of accrued taxes, federal grants receivable, and notes receivable from drinking water and clean water special environmental loans. Other receivables include primarily fees, fines, and drug expenditure reimbursements due to the Medicaid program from drug companies and third-party insurance companies. Revenues accrued in the governmental funds' financial statements consist primarily of accrued taxes, and other receivables that will be collected by the State within 60 days after year-end. Amounts estimated to be collected after the 60-day revenue recognition period are recorded as unavailable revenues. Federal receivables are amounts due from the federal government to reimburse the State's expenditures incurred pursuant to federally funded programs. Federal grant revenues are accrued when the qualifying expenditure is incurred. Notes and loans receivable in the General Fund consist primarily of loans to various non-profit organizations and a Vermont Economic Development Authority note held by the State. No allowances for uncollectible amounts have been recognized in these notes receivable. See Note V.C. - Contingent Liabilities for further information.

Inventories

Inventories of materials and supplies in governmental funds are recorded as expenditures when purchased. Inventories reported in the proprietary funds are valued at the lower of cost or market. Cost valuation methods used in the proprietary funds are weighted average method (enterprise funds - Liquor Control Fund and Vermont Life Magazine Fund, and internal service funds - Highway Garage Fund and Offender Work Programs Fund); specific identification method (enterprise funds - State Lottery Fund, Federal Surplus Property Fund, and internal service funds - Communication & Information Technology Fund, and State Surplus Property Fund); and first-in, first-out method (internal service fund - Postage Fund).

Prepaid Expenses

In the governmental funds, all purchases are recorded as expenditures when the invoice is entered for payment. In the proprietary and fiduciary funds, certain payments reflect costs applicable to future accounting periods and as such, are recorded as prepaid expenses. These prepaid items will be expensed as they are liquidated.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, art and historical treasures, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide Statements of Net Position, and in the fund financial statements for the proprietary and fiduciary funds. All purchased capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated assets are valued at the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be

liquidated with the counterparty at the acquisition date.

Capital assets, except as stated below, have an individual cost of at least $5,000, and provide a future economic benefit for a minimum of 2 years. This includes buildings that are not considered to be part of an infrastructure asset. All land and land use rights, regardless of cost, are capitalized and are not depreciated. Infrastructure assets are defined as long-lived economic resources that are normally stationary in nature, utilized primarily by the general public as opposed to State employees, cost at least $250,000 and provide future economic benefit for a minimum of 3 years. Commercial Off-The-Shelf Software with a cost of at least $50,000, internally generated software and websites with a cost of at least $500,000, internally generated intellectual property with a cost of at least $150,000, and a useful life of 2 or more years are capitalized.

Capital assets are depreciated over their useful lives using the straight-line mid-month depreciation method. Useful lives for buildings and building improvements are 5 to 50 years, machinery and equipment is 3 to 20 years, and infrastructure assets are 7 to 80 years. Additional disclosures related to capital assets and assets acquired through capital leases are found in Notes IV. E. - Capital Assets, and IV. G. 3. - Lease Commitments, respectively.

When a capital asset is disposed of, its cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. Repairs and maintenance are recorded as expenses. Significant replacements and improvements that increases the useful life, increases the asset's ability to provide service, or increases the effectiveness or efficiency of the asset are capitalized and deductions are made for retirements resulting from the replacements or improvements. Interest incurred on debt issued for construction of governmental activities capital assets is not capitalized.

The majority of the historic artifacts and collections that are maintained by the various State agencies and departments are not included in the capital asset reporting. The items not reported are protected and preserved, held for public exhibition and educational purposes and the proceeds from any sales of such items are used to acquire new items for the collection.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Primary Government has six items that qualify for reporting in this category, five of which are related to pensions and other postemployment benefits, the changes in proportional share, differences between projected and actual earnings on plan investments, changes of assumptions, differences between expected and actual experience, contributions made subsequent to the measurement date, and the unamortized balance of losses on bond refunding, are all reported in the government-wide Statement of Net Position. A loss on a bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Changes in proportional share, changes of assumptions, and differences between expected and actual experience are capitalized and recognized over a period equal to the expected remaining service lives of all employees. Net differences between projected and actual earnings on plan investments is capitalized and recognized over a five-year period. Pension and other postemployment benefits contributions made subsequent to the measurement date will be recognized as a reduction of the net pension and other postemployment benefits liability after the next measurement date.

In addition to liabilities, the Statement of Net Position reports 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Primary Government has one type of item, which only arises under the modified accrual basis of accounting, that qualifies for reporting in this category, and that is unavailable revenue. Governmental funds report unavailable revenue in the balance sheet for revenue that is not available under the modified accrual basis. The

amount is capitalized and recognized as revenue in the period that it becomes available. The Primary Government has four items that qualify for reporting in this category in the government-wide financial statements, three are related to pensions and other postemployment benefits. Net differences between projected and actual earnings on plan investments is capitalized and recognized over a five-year period. Changes in assumptions and changes in proportional share related amounts are capitalized and recognized over a period equal to the expected remaining service lives of all employees. The fourth item is the unamortized balance of gains on bond refunding, are all reported in the government-wide Statement of Net Position. A gain on a bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Additional disclosures related to deferred outflows and inflows of resources are included in Notes IV. F. - Deferred Outflows and Deferred Inflows and IV. G. 4. - Retirement Plans and Other Postemployment Benefits.

Tax Refunds Payable

Tax refunds payable primarily represent amounts owed by the State to taxpayers because of overpayment of their income tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount reported as tax refunds payable at June 30, 2020 in the governmental funds statements is comprised of tax refunds for filed tax returns due and payable at June 30, 2020. The amount reported as tax refunds payable at June 30, 2020 in the government–wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar quarters of year 2020's tax liability that will be paid out in calendar year 2021.

Arbitrage Rebate Obligations

In accordance with Section 148(f) of the U.S. Internal Revenue Code, the State must rebate to the U.S. Government the excess of interest earned from the investment of certain debt proceeds over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five-year anniversary of the respective debt issue. As of June 30, 2020, the primary government had no outstanding arbitrage rebate obligation. The arbitrage rebate liabilities reported by the discretely presented component units are included in "Other Long-term Liabilities" in the government-wide statement of net position.

Compensated Absences

Compensated absences' liabilities include amounts for accumulated unpaid vacation, compensatory time, and personal leave credits. Classified State employees accrue vacation leave based on the number of years employed up to a maximum rate of 24 days annually and may not accumulate more than a maximum of 45 days (360 hours) at any one time. This liability is expected to be liquidated in future periods as either salary payments or cash payments upon termination of employment. Compensatory time and personal leave time accumulates as earned by the employees but must be taken within the subsequent year or be forfeited.

Liabilities for compensated absences are recorded in the government-wide Statement of Activities where the employees are assigned, and in the funds, where applicable. The amounts are calculated based on an employee's pay rate in effect as of year-end. Additional information including changes in balances may be found in Note IV. G. 5. - Other Long-term Liabilities.

Employees earn sick leave credits based on the number of years employed with a maximum accrual rate of 21 days per fiscal year. Sick leave may only be liquidated if and when sickness or injury is incurred. Additionally, if employment is terminated, any sick leave that the individual may have accrued is forfeited without any payout; therefore, it is not an accruable liability to the State. There is no limit on the amount of sick leave an employee may accumulate.

Encumbrances

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. When the terms of the purchase order or contract have been fulfilled and payment to the contracting party is due, the encumbrance is liquidated, and the liability and expenditure are recorded. Encumbrances remaining at fiscal year-end in the governmental funds are as follows:

Governmental Funds	Encumbrances
General Fund	$ 12,403,439
Transportation Fund	463,778
Education Fund	27,811
Special Fund	22,019,909
Federal Revenue Fund	32,209,792
Global Commitment Fund	1,400,000
Non-major Governmental Funds	12,110,020
Total	$ 80,634,749

Fund Balances

The fund balance amounts for governmental funds have been classified in accordance with GASB Statement No. 54 - *Fund Balance Reporting and Government Fund Type Definitions*. Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portions of loans or notes receivable, or property held for resale unless the use of the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

- Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

- Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Vermont Legislature, the State's highest level of decision-making authority. This formal action is the passage of a law by the legislature specifying the purposes for which amounts can be used. The same type of formal action is necessary to remove or change the specified use.

- Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental fund types other than the General Fund, this is the residual amount within the fund that is not restricted or committed. In the General Fund, amounts are assigned by the Agency of Administration under authorization by the Legislature in the annual Budget Adjustment Act.

- Unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

When both restricted and unrestricted amounts are available for use, generally it is the State's policy to use restricted amounts first, with unrestricted resources utilized as needed. In the case of unrestricted resources, it is

generally the State's policy to use committed amounts first, followed by assigned amounts, then unassigned amounts as needed. Additional information may be found in Note IV. H. - Fund Balance/Net Position.

Bond Discounts, Premiums and Issuance Costs

In the government-wide financial statements, bond discounts or premiums are capitalized and amortized over the term of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs other than prepaid insurance are reported as expenses.
In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issued are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

Interfund Transactions

Interfund Loans – Short-term loans between funds outstanding at year-end for such things as cash overdrafts are recorded as Interfund Receivables/Payables. Advances To/From Other Funds represent long-term interfund loans receivable and payable.

Reimbursements – Reimbursements result when one fund makes an expenditure for a second fund when that expenditure or expense is properly applicable to the second fund. Reimbursement transactions reduce expenditures in the reimbursed fund and increase expenditures/expenses in the reimbursing fund.

Interfund Services Provided and Used –These transactions occur between two government funds that would be accounted for as revenue and expenditures if they occurred between a government entity and a private sector entity.

Transfers – These transfers encompass all types of transfers, and are primarily routine transfers of appropriation resources between funds. Transfers are not revenue, expenditures, or expenses, and are classified as "Other Financing Sources (Uses)" in the operating statements of the governmental funds and in a separate subsection before net income in the proprietary funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities that affect the disclosure of contingent assets and liabilities as of the date of the financial statements, and that affect the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates.

F. Accounting and Reporting Changes

In fiscal year 2020, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*; which postpones the implementation dates of certain (GASB) Statements.

Note II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund financial statements each include a schedule that reconciles the fund balance and net changes in fund balance in the fund financial statements to the net position and changes in net position in the government-wide financial statements. Differences between the two occur because the current financial resources measurement focus and modified accrual basis of accounting that is used in governmental funds must be converted to the economic resources measurement focus and accrual basis of accounting that is used in

government-wide reporting. In addition, differences will occur because balances and transactions associated with interfund activity must be eliminated in the process of preparing the government-wide financial statements, including consolidation of internal service fund data into the governmental activities in the government-wide financial statements.

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position.

One element of that reconciliation explains that "capital assets used in governmental activities (net of internal service funds' capital assets) are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds." The details of this are as follows:

Land	$ 161,026,319
Works of art	127,803
Construction in progress	671,506,698
Depreciable capital assets and infrastructure, net of $1,882,900,748 of accumulated depreciation	2,270,053,157
Net adjustment to increase *fund balances - total governmental funds* to arrive at *net position - governmental activities*	$ 3,102,713,977

Another element of that reconciliation explains that "amounts are presented in the Statement of Net Position but are not presented in fund balances due to a different basis of accounting." The details of this are as follows:

Long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenues in the governmental funds	$ 172,270,006
Deferred outflow for unamortized loss on sale of refunding bonds	5,121,630
Deferred inflow for unamortized gain on sale of refunding bonds	(28,376)
Deferred outflow for pension related items	499,468,857
Deferred inflow for pension related items	(24,066,887)
Deferred outflow for OPEB related items	205,208,534
Deferred inflow for OPEB related items	(397,284,129)
Net adjustment to increase *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ 460,689,635

The final element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore, are not reported in the funds." The details of this are as follows:

Bonded debt	$ (675,146,062)
Accrued interest payable on bonds	(8,927,824)
Compensated absences (net of internal service funds' liability)	(37,824,300)
Tax refunds payable	(70,492,672)
Net pension liabilities	(2,382,334,113)
Net other postemployment benefits liabilities	(2,251,182,024)
Other long-term liabilities	(16,154,670)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (5,442,061,665)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period, net of internal service funds." The details of this difference are as follows:

Capital outlay/functional expenditures	$ 522,581,289
Expensed net book value of disposed assets	(248,777,757)
Depreciation expense	(196,498,207)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 77,305,325

A second element of the reconciliation states that repayment of bond principal is reported as an expenditure in governmental funds. However, in the government wide statements, repayment of bond principal reduces long-term liabilities. The details of this difference are as follows:

Principal repayment	$ 56,135,000
Payment to refunding bond escrow agent	44,375,000
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 100,510,000

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The details of this difference are as follows:

Bonds issued increases long-term debt in the statement of net position	$ (88,255,000)
Refunding bonds issued increases long-term debt in the statement of net position	(39,525,000)
Premium from the issuance of bonds increases long-term debt in the statement of net position	(16,913,891)
Bond premium is amortized to interest expense in the statement of activities	7,547,963
Refunding bonds deferred amounts are amortized to interest expense in the statement of activities	(1,173,885)
Bond discount is amortized to interest expense in the statement of activities	(10,273)
Net adjustment to decrease *changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ (138,330,086)

The final element of that reconciliation states that "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." The details of this difference are as follows:

Increase in accrued interest payable	$ (349,140)
Increase in compensated absences	(5,023,262)
Increase in employer pension and other postemployment benefit related costs	(178,819,629)
Decrease in pollution remediation related costs	993,864
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ (183,198,167)

Note III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Vermont statutes require the head of every State department, board and commission, and any officer or individual responsible for any activity for which funds are appropriated by the Vermont Legislature to provide, on or before September 1 preceding any biennium, statements to the Commissioner of Finance and Management showing in detail the amounts appropriated and expended for both the current and preceding fiscal years and the amount estimated to be necessary for similar activity for the ensuing two fiscal years. The Commissioner of Finance and Management and the Secretary of Administration are then required to submit to the Governor by November 15 preceding each biennium, the estimates as received along with any other estimates for the ensuing two fiscal years. The Governor then submits to the Vermont Legislature, no later than the third Tuesday of every annual session, a budget that embodies estimates, requests, and recommendations for appropriations or other authorizations for expenditures from the State treasury for at least the succeeding fiscal year. The Vermont Legislature then enacts into law an appropriations act that must be approved by the Governor before expenditures can be made. In recent years, in accordance with Act 250 of 1979 Section 125, it has been the practice of the Governor to submit an annual budget and the Vermont Legislature to enact appropriations on an annual basis.

Budgets are prepared and appropriated on a cash basis and usually at the program level. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds' unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation unless authorized to be carried forward to the following year(s) by legislative act. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

The original budgets for expenditures and transfers are determined by the Legislature through the passage of the annual Appropriation Act. The Commissioner of Finance and Management (with approval from the Governor) may transfer balances of appropriations not to exceed $50,000 made under any appropriation act for the support of the government from one component of an agency, department, or other unit of State government, to any component of the same agency, department, or unit; and may transfer balances of appropriations made under any appropriation act from one department or unit of the agency of transportation to another department or unit of the agency of transportation for the specific purpose of funding authorized transportation projects which have been approved by the federal government for advance construction in which the expenditure of State funds will be reimbursed by federal funds when the federal funds become available, and the transfer is limited to funds which have been approved for reimbursement. If any receipts, including federal receipts, exceed the appropriated amounts, the receipts may be allocated and expended, subject to the approval of the Secretary of Administration. If, however, the expenditure of those receipts will establish or increase the scope of the program, which establishment or increase will at any time commit the State to the expenditure of State funds, they may be expended only upon the approval of the Legislature.

B. Deficit Fund Balances/Net Position

The following funds had a deficit net position at June 30, 2020:

Proprietary Funds		
Major Enterprise Funds:		
Liquor Control Fund	$	(5,456,921)
State Lottery Fund		(3,014,793)
Non-major Enterprise Funds:		
Federal Surplus Property Fund		(194,479)
Internal Service Funds:		
Offender Work Programs		(520,637)
Communications & Information Technology Fund		(150,872)
Copy Center Fund		(1,356,490)
Postage Fund		(3,656,699)
Property Management		(23,580,391)
State Liability Insurance		(1,051,775)
Workers' Compensation		(5,001,425)
Human Resources		(496,906)

Major Enterprise Funds

The deficit in the Liquor Control Fund is due to the accrual of the Fund's Proportionate Share of the Net Pension and Net OPEB Liabilities.

The deficit in the State Lottery Fund is due to the accrual of the Fund's Proportionate Share of the Net Pension and Net OPEB Liabilities.

Non-major Enterprise Funds

The deficit in the Federal Surplus Property Fund is due mainly to the lack of inventory for sale from the federal government that could in turn be retrieved for sale by the State. Program management will continue to pursue increasing revenue by actively retrieving goods for sale as well as to encourage increased participation by Towns and eligible organizations. Starting in fiscal year 2021, the program model will shift to an administrative service fee-based participation via the State Surplus Property program which will allow for more consistent and predictable expenses year to year.

Internal Service Funds

The Vermont Offender Work Program includes the Vermont Correctional Industries (VCI), Facility Work Camps, and Community Work Crews. The deficit is attributable to the closure of the Windsor Work Camp, the State converting to open office environments which has nearly eliminated state purchases of furniture from VCI, and a decline in offenders that are being sentenced to Community Work Crews.

The operations of the Agency of Digital Services (ADS) are accounted for in the Communications & Technology (CIT) Fund. The fund's deficit balance was reduced this year due to implementing a new reporting system to better identify operating costs. The new reporting system improvements include robust billing practices and budgeted rates for ADS services, aligning expenditures to receivables and acting upon the management of aged receivables, and improved timesheet billing methods to Agencies for IT services based on the federally approved rate. In addition, ADS has been recouping prior fiscal year costs for the Voice Over IP phone services through a bill back method to consuming agencies users. These actions will further enable ADS to improve the deficit fund balance.

The Copy Center Fund's deficit net position is the result of a long-term decline in usage, driven by digital replacements of printed materials, limiting the program's revenue potential without a corresponding reduction in fixed costs. To eliminate the deficit, program management may implement rate increases, while continuing to aggressively pursue additional opportunities including synergistic partnership with the postal services program.

The deficit net position in the Postal Fund is due to the marginal rate (percentage points saved off federal postage rates) used to operate the program has not proven sufficient to cover the actual operating costs despite management efforts to initiate efficiencies. In addition, unbilled services (bomb screening and inter-office mail) have not been fully funded in recent years. Program management will attempt to address the fund deficit through improved business operations, while continuing to explore efficiencies gained through a partnership and co-location with the copy center. A modest marginal rate increase was implemented in fiscal year 2020.

Much of the Property Management Fund deficit is due to two buildings that have been financed over a twenty-year period with recovery of costs scheduled over fifty years. This part of the deficit should be eliminated gradually over the next twenty to thirty years. Additionally, the fund initially operated with staff and operating costs for lease management work that was not being recovered through billed revenue. The administration has added a surcharge to existing leases to cover the operating expenses and deficit. The level of surcharge will be monitored during budgeting each year. Program management has also addressed, via corrective agreements and billings, a few instances of tenant subsidization where invoicing did not recover the full cost of leased space. Program management will also continue to monitor recoverable expenses to pursue corresponding back-charge revenues.

The State Liability Fund's deficit is due to consecutive years of revenues being outpaced by actual and projected liability driven expenses. Program management identified deficiencies in the rate setting model which have been corrected for fiscal year 2021, and the program was supported with a transfer from the general fund in fiscal year 2020. The outlook for the program is improving as the growth of claims has slowed per actuarial projections. Program management will work closely with the State administration to identify additional risk mitigation opportunities.

The Workers' Compensation Fund deficit is the result of responding to an excess fund surplus in fiscal year 2017 by charging discounted premiums to customers beginning in fiscal year 2018 through fiscal year 2020. The fund balance was further reduced by larger than expected Incurred But Not Reported (IBNR) ultimate loss calculations (provided by an independent actuary consultant) in fiscal years 2018 and 2019. Program management has removed the premium discount and returned rate to a break-even level for fiscal year 2021, and the program was supported with a transfer from the general fund in fiscal year 2020. Program management will work closely with State administration to identify additional workplace safety and other risk mitigation opportunities. A reserve fulfillment surcharge may need to be applied if programmatic savings cannot otherwise be realized.

The Human Resources Services fund ended fiscal year 2020 in a deficit position as estimated revenues, via a one-time statewide allocation, proved insufficient to cover operating expenses. Expenses not covered by revenue this year include depreciation for the upgraded talent and acquisition management system (TAMS), a new position/commission based within the Agency of Administration, as well as collectively bargained salary increases for the approximately 95 employees within this fund. Program management will review the rate setting process to ensure that all anticipated expenses and opportunities for increased efficiencies are considered.

NOTE IV. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash and Cash Equivalents

Deposits for the primary government are governed by State statutes. When depositing public monies, the State Treasurer must act in accordance with 32 V.S.A. Chapter 431. Although the statute provides requirements for the collateralization of deposits, it does not establish limits. These limits are set by published formal guidelines issued by the State Treasurer.

The custodial credit risk for deposits is the risk that in the event of a depository financial institution failure, the government will not be able to recover funds deposited in the failed institution or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by the Federal Deposit Insurance Corporation (FDIC) insurance and are uncollateralized; or collateralized with securities held by the pledging financial institution's trust department or agent, that are not registered in the depositor – government's name. Although State statute does not require deposits to be collateralized, the Treasurer requires the State's cash deposits held in its primary bank to be collateralized with either United States Treasury securities or Vermont municipal securities or other approved money market instruments, or other collateral acceptable to the Treasurer. Certificates of deposit are collateralized, in whole or in part, on the basis of agreements with the bank, a protocol requiring periodic due diligence and review of bank capitalization and assets. Bank deposits in excess of the FDIC amounts and collateral agreements are uninsured and uncollateralized. Bank balances of deposits for the primary government, excluding pension, and other post-employment benefits funds, at June 30, 2020, were $1,405,163,782. Of these, $8,673,073 were exposed to custodial credit risk as uninsured and collateralized with securities held in the name of pledging financial institutions.

The Unemployment Compensation Trust Fund had $501,854,253 on deposit with the U.S. Treasury at June 30, 2020. This amount is presented as cash and cash equivalents and is not included in the carrying amount of deposits, nor is it categorized according to risk, because it is neither a deposit with a financial institution nor an investment.

The pension, other postemployment benefits, and investment trust funds' cash deposits, outside of the pension trust funds' custodian bank at June 30, 2020, totaled $25,649,123 none of which was exposed to custodial credit risk.

B. Investments

Primary Government—Excluding All Pension, and Other Postemployment Benefits Trust Funds

Investments for the primary government are governed by State statutes. The State has an investment policy with an overriding goal of minimizing exposure to risk and maintaining liquidity necessary for future cash needs while maximizing the return on investments. Two sections of State statute govern the investment of the State's operating and restricted cash (i.e., non-pension funds).

When investing public monies, the State Treasurer must act in accordance with 32 V.S.A. 433. Types of investments allowed include obligations of the United States, its agencies and instrumentalities, and any repurchase agreements whose underlying collateral consists of such obligations or other approved money market instruments; certificates of deposit issued by banks and savings and loan associations approved by the State Treasurer; prime bankers' acceptances; prime commercial paper; tax exempt securities; and domestic money market funds. Also, the State Treasurer's Office issues additional formal guidance that is reviewed periodically, to assure that the three investment objectives -- safety, liquidity, and yield -- are met.

The statutory guidelines for certain trust funds are contained in 32 V.S.A. 434, referred collectively as the Trust Investment Account. These include the Tobacco Trust Fund, the Higher Education Trust Fund, the Agency of Natural Resources Stewardship Fund, two Veterans' Home trusts, the Fish and Wildlife Trust, Vermont State Retirement OPEB Fund, and various small trusts.

The State Treasurer may invest funds in accordance with the standard of care established by the prudent investor rule and apply the same investment objectives and policies adopted by the Vermont State Employees' Retirement System, where appropriate, to the investment of funds in the Trust Investment Account.

Investments are stated at fair value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at fair value when published market prices and quotations are available, or for certain securities at amortized cost. Management at

the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

(a) *Fair Value Measurements*
The State categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset as follows:

- Level 1: Inputs are quoted prices for identical investments in active markets.
- Level 2: Observable inputs other than quoted market prices.
- Level 3: Unobservable inputs.

The fair value measurement at June 30, 2020 for the primary government, with the exception of the Pension and OPEB trust funds is as follows:

Primary Government Investments - Excluding
Pension and Other Postemployment Benefits Trust Funds
(Expressed in Thousands)

		Fair Value Measurement Level		
Investments by fair value level	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Debt investments:				
US Treasuries	$ 106,024	$ 106,024	$ -	$ -
US Agencies Securities	29,662	29,662	-	-
Commercial Paper	2,811	-	2,811	-
Total debt investments	138,497	135,686	2,811	-
Equities:				
Equity Securities	2,205	2,205	-	-
Total investments by fair value level	140,702	$ 137,891	$ 2,811	$ -

Investments measured by net asset value (NAV)		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Money Market Mutual Funds	382,520	-	Daily	-
Fixed Income Mutual Funds	27,543	-	Daily, monthly	1-30 days
Equity Mutual Funds	18,399	-	Daily, monthly	1-60 days
Total investments by NAV	428,462			
Total investments	$ 569,164			

$382,520 (in thousands) of the above money market mutual funds and $2,811 (in thousands) of the above commercial paper are classified as cash & cash equivalents on the financial statements.

(*b) Interest Rate Risk*
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The primary government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates for investments,

other than pension and investment trust funds' investments. The primary government's investments, other than pension and investment trust funds' investments, at June 30, 2020 are presented as follows:

Primary Government Investments - Excluding
Pension and Other Postemployment Benefits Trust Funds
(Expressed in Thousands)

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 to <6**	**6 to 10**	**More Than 10**
Debt Investments:					
US Treasuries	$ 106,024	$ 105,367	$ 358	$ 191	$ 108
US Agencies Securities	29,662	29,662	-	-	-
Money Market Mutual Funds	382,520	382,520	-	-	-
Fixed Income Mutual Funds	27,543	27,543	-	-	-
Commercial Paper	2,811	2,811	-	-	-
Total Debt Investments	548,560	$ 547,903	$ 358	$ 191	$ 108
Other Investments:					
Equity Securities	2,205				
Equity Mutual Funds	18,399				
Total Investments	$ 569,164				

Investments per maturity schedule	$ 569,164
Included in cash & cash equivalents:	
Money market mutual fund	(382,520)
Commercial paper	(2,811)
Financial statement investments total	$ 183,833

(c) Concentration of Credit Risk
Concentration of credit risk is the risk of loss attributable to the monetary magnitude of the State's investment in a single issuer. While State statute does not establish ceilings, formal investment guidelines for operating funds limit the amount invested to 10% in any one issuer of commercial paper, corporate securities, or bankers' acceptances. There are no limitations for U.S. Government and Federal Agencies. Money market funds utilized by the State Treasurer's Office are highly rated and incorporate the requisite diversification. As of June 30, 2020, no single issuer exceeded 5% for the primary government portfolios.

(d) Custodial Credit Risk
For investments, custodial credit risk is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The State has no formal policy on custodial credit risk but maintains contractual relationships with custodian banks that provide coverage and define the procedures. As of June 30, 2020, all securities were registered in the name of the State at its custodian bank. Investments in open-end mutual funds are not exposed to custodial risk because their existence is not evidenced by specific securities.

(e) Credit Risk
Credit risk is the possibility that the issuer or other counterparty to an investment may default on their obligations. In non-pension funds this risk has been mitigated by implementing statutory guidelines on credit quality and further restricted by formal investment guidelines and the use of low-risk money market instruments. The credit risk associated with the State's debt securities, money market funds, bond mutual funds, and other pools of fixed income securities, exclusive of U.S. Treasury investments of $106,024 (in thousands), and pension fund investments are as follows:, as of June 30, 2020, is presented as follows using the Moody's rating scale:

Primary Government Rated Debt Instruments
Excluding Pension and Other Postemployment Benefits Trust Funds
(Expressed in Thousands)

		Quality Ratings		
Debt Investments	**Fair Value**	**Aaa**	**Aa2**	**Unrated**
US Agencies Securities	$ 29,662	$ -	$ 29,662	$ -
Money Market Mutual Funds	382,520	382,520	-	-
Fixed Income Mutual Funds	27,543	-	-	27,543
Commercial Paper	2,811	-	2,811	-
Totals	$ 442,536	$ 382,520	$ 32,473	$ 27,543

Currency Risk
Foreign currency risk is the extent to which changes in exchange rates affect the value of an investment. Vermont's operating funds are restricted, through statute and formal guidelines, to specific money market instruments and money market funds who only invest in domestic instruments. In the Trust Investment Account portfolio, total exposure to foreign currency risk as of June 30, 2020, was $0.

Primary Government—Pension, and Other Postemployment Benefits Trust Funds

The State has three defined benefit plans (Vermont State Retirement System (VSRS), State Teachers Retirement System (STRS), and Vermont Municipal Employees' Retirement System (MERS); three defined contribution plans (VSRS, MERS, and Single Deposit Investment Account); and three other postemployment benefit funds. Additional information on these plan benefit and actuarial valuations may be found in Note IV.G.4. - Pension and Other Postemployment Benefits.

By statute, the assets of the three defined benefit plans are invested on behalf of each plan's Trustees through the Vermont Pension Investment Committee (VPIC), which was established by the Vermont Legislature (Title 3 V.S.A. Chapter 17), effective July 1, 2005, to combine the assets of the VSRS, STRS and MERS defined benefit plans for the purpose of (i) investment in a manner that is more cost and resource-efficient; (ii) improving the effectiveness of the oversight and management of the assets of the Retirement Systems; and (iii) maintaining the actuarial, accounting, and asset allocation integrity of the Retirement Systems. The majority of these assets have been pooled for investment purposes.

All three defined benefit plans managed by the State have adopted a common asset allocation as determined by the VPIC. As of October 29, 2009, the VPIC adopted a set of investment policies and guidelines common to all three defined benefit plans, most recently amended on June 25, 2020. These are used by VPIC with the objective of maximizing returns within acceptable risk parameters.

The State's Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan, is invested in

a commingled stable value fund. The investment policy governing the SDIA portfolios includes a minimum average credit quality of double-A, no bonds rated below investment grade, and limitations on asset-backed, mortgage-backed, collateralized mortgage obligations, corporate bonds, and single issuers of non-treasury/government agency backed bonds.

The Vermont State Retirement's defined contribution plan's trustee is the State Treasurer. The Vermont Municipal Employees' Retirement System Board of Trustees is the trustee for the Vermont Municipal Employees' defined contribution plan. Both plans are administered by Prudential Financial, Inc. Investment choices are made by participants from a fund specific lineup approved by the trustees' for the plans. Investment options are actively managed and indexed mutual funds including large and small market capitalization equities, international equities, fixed income securities, balanced funds, target retirement date age-based funds, and a stable value fund. Funds included in the plans were selected based on consideration of fund performance for one and multi-year periods, performance ranked against peer group funds in asset class, management fee expense ratios, fund asset class and investment objectives, historical annual returns, Morningstar ratings, performance in various stages of the capital market cycle, and consultant recommendations as to the optimal number of funds and appropriate asset classes. Prudential provides quarterly investment reports and analysis that are reviewed by Treasury staff, the State Treasurer and Vermont Municipal Employees' Retirement Board.

The State has two other postemployment benefit funds, the Vermont State Postemployment Benefits Trust Fund (State OPEB), the Retired Teachers' Health and Medical Benefit Fund (RTHMB). Additionally, the State has an employer-sponsored health benefit savings plan available to MERS members, the Vermont Municipal Employees Health Benefit Fund (Muni Health). The State OPEB is invested in the Trust Investment Account utilized as an investment vehicle by many of the State's primary funds. The RTHMB has no investments. The Muni Health is invested under the authority of the Municipal Retirement Board of Trustees and utilizes an outside administrator, Prudential, and is invested in American Funds.

Investments are stated at fair value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at fair value when published market prices and quotations are available, or for certain securities at amortized cost. Real estate is carried at the net asset value of each retirement system's real estate fund investments, which net asset value is further based on the fair market value of the real properties. Properties' fair market values in each of the retirement systems' fund investments are established quarterly by real estate fund manager appraisals and are validated at least yearly by third-party property appraisals. Nonmarketable securities include alternative investments such as private equity, private credit and private partnerships, which are valued using current estimates of fair value obtained from the Investment Manager (Manager) in the absence of readily determinable public market values. Such valuations generally consider variables such as the high, medium, and low values for portfolio investments; the investments' exit timetables, and the status of any proceedings leading to a liquidity event; the financial performance of investments, including comparison of comparable companies' earnings multiples; cash flow analysis; and recent sales prices of investments. Management at the State Treasurer's Office is responsible for the fair value measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

(a) *Fair Value Measurements*
The Pension and OPEB Trust Funds categorize the fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset that prioritizes inputs into three levels. The level is determined based on the lowest level of input significant to the measurement in its entirety.

- Level 1: Securities traded in an active market, on an exchange that have quoted unadjusted prices such as Exchange-traded equities, and exchange-traded derivatives.
- Level 2: Inputs other than quoted prices that are observable. These inputs are derived from market data through correlation or by other means, e.g., "market corroborated". These are primarily fixed income prices using an evaluated price provided by an independent pricing vendor or broker/dealer.

- Level 3: Inputs to the valuation methodology that are unobservable and significant to the fair value measurement. Instruments are often based on internally developed models in which there are few, if any, external observation.

Below is the fair value measurement table at June 30, 2020, for the Pension and OPEB trust funds.

Pension and Other Postemployment Benefits
Trust Funds' Investments
(Expressed in Thousands)

		Fair Value Measurement Level		
Investments by fair value level	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Debt securities:				
US Agencies/Treasuries	$ 129,245	$ -	$ 129,245	$ -
Corporate Debt	94,288	-	94,288	-
Certificates of Deposit	901	-	901	-
Municipals	5,092	-	5,092	-
Asset Backed Securities	7,763	-	7,763	-
Mortgage Backed Securities	60,630	-	60,630	-
Sovereign Debt	9,986	-	9,986	-
Repurchase Agreement	20,200	-	20,200	-
Total debt securities	328,105	-	328,105	-
Equity investments:				
Stock Securities	343,956	343,772	184	-
Total equity securities	343,956	343,772	184	-
Investment derivatives:				
Swaps	(1,249)	(1,249)	-	-
Options	3	3	-	-
Total investment derivatives	(1,246)	(1,246)	-	-
Total investments by fair value level	670,815	$ 342,526	$ 328,289	$ -

Investments measured at the net asset value (NAV)		**Unfunded Commitments**	**Redemption Frequency (if currently eligible)**	**Redemption Notice Period**
Commingled Fixed Income Mutual Funds	1,459,471	-	Daily, monthly	1-30 days
Commingled Equity Mutual Funds	388,167	-	Daily, monthly	1-60 days
Mutual Funds	1,690,693	-	Monthly, quarterly	90 days
Money Market Mutual Fund	21,418	-	Daily	-
Real Estate Funds	212,522	-	N/A	N/A
Private Partnerships	386,379	777,079	N/A	N/A
Total investments measured at NAV	4,158,650			
Total investments	$4,829,465			

(*b*) *Interest Rate Risk*
As pension trust funds have a different investment term horizon based on a long average liability term, the VPIC manages exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its debt securities with Core, Core Plus and Global Fixed Income Managers, requiring that the duration be within a specified percentage of the duration band of the appropriate benchmark index. The Core Plus portfolio restriction is +/- 40% around the passive benchmark duration. The calculation of the duration of mortgage backed securities involves assumptions as to the expected future prepayment rate for the security. The Managers are required to calculate duration at the time of initial purchase and on a routine basis to maintain compliance with these guidelines. Fixed income Managers are required to report portfolio characteristics quarterly inclusive of portfolio duration as a measure of portfolio interest rate sensitivity.

Pension and Other Postemployment Benefits
Trust Funds' Investments
(Expressed in Thousands)

Investment Type	Fair Value	Less Than 1	1 to <6	6 to 10	More Than 10
Debt Investments:					
US Agencies/Treasuries	$ 129,245	$ 1,298	$ 65,182	$ 31,728	$ 31,037
Corporate Debt	94,288	8,042	52,784	27,209	6,253
Money Market Mutual Fund	21,418	21,418	-	-	-
Certificates of Deposit	901	901	-	-	-
Municipals	5,092	30	653	414	3,995
Asset Backed Securities	7,763	636	46	233	6,848
Collaterized Mortgage Obligations	60,630	-	238	-	60,392
Sovereign Debt	9,986	58	3,229	2,340	4,359
Repurchase Agreement	20,200	20,200	-	-	-
Fixed Income Mutual Funds	1,459,471	1,459,471	-	-	-
Total Debt Investments	1,808,994	$ 1,512,054	$ 122,132	$ 61,924	$ 112,884
Other Investments:					
Equity Mutual Funds	388,167				
Equity Securities	343,956				
Mutual Funds	1,690,693				
Real Estate	212,522				
Private Partnerships	386,379				
Fixed Income - Derivatives	(1,246)				
Total	$ 4,829,465				

The above money market mutual funds of $21,418 (in thousands) and repurchase agreements of $20,200 (in thousands) are classified as cash & cash equivalents on the financial statements.

(c) Concentration of Credit Risk
Formal guidelines for pension funds state that no more than 5% of the fair value of a portfolio's domestic fixed income assets may be invested in the debt securities of any one issuer. No limitations on issues and issuers shall apply to obligations of U.S. Government and Federal Agencies. As of June 30, 2020, no issuer exceeded 5%.

(d) Custodial Credit Risk
Custodial credit risk for investments is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The VPIC manages exposure to custodial credit risk by requiring all relevant Managers to hold investments in separate accounts with VPIC's custodian. VPIC guidelines specify the custodial requirements for these accounts and the duties of the Managers and the custodian. As of June 30, 2020, all securities were registered in the name of the State at its custodian bank. Investments in pools, open-end mutual funds, and other investments not evidenced by specific securities are not categorized.

(e) Credit Risk
Detailed pension guidelines by asset class and supplemental requirements by Manager are used to set risk parameters and are stated in written contracts. These guidelines are reviewed and adopted by VPIC. Treasury staff and independent investment consultants are utilized to assure compliance. The credit risks associated with these securities, exclusive of U.S. Treasury investments of $129,245 (in thousands) are as follows:

Pension and Other Postemployment Benefits
Trust Funds' Investments
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings Aaa	Aa	A
Corporate Debt	$ 94,288	$ -	$ 20	$ 28,685
Money Market Mutual Funds	21,418	-	-	-
Certificates of Deposit	901	-	-	-
Municipals	5,092	-	3,657	368
Asset Backed Securities	7,763	-	-	1,606
Collateralized Mortgage Obligations	60,630	4,960	729	-
Sovereign Debt	9,986	234	2,290	3,346
Repurchase Agreement	20,200	-	-	-
Fixed Income Mutual Funds	1,459,471	-	-	-
Totals	$ 1,679,749	$ 5,194	$ 6,696	$ 34,005

Debt Investments	Quality Ratings Baa	Ba	B and below	Unrated
Corporate Debt	$ 39,818	$ 9,289	$ 1,424	$ 15,052
Money Market Mutual Funds	-	-	-	21,418
Certificates of Deposit	-	-	-	901
Municipals	414	-	-	653
Asset Backed Securities	269	-	5,202	686
Collateralized Mortgage Obligations	-	63	2,646	52,232
Sovereign Debt	1,576	1,252	-	1,288
Repurchase Agreement	-	-	-	20,200
Fixed Income Mutual Funds	-	-	-	1,459,471
Totals	$ 42,077	$ 10,604	$ 9,272	$ 1,571,901

(f) Foreign Currency Risk

Unless VPIC stipulates specific exceptions to the guidelines, the non-US dollar denominated debt of non-US issuers are limited to 15% of the Core Plus portfolio and no more than 5% of the portfolio may be invested in non-US currencies. In the case of equities, the Manager is afforded flexibility in the number of issues held and their geographic or industry distribution, provided that equity holdings are within the lesser of established percentage ranges in relation to single holding limitations and a stock's weighting in the style benchmark against which the Manager is measured. Most foreign currency exposure is in the pension and investment trust funds' portfolios. The value in US dollars by foreign currency denomination and type of investment is as follows:

Pension and Other Postemployment Benefits
Trust Funds' Investments
Foreign Currency Risk - International Securities at Fair Value
(Expressed in Thousands)

Currency	Total	Short Term	Debt	Equity	Derivatives
Argentine Peso	$ 349	$ 118	$ 231	$ -	$ -
Australian Dollar	12,033	17	-	12,016	-
Brazilian Real	1	-	-	-	1
Canadian Dollar	293	79	-	173	41
Danish Krone	6,890	-	-	6,890	-
Euro	58,560	38	5,271	53,206	45
Hong Kong Dollar	9,299	16	-	9,283	-
Israeli Shekel	2,038	-	-	2,038	-
Japanese Yen	53,254	594	-	52,660	-
Malaysian Ringgit	56	4	-	52	-
Mexican Peso	161	72	-	89	-
New Turkish Lira	301	3	-	298	-
New Zealand Dollar	359	2	234	129	(6)
Norwegian Krone	70	2	-	68	-
Philippine Peso	1	1	-	-	-
Polish Zloty	17	-	-	17	-
Singapore Dollar	4,768	101	-	4,667	-
South African Rand	203	-	-	203	-
South Korean Won	2,334	42	-	2,292	-
Swedish Krona	4,996	2	-	4,994	-
Swiss Franc	14,093	-	-	14,093	-
Thai Baht	19	-	-	19	-
United Kingdom Pound	34,630	547	5,931	28,526	(374)
Yuan Renminbi	4,625	29	-	4,596	-
Totals	$ 209,350	$ 1,667	$ 11,667	$ 196,309	$ (293)

Formal investment policy guidelines adopted by the VPIC state that international equity Managers may enter into forward exchange contracts on currency provided that use of such contracts is designed to dampen portfolio volatility and facilitate securities transaction settlements rather than leverage portfolio risk exposure.

Derivative Financial Instruments
Vermont Pension Investment Committee (VPIC) policy authorizes certain Managers to invest in derivative financial investments. Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed upon benchmark. Disclosures related to derivatives positions required under Governmental Accounting Standards Board Statement No. 53 – *Accounting and Financial Reporting for Derivative* Instruments (GASB No. 53) apply only to those derivative instruments held directly by the VPIC on behalf of the defined benefit plans and the external investment trust and not those held within commingled fund investment vehicles. The Pension and Other Postemployment Benefit Trust Funds do not have hedgeable assets or liabilities, and all derivative instruments are considered investment derivatives, with corresponding changes in fair value reported in investment income. The fair value of all derivative financial instruments are reported in the Statement of Fiduciary Net Position. All of the derivatives reported at June 30, 2020, are presented at fair value.

Derivative instruments may be used for any of the following purposes:

- To gain market exposure.
- To convert financial exposure in a given currency to that of another currency (e.g., to hedge Japanese Yen exposure back to the U.S. dollar). Any and all international Managers may enter into foreign exchange contracts on currency provided that: a) such contracts are one year or less, and b) use of such contracts is limited solely and exclusively to hedging currency exposure existing within the Manager's portfolio. There shall be no foreign currency speculation or any related investment activity, with the exception of currency hedging Managers who enter into currency hedging will be guided by specific risk parameters in their contracts.
- To adjust the duration of a bond portfolio in a manner that is consistent with the accepted approach of the Manager and other contract terms applicable to the Manager.
- To make portfolio adjustments that are consistent with other elements of the VPIC's investment policies and that do not systematically increase risk or expected volatility of the rate-of-return of the total portfolio.
- For trading purposes which are intended to enhance investment returns. This purpose is subject to the requirement that it be consistent with other elements of the VPIC's investment policies and that it does not systematically increase the risk or expected volatility of the rate of return of the total portfolio.

All other uses of derivatives are prohibited unless specifically approved by the VPIC. Managers are expected to have internal risk management programs in place to ensure that derivatives-based strategies do not result in inappropriate risks to the VPIC Portfolio. Separately managed funds include the following reporting requirements: a list of all derivative positions as of quarter-end; an assessment of how the derivative positions affect the risk exposures of the total portfolio; an explanation of any significant pricing discrepancies between the Manager and custodian bank; an explanation of any non-compliance. Commingled funds provide the VPIC with a quarterly list of derivative positions and assessment of the effect on the risk exposure of the portfolio.

For derivative securities, the Custodian Bank is required to obtain two independent prices, or to notify the VPIC that two independent prices are not available. Managers are required to reconcile the valuations of all derivative positions on a monthly basis with the Custodian Bank. Derivatives, which are futures contracts, are Commodity Futures Trading Commission approved and exchange traded. Options may either be exchange-traded or traded over the counter (OTC).

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2020, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (in thousands):

(Table on next page.)

	Changes in Fair Value		Fair Value at June 30, 2020			
	Classification	Amount	Classification	Amount	Notional	
Investment derivatives						
Swaps						
Interest rate swaps	Investment revenue	$ (1,249)	Investment	$ (1,249)	45,700	
Swaptions						
Interest rate swaptions	Investment revenue	3	Investment	3	(770)	
Currency forwards						
FX forwards	Investment revenue	1	Investment	-	(238)	Brazilian Real
	Investment revenue	(58)	Investment	-	(7,986)	Euro
	Investment revenue	-	Investment	-	4,215	Hong Kong Dollar
	Investment revenue	(6)	Investment	-	(269)	New Zealand Dollar
	Investment revenue	(23)	Investment	-	(8,588)	United Kingdom Pound

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the VPIC's credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included with trading account securities gains (losses) in the Statement of Changes in Fiduciary Net Position.

Options represent or give buyers the right, but not the obligation, to buy or sell an asset at a preset price over a specified period. The option's price is usually a small percentage of the underlying asset's value. As a writer of financial options, the VPIC receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, the VPIC pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

Swaps represent an agreement between two or more parties to exchange sequences of cash flows over a period in the future. At June 30, 2020, the VPIC had three different types of swap arrangements; interest rate swaps, inflation linked swaps, and credit default swaps. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate. The interest rate swaps allowed the VPIC to effectively convert long term variable interest investments into fixed interest rate investments. Credit default swaps are used to manage credit exposure without buying securities outright. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Fiduciary Net Position.

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rate on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net realized gains or losses on foreign currency related transactions in the Statement of Changes in Fiduciary Net Position. Only forward currency contracts defined as derivatives per GASB No. 53 are reported above; currency spot contracts are not included. Risk of loss arises from changes in currency exchange rates. At June 30, 2020, currency forward positions consisted of unrealized loss on pending foreign exchange sales of $86,415.

Counter-party creditworthiness, for non-exchange traded derivatives, shall be at a minimum of "A3" as defined by Moody's Investor Service, "A-" by Standard & Poor's, and "A-" by Fitch. The use of counterparties holding a split rating with one of the ratings below A3/A– is prohibited. The use of unrated counterparties is prohibited. Individual counter-party exposure, for non-exchange traded commodity derivatives, is limited to 50% of the notional amount of the VPIC Portfolio commodity derived exposure. An exception is allowed if the total commodity derivative exposure is less than $3 million. Any entity acting as counterparty must be regulated in either the United States or the United Kingdom. All other uses of derivatives are prohibited unless specifically approved by the VPIC. Managers are expected to have internal risk management programs in place to ensure

that derivatives-based strategies do not result in inappropriate risks to the VPIC portfolio. For fiscal year 2020 the majority of the derivatives are centrally cleared through an exchange, where the exchange guarantees the settlement of the contract. The following table shows the credit exposure per Moody's rating at June 30, 2020 for the derivatives subject to counterparty risk:

Moody's Rating	Market Value
A1……..	$ 3,297
Total……..	$ 3,297

In addition, Manager credit research teams are tasked with evaluating potential counterparties for their creditworthiness as counterparties, not relying on ratings agencies alone. Managers evaluate individual counterparties using various methods of credit analysis: company visits, reports, earnings updates and take into account other factors, including the broker's/dealer's reputation for sound management, the past experience of the Manager with the broker/dealer, market levels for its debt and equity, its quality of liquidity provided and its share of market participation. At June 30, 2020 risk concentrations are as shown in the following table:

Counterparty Name	Percentage of Net Exposure	Moody's Rating	S&P Rating	Fitch Rating
Goldman Sachs Bank USA…….	100.00%	A1	A+	A+

VPIC's Managers use master agreements and may receive additional protection through the collateralization requirements, which helps to mitigate a party's exposure to another party in the event of a default or termination event by requiring the pledging/posting of assets to the other party to secure any outstanding obligations under certain transactions. By regular, generally daily, movement of collateral on forward settling trades, VPIC's exposure to any particular counterparty can be reduced. Collateral movement threshold for securities under the master forward agreements typically ranges from $0 to $250,000 per account, depending on the particular counterparty. Managers require daily posting of collateral with many of our counterparties.

VPIC does not have a formal policy regarding master netting arrangements. As a general practice, Managers use industry standardized contracts, generally known as "master agreements" or "netting agreements," counterparty risk is reduced by providing parties to a transaction the ability to close out and net its total exposure to a counterparty in event of a default with respect to all transactions governed under that particular agreement. These agreements (International Swaps and Derivatives Association (ISDA) Master Agreement and Credit Support Annex, Master OTC Options Agreement, Master Securities Forward Transaction Agreement, Global/Master Repurchase Agreement) allow parties to a transaction to know their legal rights and obligations, in addition to an ability to net. Managers generally put master agreements in place on behalf of each account it manages and each separate counterparty legal entity with which it transacts. The maximum amount of loss VPIC would face in case of default of all counterparties as of June 30, 2020, consists of the aggregated fair value of OTC positions in the amount of $3,297.

Derivative instruments often contain credit-risk-related contingent features that could result in an immediate payment to the counterparty. For example, a material adverse change clause could provide the counterparty with the right to early terminate the derivative agreement. Alternatively, it could provide a basis for renegotiating the agreement if specific events occur, such as a downgrade of the entity's credit rating below investment grade. These provisions may include an obligation to post additional collateral in instances where the credit-risk contingent feature is triggered, or the counterparty is provided the right to terminate the agreement early.

The VPIC funds hold mortgage-backed securities including collateralized mortgage obligations (CMOs) at fair value. Mortgage-backed securities represent a direct interest in a pool of mortgage loans. CMOs are bonds that are collateralized by whole loan mortgages, mortgages pass-through securities, or stripped mortgage-backed securities. Income is derived from payments and pre-payments of principal and interest generated from collateral

mortgages. Cash flows are distributed to different investment tranches in accordance with the payment order established for the CMO instrument. Cash flows associated with these tranches may demonstrate varying degrees of sensitivity to interest rate fluctuations. A reduction in interest rates may cause some of the tranches to experience a reduction in fair value as prepayments reduce the interest payments, causing a decline in total cash flows. In a rising interest rate environment, an increase in interest payment and cash flows may cause an increase in fair value.

Risk is minimized through the purchase of high-quality instruments with limited default or prepayment risk. Agency fixed and floating rate pass-through, U.S. Treasury securities and cash equivalents can be held without limitation. Securities designed to provide more precisely targeted maturities (Sequential Collateralized Mortgage Obligations) and those that create tranches, or Planned Amortization Classes (PAC I and PAC II), with cash flows that are protected from prepayment changes within certain limits, may also be purchased without limitation. Policy restrictions and portfolio percentage limitations are established for the purchase of more interest rate sensitive instruments and certain interest rate and price stress tests are required.

Asset-backed securities are collateralized by a loan, lease, or receivable other than real estate. Payments are collected by a servicer though a “pass-through” arrangement. As monthly payments of principal and interest are made, the pass-through security holder is entitled to a pro rata portion of the payments received. Risk of pre-payment varies with the underlying assets. Risk is minimized through the purchase of high-quality instruments with limited default or prepayment risk.

C. Receivables

Accounts receivable at June 30, 2020 are summarized as follows:

	Enterprise Funds		Total Business-type
	Major	**Non-major**	**Activities**
Business-type activities			
Taxes			
Unemployment	$ 30,767,151	$ 3,085,609	$ 33,852,760
Allowance for uncollectibles	(8,091,142)	(1,462,978)	(9,554,120)
Taxes receivable, net	$ 22,676,009	$ 1,622,631	$ 24,298,640
Loans and notes receivable	$ -	$ 1,490,603	$ 1,490,603
	Current receivable		$ 491,657
	Non-current receivable		998,946
	Total loans and notes receivable, net		$ 1,490,603
Federal grants	$ 6,822,919	$ -	$ 6,822,919
Other			
Accrued interest and other receivables	$ 25,555,715	$ 11,412,672	$ 36,968,387
Allowance for uncollectibles	(101,358)	-	(101,358)
Other receivables, net	$ 25,454,357	$ 11,412,672	$ 36,867,029
	Current receivable		$ 36,867,029
	Non-current receivable		-
	Total other receivable, net		$ 36,867,029

continued on following page

	Governmental Funds		Internal	Total Governmental
	Major	Non-major	Service Funds	Activities
Governmental activities				
Taxes				
Personal and corporate income	$ 333,453,821	$ -	$ -	$ 333,453,821
Sales and use	88,256,953	-	-	88,256,953
Meals and rooms	41,282,890	-	-	41,282,890
Purchase and use	111,758	-	-	111,758
Motor Fuel	28,110	678	-	28,788
Other taxes	34,488,973	-	-	34,488,973
Subtotal	497,622,505	678	-	497,623,183
Allowance for uncollectibles	(142,074,468)	(1)	-	(142,074,469)
Taxes receivable, net	$ 355,548,037	$ 677	$ -	$ 355,548,714
		Current receivable		$ 234,378,565
		Non-current receivable		121,170,149
		Total taxes receivable, net		$ 355,548,714
Loans and notes				
Loans and notes receivable	$ 284,032,870	$ -	$ 4,059,042	$ 288,091,912
Allowance for uncollectibles	(842,326)	-	-	(842,326)
Loans and notes receivable, net	$ 283,190,544	$ -	$ 4,059,042	$ 287,249,586
		Current receivable		$ 29,801,850
		Non-current receivable		257,447,736
		Total loans and notes receivable, net		$ 287,249,586

	Governmental Funds		Internal	Total Governmental
	Major	Non-major	Service Funds	Activities
Federal grants				
Human services	$ 163,552,168	$ -	$ -	$ 163,552,168
General education	33,910,045	-	-	33,910,045
Transportation	35,060,471	-	-	35,060,471
Other	35,195,536	-	-	35,195,536
Federal grants	$ 267,718,220	$ -	$ -	$ 267,718,220
Other				
Accrued interest and other receivables	$ 131,469,722	$ 56,790	$ 25,035,990	$ 156,562,502
Allowance for uncollectibles	(47,235,606)	(5,219)	(296,791)	(47,537,616)
Other receivables, net	$ 84,234,116	$ 51,571	$ 24,739,199	109,024,886
Interfund loans receivable and due from other funds from Fiduciary Funds				7,222
Less Internal Service Funds' receivables from Governmental Funds				(9,040,058)
Other receivables, net				$ 99,992,050
		Current receivable		$ 57,256,459
		Non-current receivable		42,735,591
		Total other receivable, net		$ 99,992,050

D. Interfund Balances

1. Due From/To Other Funds

Due from/to other funds represents amounts owed to one State fund by another, for goods sold, services received or reimbursement of costs. The balances of due from/to other funds at June 30, 2020, are as follows:

	Due to Other Funds			
	Governmental Funds			
Due From Other Funds	General Fund	Transportation Fund	Education Fund	Special Fund
General Fund	$ -	$ 5,008	$ -	$ 71,387
Transportation Fund	4,133	-	-	4,504
Special Fund	595,485	445,042	-	-
Federal Revenue Fund	251,594	-	-	1,352,288
Global Commitment Fund	66,823,523	-	-	764,334
Liquor Control Fund	-	-	-	64,652
Internal Service Funds	3,214,410	6,537,816	33,000	5,483,192
Fiduciary Funds	-	-	-	4,000
Total	$ 70,889,145	$ 6,987,866	$ 33,000	$ 7,744,357

continued below

	Due to Other Funds				
	Governmental Funds			Proprietary Funds	
Due From Other Funds	Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Internal Service Funds	Unemployment Compensation Trust Fund
General Fund	$ 1,755,439	$ 1,889,198	$ 726	$ 50,719	$ -
Transportation Fund	190	-	240	14,006	-
Special Fund	2,153,029	156,468	969,010	166,468	-
Federal Revenue Fund	-	-	82,809	478,081	-
Global Commitment Fund	10,890	-	-	-	-
Non-major Enterprise Funds	-	-	-	-	84,302
Internal Service Funds	9,111,649	92,621	15,917	-	-
Total	$ 13,031,197	$ 2,138,287	$ 1,068,702	$ 709,274	$ 84,302

continued on following page

continued from previous page

	Due to Other Funds				
	Proprietary Funds				
Due From Other Funds	**Liquor Control Fund**	**State Lottery Fund**	**Non-major Enterprise Funds**	**Fiduciary Funds**	**Total**
General Fund	$ -	$ -	$ -	$ -	$ 3,772,477
Transportation Fund	-	-	-	6	23,079
Education Fund	-	391,754	-	-	391,754
Special Fund	1,118	-	469,689	-	4,956,309
Federal Revenue Fund	-	-	-	-	2,164,772
Global Commitment Fund	-	-	-	-	67,598,747
Liquor Control Fund	-	-	-	-	64,652
Non-major Enterprise Funds	-	-	-	-	84,302
Internal Service Funds	857,781	13,949	-	482	25,360,817
Fiduciary Funds	-	-	-	-	4,000
Total	$ 858,899	$ 405,703	$ 469,689	$ 488	$ 104,420,909

2. Advances To/From Other Funds

The General Fund has made cash advances to certain proprietary funds for imprest petty cash disbursements needs. The General Fund advances to other funds at June 30, 2020, are summarized below:

Proprietary Funds	
State Lottery Fund	$ 300,000
Liquor Control Fund	75
Total	$ 300,075

3. Interfund Receivables/Payables

The primary government cash in most funds is pooled in the State Treasurer's accounts. When a fund has a deficit cash balance, this amount is reclassified to a liability account - interfund payable. The Transportation Fund reports the corresponding interfund receivable for the cash borrowed from the Highway Garage (Internal Service) Fund. The General Fund reports the corresponding interfund receivable for the cash borrowed from the rest of the pool. The Federal Revenue Fund reports an interfund receivable for cash provided to the General Fund during fiscal year 2020. It is expected that certain amounts due the General Fund and Transportation Fund from the Internal Service Funds will not be repaid within one year. It is expected that these interfund payable amounts will be reduced in future years through changes to billing rates and management of operations. The amount due to the Federal Revenue Fund is expected to be repaid within one year.

The interfund receivables/payables at June 30, 2020, are as follows:

(Table on next page.)

Interfund Payable	Interfund Receivable: General Fund	Transportation Fund	Federal Revenue Fund	Totals
Governmental Funds				
General Fund	$ -	$ -	$ 51,183,289	$ 51,183,289
Global Commitment Fund	10,800	-	-	10,800
Proprietary Funds				
Liquor Control Fund	1,451,051	-	-	1,451,051
Non-major Enterprise Funds	255,108	-	-	255,108
Internal Service Funds	61,945,758	5,077,613	-	67,023,371
Fiduciary Funds				
Agency Funds	6,734	-	-	6,734
Total	$ 63,669,451	$ 5,077,613	$ 51,183,289	$ 119,930,353

4. Inter - Primary Government/Component Unit Balances

Advances to component units consist of the amounts advanced under various agreements with the Vermont Economic Development Authority (VEDA) for specific programs. At June 30, 2020, the advances to component units reported in the General Fund ($5,500,000) are advances to Vermont Economic Development Authority. The advance funded a loan for a portion of a project to build a State office building. The terms of the agreement require the principal repayments on the loan be held by VEDA until the funds are requested by the State.

Due from component units/Due to primary government consist of the amounts owed to the primary government for programs administered by component units, in accordance with memoranda of understanding with State departments, and for the elimination of negative balances in the State Treasurer's pooled cash. Due from primary government/Due to component units consist of amounts appropriated from the primary government's funds to the component units that had not been disbursed by fiscal year end.

At June 30, 2020, these account balances are as follows:

	Vermont Housing & Conservation Board
Due from Component Units	
General Fund	$ 2,067,410
Due to Component Units	
General Fund	(412,500)
Non-major Governmental Funds	(4,064,476)
Total	$ (2,409,566)

5. Interfund Transfers

Transfers between funds occur when one fund collects revenues and transfers the assets to another for expenditure or when one fund provides working capital to another fund. All transfers are legally authorized by the Legislature through either statute or Appropriation Acts.

The Global Commitment Fund received transfers from the General and Special Funds for Medicaid related services provided under the Vermont Global Commitment to Health Medicaid waiver. The General Fund received transfers from the Liquor Control fund; the Federal Revenue Fund for Earned Federal Receipts and the Special Fund for transfer of Securities, Insurance and Captive Funds. The Non-major Governmental Funds received a transfer from General fund for debt service payments. The Special Fund received transfers from the General Fund for the Tobacco Settlement Fund, the Emergency Relief and Assistance Fund and the Connectivity Fund, from the Federal Revenue Fund for the earned income tax credit for the year, and from the Global Commitment Fund for special education school-based Medicaid services. The Education Fund received transfers from the State Lottery Fund to support the general State grant for local education, and the Special Fund for Medicaid services and educational financial systems.

Interfund transfers for the fiscal year ended June 30, 2020, are as follows:

(Table on next page.)

	Transfers Out			
	Governmental Funds			
Transfers in	**General Fund**	**Transportation Fund**	**Special Fund**	**Federal Revenue Fund**
General Fund	$ -	$ -	$ 50,338,418	$ 15,874,593
Education Fund	-	-	12,529,337	-
Special Fund	4,048,077	1,476,909	-	35,211,653
Federal Revenue Fund	111,039	-	-	-
Global Commitment Fund	526,851,015	-	45,479,642	-
Non-major Governmental Funds	76,413,324	3,492,846	22,300	1,069,511
Internal Service Funds	5,748,971	355,358	-	-
Total	$ 613,172,426	$ 5,325,113	$ 108,369,697	$ 52,155,757

continued below

	Transfers Out			
	Governmental Funds		Proprietary Funds	
Transfers in	**Global Commitment Funds**	**Non-major Governmental Funds**	**Liquor Control Fund**	**State Lottery Fund**
General Fund	$ -	$ -	$ 23,000,000	$ -
Education Fund	-	-	-	27,522,562
Special Fund	27,239,463	-	-	-
Federal Revenue Fund	-	5,736,748	-	-
Total	$ 27,239,463	$ 5,736,748	$ 23,000,000	$ 27,522,562

continued below

	Transfers Out	
	Proprietary Funds	
Transfers in	**Non-major Enterprise Funds**	**Total**
General Fund	$ 375,000	$ 89,588,011
Education Fund	-	40,051,899
Special Fund	754,283	68,730,385
Federal Revenue Fund	-	5,847,787
Global Commitment Fund	-	572,330,657
Non-major Governmental Funds	-	80,997,981
Internal Service Funds	-	6,104,329
Total	$ 1,129,283	$ 863,651,049

E. Capital Assets

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

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, not being depreciated					
Land, land use rights, and land improvements	$ 155,709,527	$ 5,342,948	$ -	$ -	$ 161,052,475
Construction in process	665,972,484	265,819,743	(252,869,647)	(3,351,599)	675,570,981
Works of art	136,003	-	-	-	136,003
Total capital assets, not being depreciated	821,818,014	271,162,691	(252,869,647)	(3,351,599)	836,759,459
Capital assets, being depreciated					
Buildings and improvements	740,984,478	13,791,752	(579,246)	-	754,196,984
Machinery and equipment	569,133,996	26,983,197	(10,559,913)	-	585,557,280
Infrastructure	2,786,264,868	229,359,867	(70,510,773)	-	2,945,113,962
Total capital assets, being depreciated	4,096,383,342	270,134,816	(81,649,932)	-	4,284,868,226
Less accumulated depreciation for					
Buildings and improvements	(300,037,930)	(23,662,427)	248,362	-	(323,451,995)
Machinery and equipment	(320,890,940)	(67,089,771)	10,018,709	-	(377,962,002)
Infrastructure	(1,213,988,880)	(117,222,015)	70,510,773	-	(1,260,700,122)
Total accumulated depreciation	(1,834,917,750)	(207,974,213)	80,777,844	-	(1,962,114,119)
Capital assets, being depreciated, net	2,261,465,592	62,160,603	(872,088)	-	2,322,754,107
Governmental activities capital assets, net	$ 3,083,283,606	$ 333,323,294	$ (253,741,735)	$ (3,351,599)	$ 3,159,513,566

Business-type Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, being depreciated					
Buildings and improvements	$ 59,935	$ -	$ -	$ -	$ 59,935
Machinery and equipment	5,715,440	281,921	(225,055)	-	5,772,306
Total capital assets, being depreciated	5,775,375	281,921	(225,055)	-	5,832,241
Less accumulated depreciation for					
Buildings and improvements	(59,935)	-	-	-	(59,935)
Machinery and equipment	(1,342,582)	(572,097)	213,195	-	(1,701,484)
Total accumulated depreciation	(1,402,517)	(572,097)	213,195	-	(1,761,419)
Capital assets, being depreciated, net	4,372,858	(290,176)	(11,860)	-	4,070,822
Business-type activities capital assets, net	$ 4,372,858	$ (290,176)	$ (11,860)	$ -	$ 4,070,822

Fiduciary Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, being depreciated					
Machinery and equipment	$ 8,452,417	$ 22,994	$ -	$ -	$ 8,475,411
Total capital assets, being depreciated	8,452,417	22,994	-	-	8,475,411
Less accumulated depreciation for					
Machinery and equipment	(5,168,268)	(705,172)	-	-	(5,873,440)
Total accumulated depreciation	(5,168,268)	(705,172)	-	-	(5,873,440)
Fiduciary activities capital assets, net	$ 3,284,149	$ (682,178)	$ -	$ -	$ 2,601,971

Current period depreciation expense was charged to functions of the Primary Government as follows:

Governmental Activities		Business-type Activities	
General Government	$ 27,610,176	Liquor Control Fund	$564,438
Protection to Persons and Property	9,075,013	State Lottery Fund	7,659
Human Services	39,135,790		
Labor	41,370	**Total**	$572,097
General Education	949,373		
Natural Resources	2,916,134		
Commerce & Community Development	268,000	**Fiduciary Activities**	
Transportation	116,502,351		
Depreciation on capital assets held by		Pension Trust Funds	$704,126
Internal Service Funds	11,476,006	Private Purpose Trust Fund	1,046
Total	$ 207,974,213	**Total**	$705,172

F. Deferred Outflows and Deferred Inflows

Deferred outflows and deferred inflows in the government-wide Statement of Net Position governmental activities consist of the unamortized balance of losses and gains related to refunding of debt. The difference between the reacquisition price (the amount placed in escrow to pay for advance refunding, and the principle amount remaining plus any call premium paid in a current refunding) and the net carrying amount of the old debt, is reported as a deferred outflow if a loss on refunding of debt and a deferred inflow if a gain on refunding of debt and recognized as a component of interest over the remaining life of the old debt or the life of the new debt, whichever is shorter.

The change in deferred outflows of resources for the loss on refunding of bonds payable is as follows:

	Deferred Outflows
Balance, July 1, 2019	$ 6,298,325
Current year amortization	(1,176,695)
Balance, June 30, 2020	$ 5,121,630

The change in deferred inflows of resources for the gain on refunding of bonds payable is as follows:

	Deferred Inflows
Balance, July 1, 2019	$ -
Deferred amount on new refundings	31,186
Current year amortization	(2,810)
Balance, June 30, 2020	$ 28,376

Additional information regarding governmental and business-type activities' deferred outflows of resources and deferred inflows of resources related to pension and OPEB liabilities can be found in Note IV. G. 4.

Deferred inflows in the governmental funds Balance Sheet consist of unavailable amounts related to revenue recognition. Revenues and other governmental fund financial resources are recognized in the accounting period in which they become both available and measurable. When an asset is recorded in governmental fund financial statements, but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

G. Long-term Liabilities

1. General Obligation & Special Obligation Bonds Payable

General obligation bonds payable have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correctional facilities, environmental conservation purposes, maintenance and construction of highways, assistance to municipalities for construction of water and sewage systems, and local schools.

Once authorized by the Legislature, the State Treasurer, with the approval of the Governor, may issue general obligation bonds. The bonds are to be payable in substantially equal or diminishing amounts, the first such payment to be payable not later than five years after the date of the bonds, and the last such payment to be made no later than twenty years after the date of the bonds.

Special obligation transportation infrastructure bonds are limited obligations of the State of Vermont payable from and secured solely by a pledge of funds held in trust by the Peoples United Bank in accordance with the terms of a Trust Agreement. Funding sources for the pledged funds are funds to be received from the Motor Fuel Infrastructure Assessments as authorized by Act 50 of the 2009 legislative session. The proceeds from this issue are expected to be expended for transportation infrastructure purposes, namely the rehabilitation or replacement of State bridges, and construction of roadway capacity projects.

The changes in bonds principal payable for fiscal year 2020 are summarized in the following schedule:

(Table on next page.)

	General Obligation Bonds	Special Obligation Bonds	Total Obligation Bonds
Balance, July 1, 2019	$ 584,050,000	$ 25,115,000	$ 609,165,000
Additions:			
Issuances	127,780,000	-	127,780,000
Total	127,780,000	-	127,780,000
Deductions:			
Redemptions	(54,460,000)	(1,675,000)	(56,135,000)
Defeasance	(44,375,000)	-	(44,375,000)
Total	(98,835,000)	(1,675,000)	(100,510,000)
Balance, June 30, 2020	$ 612,995,000	$ 23,440,000	$ 636,435,000

General obligation and special obligation transportation infrastructure bonds outstanding at June 30, 2020, are shown on the following page:

General Obligation and Special Obligation Transportation Infrastructure Bonds Outstanding at June 30, 2020

Date Issued	Date Series Matures	Interest Rates %	Amount of Original Issue	Maturity Value Sources of Payments: General Fund	Maturity Value Sources of Payments: Transportation Fund	Maturity Value of Bonds Outstanding Total
General Obligation Current Interest Bonds:						
10/26/2010	8/15/2030	1.45 to 4.7	$ 46,250,000	$ 38,750,000	$ -	$ 38,750,000
11/30/2010	8/15/2020	1.5 to 5.0	25,000,000	2,500,000	-	2,500,000
3/21/2012	8/15/2022	0.6 to 3.0	25,000,000	6,650,000	-	6,650,000
3/21/2012	8/15/2030	3.0 to 3.5	28,000,000	28,000,000	-	28,000,000
3/21/2012	8/15/2025	0.6 to 5.0	69,060,000	35,966,540	473,460	36,440,000
10/11/2012	8/15/2024	2.0 to 5.0	26,765,000	12,165,000	-	12,165,000
10/11/2012	8/15/2032	2.0 to 5.0	66,420,000	48,400,000	-	48,400,000
11/14/2013	8/15/2028	2.0 to 5.0	25,000,000	8,585,000	-	8,585,000
11/14/2013	8/15/2033	2.0 to 5.0	42,810,000	38,875,000	-	38,875,000
11/14/2013	8/15/2024	3.0 to 5.0	18,935,000	3,945,000	-	3,945,000
12/9/2014	8/15/2029	0.14 to 5.0	20,310,000	11,645,000	-	11,645,000
12/9/2014	8/15/2034	5	53,245,000	43,510,000	-	43,510,000
12/9/2014	8/15/2027	3.0 to 5.0	36,205,000	19,910,000	-	19,910,000
10/22/2015	8/15/2030	2.0 to 5.0	28,515,000	21,525,000	-	21,525,000
10/22/2015	8/15/2035	2.625 to 5.0	61,345,000	50,355,000	-	50,355,000
10/22/2015	8/15/2028	2.0 to 4.0	25,720,000	20,550,000	2,340,000	22,890,000
9/13/2017	8/15/2037	2.0 to 5.0	34,700,000	29,335,000	-	29,335,000
9/13/2017	8/15/2037	2.25 to 5.0	71,395,000	66,150,000	-	66,150,000
8/15/2019	2/15/2039	3.0 to 5.0	88,255,000	83,840,000	-	83,840,000
8/15/2019	8/15/2029	2.0 to 5.0	39,525,000	39,525,000	-	39,525,000
Total General Obligation Current Interest Bonds				**610,181,540**	**2,813,460**	**612,995,000**
Special Obligation Transportation Infrastructure Bonds:						
8/3/2010	6/15/2030	2.0 to 4.0	14,400,000	-	8,200,000	8,200,000
8/9/2012	6/15/2032	2.0 to 3.0	10,820,000	-	7,060,000	7,060,000
8/8/2013	6/15/2033	3.0 to 4.25	11,165,000	-	8,180,000	8,180,000
Total Special Obligation Transportation Bonds				-	23,440,000	23,440,000
Total General Obligation and Special Obligation Bonds				**$ 610,181,540**	**$ 26,253,460**	**$ 636,435,000**

At June 30, 2020, there remains $132,613,895 of authorized but unissued general obligation bonds.

Future general and special obligation debt service requirements at June 30, 2020 are as follows:

Fiscal	General Obligation Current Interest Bonds		Special Obligation Current Interest Bonds		
Year	Principal	Interest	Principal	Interest	Total
2021	$ 54,095,000	$ 22,779,651	$ 1,730,000	$ 772,613	$ 79,377,264
2022	51,225,000	20,712,994	1,785,000	720,863	74,443,857
2023	49,370,000	18,719,538	1,835,000	667,363	70,591,901
2024	46,860,000	16,755,506	1,885,000	617,713	66,118,219
2025	46,815,000	14,823,850	1,945,000	561,275	64,145,125
2026-2030	202,765,000	48,001,513	10,680,000	1,819,975	263,266,488
2031-2035	123,825,000	16,190,713	3,580,000	250,273	143,845,986
2036-2040	38,040,000	2,198,696	-	-	40,238,696
Totals	$ 612,995,000	$ 160,182,461	$ 23,440,000	$ 5,410,075	$ 802,027,536

2. Bond Refundings

During the 2020 fiscal year, the State issued general obligation refunding bonds 2019 Series B in the amount of $39,525,000 to be used solely to refund portions of the State's general obligation bonds. Through a current refunding, $36,000,000 outstanding principal of the 2010 Series A-2 - General Obligation Bonds (Federally Taxable – Build America Bonds), $6,135,000 outstanding principal of the 2010 Series C-1 - General Obligation Refunding Bonds and $2,240,000 outstanding principal of the 2010 Series C-2 – General Obligation Refunding Bonds, for a total of $44,375,000 were called and refunded on September 16, 2019, and the liabilities have been removed from the State's financial statements. The net carrying value of the refunded debt was $44,406,186.

Total proceeds inclusive of premium for the 2019 Series B is $44,804,530; $322,571 was paid in refunding bond issuance costs, and $44,375,000 was paid to the bond escrow agent to call and refund the bonds. Accrued interest of $174,663 was paid on the refunded bonds at the time they were called and refunded.

The State has taken advantage of lower interest rates; and has decreased its aggregate debt service payments by $3,745,595 over the eleven years ending August 2029. The economic gain (the present value of the debt service savings) for the State through this transaction is $3,454,082 using a discount rate of 1.5235397%.

3. Lease Commitments

A. Operating Leases

The State is committed under various operating leases covering real property (land and buildings) and equipment. Although lease terms vary, certain leases continue subject to appropriation by the General Assembly. If continuation is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting purposes. It should also be noted that the State is currently negotiating a small number of operating leases on which rent is being paid on a month-by-month basis and for which there is no signed agreement. These leases have not been included in the following table.

Total lease payments paid by the primary government in fiscal year 2020 was $15,255,604 for operating leases of which $15,032,735 was paid for property leases, $188,915 for equipment leases, $26,783 for non-cancellable land leases and $7,171 for cancellable land rentals.

The following is a summary of the estimated future minimum rental commitments under operating leases for real property and equipment at June 30, 2020:

	Primary Government		
Fiscal Year	Non-Cancelable Leases	Cancelable Leases	Total
2021	$ 13,990,168	$ 5,171	$ 13,995,339
2022	12,650,433	1,946	12,652,379
2023	10,898,619	1,630	10,900,249
2024	9,079,216	1,630	9,080,846
2025	6,316,886	1,630	6,318,516
2026 - 2030	22,587,099	6,500	22,593,599
2031 - 2035	3,351,441	5,400	3,356,841
2036 - 2040	450	2,160	2,610
Totals	$ 78,874,312	$ 26,067	$ 78,900,379

B. Capital Leases

As of June 30, 2020, the historical cost of the primary government's assets acquired through capital leases was $13,028,832 for buildings and improvements, less accumulated depreciation of $5,608,313 results in a net amount of $7,420,519 for primary government's assets acquired through capital leases.

The State Office Building Redevelopment Project in Downtown St. Albans commenced in 2013. Under this multi-part downtown redevelopment strategy, the Department of Buildings and General Services enter a building lease for the primary government. The lease payments paid by the primary government in fiscal 2020 was $835,079.

The future minimum lease obligation and the net present value of the minimum lease payments at June 30, 2020 are as follows:

(Table on next page.)

Fiscal Year	Primary Government
2021	$ 853,868
2022	873,080
2023	892,724
2024	912,810
2025	933,349
2026 - 2030	4,991,360
2031 - 2035	4,892,305
Total minimum lease payments	14,349,496
Less interest	(5,192,166)
Present value of minimum lease payments	$ 9,157,330

4. Retirement Plans and Other Postemployment Benefits

In accordance with State statutes, the State Treasurer and the individual retirement systems' Board of Trustees administer the State's three defined benefit pension plans and three defined contribution plans. In addition to providing pension benefits, the State also offers other postemployment medical insurance benefit plans to retirees of the Vermont State Retirement System and State Teachers' Retirement System. Disclosures relating to defined benefit pension plans are included in 4. A. below, those relating to defined contribution pension plans are included in 4. B. below, and those relating to other postemployment benefits (OPEB) are included in 4. C. below.

These systems are considered part of the State's reporting entity and are included in the accompanying financial statements as pension and other postemployment benefit trust funds in the fiduciary fund type. There are no separate stand-alone financial statements issued for these plans.

Summary of significant accounting policies – basis of accounting and valuation of investments
The financial statements for the pension and other postemployment benefit trust funds are prepared using the accrual basis of accounting. Plan members' contributions are recognized in the period in which the contributions are due. The employers' contributions are recognized when legally due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the pension and OPEB plans and additions to/deductions from the plans' net position have been determined on the same basis as they are reported by the pension and OPEB plans. All investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2020. Securities without an established market are reported at estimated fair value. Additional information on the plans' investments may be found in Note IV. B. - Investments.

The State annually establishes a state defined benefit retirement contribution rate. The fiscal year 2020 employer contribution rate was 21.40% of payroll and consists of the following two components: 14.82% for Vermont State Retirement System defined benefit pension plan (VSRS) and 6.58% for the Vermont State Postemployment Benefits Trust Fund defined benefit OPEB plan (VSPB). The rates reflect estimates to fund the VSRS actuarially determined contribution and the VSPB pay-as-you-go amounts. These amounts are estimates and may differ from the funding required to meet VSPB pay-as-you-go amounts. Currently, contributions in excess of VSPB pay-as-you-go amounts are deposited directly to VSRS. Contributions to VSRS and VSPB totaled $84.4 million and $38.6 million, respectively, for the fiscal year ended June 30, 2020.

A. Defined Benefit Retirement Plans

In order to provide the necessary disclosures that are required under the various GASB Statements, the disclosures below are separated into three sections. The first section (Disclosures about the Defined Benefit Retirement Plans) offers disclosures about the plans themselves - descriptions of the plans and who is covered; an analysis of the membership of the various groups of the various plans as of the end of the fiscal year; a discussion of benefits provided by each of the plans, and the financial statements of each of the three defined benefit plans.

The second section (Financial Reporting of Net Pension Liability and Pension Expense by the Employer as required by GASB Statement No. 68) provides funding information regarding the pension plans that are required by GASB Statement No. 68 - changes in net pension liability (NPL), balances of deferred pension outflows of resources and deferred pension inflows of resources (including prospective schedules of amortization of the deferred outflows and inflows), and the calculation of pension expense for the year.

The third section (Net Pension Liability and Disclosures required by GASB Statement No. 67) provides the information that is required by GASB Statement No. 67 - the calculation of the net pension liability; the actuarial assumptions and census data that were used in calculating that NPL; the discount rate that was used in the calculations; and the sensitivity of the NPL to changes in the discount rate. The Statement of Plan Net Position and the Statement of Changes in Plan Net Position for the fiscal year ended June 30, 2020 are included at the end of this section.

1. Disclosures about the Defined Benefit Retirement Plans

This first section provides the disclosures about the defined benefit retirement plans required by GASB Statement No. 67, including the plan descriptions, benefits and membership at June 30, 2020.

Plan Descriptions

The Vermont State Retirement System (VSRS) (3 V.S.A. Chapter 16) is a single employer defined benefit pension plan which covers substantially all general State employees and State Police, except employees hired in a temporary capacity. Membership in the system is a condition of employment.

Management of the plan is vested in the VSRS Retirement Board, which consists of an appointee of the Governor; State Treasurer; Commissioner of Human Resources; Commissioner of Finance and Management; three members of the Vermont State Employees' Association who are active members of the system (each chosen by such association in accordance with its articles of association) and one retired state employee who is a beneficiary of the system (to be elected by the Vermont Retired State Employees' Association).

The Vermont State Teachers' Retirement System (STRS) (16 V.S.A. Chapter 55) is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State Board of Education. Membership in the system for those covered classes is a condition of employment. During the year ended June 30, 2020, the retirement system consisted of 134 participating employers.

Management of the plan is vested in the STRS Board of Trustees, which consists of the Secretary of Education (ex-officio); the State Treasurer (ex-officio); the Commissioner of Financial Regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the members of the system under rules adopted by the board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

The Vermont Municipal Employees' Retirement System (MERS) (24 V.S.A., Chapter 125) is a cost-sharing, multiple-employer defined benefit pension plan designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer who meets the minimum hourly requirement is required to join the system. During the year ended June 30, 2020, the retirement system consisted of 352 participating employers.

Management of the plan is vested in the MERS Retirement Board of Trustees, which consists of the State Treasurer; two employee representatives who at all times during their term of office are contributing members and have completed five years of creditable service (each elected by the membership of the system); one employer representative who shall at all times during their term of office be a member of the governing body, chief executive officer or supervisor of a participating employer (elected by the membership of the system) and one employer representative who shall at all times during their term of office be a member of the governing body, chief executive officer or supervisor of a participating employer (appointed by the Governor from candidates jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association).

Copies of each individual defined benefit retirement plan's annual actuarial valuation report, and information describing each defined benefit plan's provisions in greater detail, are available for inspection at the Retirement Division, Office of the State Treasurer, 109 State Street, Montpelier, Vermont 05609-6901.

Membership of the Vermont State Retirement System is made up of the following:

- General employees who did not join the non-contributory system on July 1, 1981 (Group A);
- State police, law enforcement positions, and airport firefighters (Group C);
- Judges (Group D); and
- Terminated vested members of the non-contributory system and all other general employees (Group F).

Membership of the State Teachers' Retirement System is made up of the following:

- General teachers who did not join the non-contributory system on July 1, 1981 (Group A); and
- Terminated vested members of the non-contributory system and all other general teachers (Group C).

Membership of the Vermont Municipal Employees' Retirement System is made up of the following:

- General employees whose legislative bodies have not elected to become a member of Group B or Group C (Group A);
- General employees whose legislative bodies have elected to become members of Group B or Group C (Group B & C); and
- Sworn police officers, firefighters and emergency medical personnel (Group D)

At June 30, 2020, the State Treasurer's Office reports the following membership of each of the defined benefit plans by status and group:

	Vermont State Retirement System	Vermont State Teachers Retirement System	Vermont Municipal Employees Retirement System
Total Active Members	8,539	9,996	7,987
Retirees and beneficiaries currently receiving benefits	7,424	9,843	3,693
Terminated employees entitled to benefits but not yet receiving them (vested)	768	887	927
Inactive members	1,482	2,710	2,941
Total Members	18,213	23,436	15,548

Contributions

Vermont State Retirement System. Title 3 VSA Chapter 16 of Vermont Statutes grant the authority to the retirement board to review annually the amount of state contribution recommended by the actuary of the retirement system as necessary to achieve and preserve the financial integrity of the fund, and submit this recommendation to the Governor and both houses of the Legislature. Employee contributions are established in Chapter 16. Contribution rates for the fiscal year ended June 30, 2020 for the various groups are as follows:

Vermont State Retirement System	Group A	Group C	Group D	Group F
Employee Contributions	6.65% of gross payroll	8.53% of gross payroll	6.65% of gross payroll	6.65% of gross payroll
Employer Contributions	14.82% of gross payroll	14.82% of gross payroll	14.82% of gross payroll	14.82% of gross payroll

State Teachers' Retirement System. Title 16 VSA Chapter 55 of Vermont Statutes grant the authority to the board of trustees of the system to annually review the amount of State contribution recommended by the actuary of the retirement system to achieve and preserve the financial integrity of the fund, and submit this recommendation to the Governor and both houses of the Legislature. The board of trustees also certifies the rates of contribution payable by employees. Contribution rates for the fiscal year ended June 30, 2020 for the various groups are as follows:

Vermont State Teachers Retirement System	Group A	Group C - Group #1	Group C - Group #2
Employee Contributions	5.50% of gross salary	5.00% of gross salary	5.00% of gross salary for members with at least 5 years of service as of 7/1/2014, and 6.00% of gross salary for members with less than 5 years of service as of 7/1/2014
Non-employer Contributions	Appropriation based on June 2018 actuarial recommendation of amount needed to fund benefits earned during the year (1.08% of projected payroll), plus amount needed to liquidate the accrued liability over the remaining amortization period ($119,080,624).		

Vermont Municipal Employees Retirement System. Title 24 VSA Chapter 125 of Vermont Statutes grant the authority to the retirement board to annually review the amount of municipalities contribution recommended by the actuary of the retirement system to achieve and preserve the financial integrity of the fund, and certify the rates of contributions payable by employers. The board of trustees also certifies the rates of contribution payable by employees. Contribution rates for the fiscal year ended June 30, 2020, for the various groups are as follows:

Vermont Municipal Employees Retirement System	Group A	Group B	Group C	Group D
Employee Contributions	2.750% of gross salary	5.125% of gross salary	10.250% of gross salary	11.600% of gross salary
Employer Contributions	4.250% of gross salary	5.750% of gross salary	7.500% of gross salary	10.100% of gross salary

Benefits provided

Benefit terms are established or amended in accordance with 3 V.S.A. Chapter 16 for the Vermont State Retirement System, in accordance with 16 V.S.A. Chapter 55 for the Vermont State Teachers Retirement System, and in accordance with 24 V.S.A Chapter 125 for the Vermont Municipal Employees Retirement System.

Details of the pension benefits provided by each of the retirement plans are included on the next 3 pages:

(Notes continue on next page.)

Vermont State Retirement System	Group A	Group C	Group D	Group F *Hired Before 7/1/08*	Group F *Hired On or After 7/1/08*
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave payoff	Highest 2 consecutive years, including unused annual leave payoff	Final salary at retirement	Highest 3 consecutive years, excluding unused annual leave payoff	Same
Benefit Formula	1.67% X AFC x creditable service	2.5% X AFC x creditable service up to 20 years	3.33% X AFC x creditable service (after 12 years in Group D)	1.25% X AFC x service prior to 12/31/90 + 1.67% X AFC x service after 1/1/91	Same
Maximum Benefit Payable	100% of AFC	50% of AFC	100% of Final Salary	50% of AFC	60% of AFC
Normal Retirement (no reduction)	Age 65 with 5 years of service or 62 with 20 years of service	Age 55 (mandatory) with 5 years of service	Age 62 with 5 years of service	Age 62 or with 30 years of service	Age 65 or a combination of age & service credit that equals 87
Early Retirement Eligibility	Age 55 with 5 years of service or 30 years of service (any age)	Age 50 with 20 years of service	Age 55 with 5 years of service or 30 years of service (any age)	Age 55 with 5 years of service	Same
Early Retirement Reduction	Actuarially reduced benefit if under 30 years of service	No reduction	3% per year from age 62	No reduction if 30 years of service; otherwise, 6% per year preceding age 62	No reduction if age 65 with 5 years of service, or if combination of age and service equal to 87; otherwise, monthly reduction preceding age 65 based on years of service: 35+ years - 1/8th of 1%; 30-34 years - 1/4th of 1%; 25-29 years - 1/3rd of 1%; 20-24 years - 5/12th of 1%; less than 20 years - 5/9th of 1%
Post-Retirement COLA*	Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement	Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement	Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement	For members retiring on or after 07/01/2008, 100% of a fiscal year CPI increase. For members who retired before 07/01/2008, 50% of a fiscal year CPI increase. Annual COLA adjustments have a minimum of 1% and maximum of 5%	Annual COLA adjustments are 100% of a fiscal year CPI increase, with a minimum of 1% and maximum of 5%
Disability Benefit	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC, with children's benefit of 10% of AFC to maximum of three concurrently	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC	Same
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	70% of accrued benefit with no actuarial reduction applied, plus children's benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Same

* Note: Annual post-retirement Cost of Living Adjustment (COLA) applies beginning the first January after receiving at least 12 pension payments and reaching normal retirement age.

(Notes continue on next page.)

Vermont State Teachers Retirement System	Group A	Group C - Group #1 *	Group C - Group #2 ++
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Benefit Formula	1.67% X creditable service X AFC	1.25% X service prior to 6/30/90 X AFC + 1.67% X service after 7/1/90 X AFC	1.25% X service prior to 6/30/90 X AFC + 1.67% X service after 7/1/90 X AFC, 2% X AFC after attaining 20.0 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Normal Retirement (no reduction)	Age 60 or with 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service credit equals 90
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction
Post-Retirement COLA	Full CPI, up to a maximum of 5%, after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5% minimum of 1% after 12 months of normal retirement or age 65
Disability Benefit	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefit up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently

* Group #1 are members who were within 5 years of normal retirement (age 62 or 30 years of service) on June 30, 2010.

++ Group #2 members who were under 57 years of age or had less than 25 years of service on June 30, 2010.

(Notes continue on next page.)

Vermont Municipal Employees Retirement System	Group A	Group B	Group C	Group D
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Benefit Formula	1.4% X creditable service X AFC	1.7% X creditable service X AFC + previous service:1.4% X Group A X AFC	2.5% X creditable service X AFC + previous service:1.4% X Group A X AFC; 1.7% X Group B X AFC	2.5% X creditable service X AFC + previous service:1.4% X Group A X AFC; 1.7% X Group B X AFC; 2.5% X Group C X AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Normal Retirement (no reduction)	Age 65 with 5 years of service or 55 with 35 years of service	Age 62 with 5 years of service or 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 65 **	6% per year from age 62 **	N/A	No reduction
Post-Retirement COLA	50 % of CPI, up to 2% per year	50 % of CPI, up to 3% per year	50 % of CPI, up to 3% per year	50 % of CPI, up to 3% per year
Disability Benefit	Unreduced, accrued benefit	Unreduced, accrued benefit	Unreduced, accrued benefit	Unreduced, accrued benefit plus children's benefit representing 10% of AFC to maximum of three concurrently
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied	70% of accrued benefit with no actuarial reduction applied, plus children's benefit

** A special early retirement factor of 3% per year only for municipal police officers who have attained age 60.

2. Employer Reporting of Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension Plans as required by GASB Statement No. 68

This section includes the information that is required to be reported by employers per GASB Statement No. 68. It reports information regarding the calculation of the State's net pension liability, including changes during the measurement period in both total pension liability and plan net position; balances in the various components of deferred pension outflows of resources and deferred pension inflows of resources and the amounts to be recognized in pension expense in future periods; and the calculation of pension expense. In addition to presenting the NPL, this section also includes information on the actuarial assumptions and census data used in the valuation, the discount rate that was used to calculate the NPL, and disclosures as to the sensitivity of the NPL to changes in the discount rate.

The State is responsible for 98.3137% of the VSRS net pension liability. The Vermont Veterans' Home (a discrete component unit) is responsible for 1.6863% of the VSRS net pension liability. The State is responsible for 100% of the STRS net pension liability as a non-employer contributing entity. The information is presented in this section is for those two plans. The State does not participate in the MERS plan, so no employer information is presented for that plan.

Reporting Date, Measurement Date, and Valuation Date (Employer Reporting)

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the State's reporting date (June 30, 2020) and for the State's reporting period (the year ended June 30, 2020). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2020, the State has chosen to use the end of the prior fiscal year (June 30, 2019) as the measurement date, and the year ended June 30, 2019 as the measurement period.

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2018, to the measurement date of June 30, 2019. There were no material changes in assumptions or benefit terms that occurred between the actuarial valuation date and the measurement date.

Net Pension Liabilities (Employer Reporting)

The net pension liability (NPL) is measured as the portion of the actuarial present value of projected benefit payments that is attributable to past periods of employee service, net of the pension plan's fiduciary net position. The changes in the components for the measurement period are as follows (amounts are in thousands):

	Vermont State Retirement System			State Teachers' Retirement System		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a-b)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances - June 30, 2018	$ 2,608,559	$ 1,841,500	$ 767,059	$ 3,343,078	$ 1,832,373	$ 1,510,705
Changes for the year:						
Service cost	51,946	-	51,946	39,766	-	39,766
Interest	194,126	-	194,126	246,468	-	246,468
Difference between expected and actual experience	40,476	-	40,476	28,998	-	28,998
Contributions - employer	-	66,618	(66,618)	-	-	-
Contributions - non-employer	-	-	-	-	113,748	(113,748)
Contributions - employee	-	40,818	(40,818)	-	39,075	(39,075)
Net investment income	-	106,777	(106,777)	-	109,429	(109,429)
Benefit payments, including refunds of contributions	(144,297)	(144,297)	-	(193,197)	(193,197)	-
Administrative expenses	-	(2,246)	2,246	-	(2,715)	2,715
Other changes	-	299	(299)	-	5,775	(5,775)
Net changes	142,251	67,969	74,282	122,035	72,115	49,920
Balances - June 30, 2019	$ 2,750,810	$ 1,909,469	$ 841,341	$ 3,465,113	$ 1,904,488	$ 1,560,625
Fiduciary net position as a percentage of total pension liability			69.41%			54.96%

Proportionate Share of Net Pension Liability

	VSRS			
		Proportionate Share		
	Amount	2019	2018	Change
Governmental activities	$ 821,709	97.6666%	97.4913%	0.1753%
Business type activities	5,444	0.6471%	0.7274%	-0.0803%
Discrete component unit	14,188	1.6863%	1.7813%	-0.0950%
Total net pension liability	$ 841,341	100.0000%	100.0000%	

Additional information regarding the changes in the net pension liability for the year ended June 30, 2020 can be found in the Required Supplementary information immediately following these notes to the financial statements.

Deferred Pension Outflows of Resources and Deferred Pension Inflows of Resources (Employer Reporting)

Most changes in the net pension liability are included in pension expense during the year of change. Changes resulting from current-period service cost, interest on the total pension liability, and changes in benefit terms are required to be included in pension expense immediately. Similarly, projected earnings on the pension plan's investments are also required to be included in the determination of pension expense immediately.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods, depending on the nature of the change.

The effect on the net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. This treatment arises from the concept that these changes result from the use of estimates, where probabilities of events range from 0 to 100 percent, while actual events either occur or do not occur. Therefore, differences between some estimates and actual experience will occur with every measurement that incorporates future events.

The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning with the current period. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. This treatment arises from the concept that pensions arise from an exchange between employer and employee of salaries and benefits for employee service each period and that these transactions and related pension measurements are viewed in the context of ongoing, career-long employment relationships.

Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources, and will be recognized as a reduction of the net pension liability at June 30, 2021. As of June 30, 2020, the State reported the following deferred pension outflows of resources and deferred pension inflows of resources (amounts are in thousands):

(Table on next page.)

	Vermont State Retirement System			
	Primary Government		Discrete Component Units	
Source	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 106,076	$ -	$ 1,819	$ -
Changes of assumptions	31,202	7,162	535	123
Net differences between projected and actual earnings on plan investments	31,699	-	545	-
Change in proportion and the effect of certain employer contributions on the employer's net pension liability	1,131	968	423	586
Employer contributions made subsequent to the measurement date	83,016	-	1,414	-
Total	$ 253,124	$ 8,130	$ 4,736	$ 709

	State Teachers' Retirement System	
	Primary Government	
Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 54,613	$ -
Changes of assumptions	46,462	16,478
Net differences between projected and actual earnings on plan investments	26,759	-
Employer contributions made subsequent to the measurement date	120,247	-
Total	$ 248,081	$ 16,478

	Primary Government	
	Total	
Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 160,689	$ -
Changes of assumptions	77,664	23,640
Net differences between projected and actual earnings on plan investments	58,458	-
Change in proportion and the effect of certain employer contributions on the employer's net pension liability	1,131	968
Employer contributions made subsequent to the measurement date	203,263	-
Total	$ 501,205	$ 24,608

The amounts reported as deferred pension outflows of resources resulting from employer contributions made subsequent to the measurement date (VSRS - $83.016 million Primary Government and $1.414 million Component Units; and STRS - $120.247 million Primary Government), will be recognized as a reduction of the net pension liability at June 30, 2021. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in pension expense as follows (amounts are in thousands):

	State Teachers' Retirement System	Vermont State Retirement System	Total	Vermont State Retirement System
Year Ended June 30	Primary Government	Primary Government	Primary Government	Discrete Component Units
2021	$ 82,118	$ 62,029	$ 144,147	$ 1,002
2022	10,622	29,509	40,131	500
2023	13,296	37,531	50,827	674
2024	5,320	26,185	31,505	415
2025	-	6,724	6,724	22
Total	$ 111,356	$ 161,978	$ 273,334	$ 2,613

Pension Expense (Employer Reporting)

As discussed above, most changes in the net pension liability are included in pension expense in the year of change, including changes resulting from current-period service cost, interest on the total pension liability, changes in benefit terms, and projected earnings on the pension plan's investments. Other changes in net pension liability are recorded as deferred pension outflows of resources and deferred pension inflows of resources, and included in pension expense on a systematic and rational manner over current and future periods.

Pension expense for the year ended June 30, 2020, is as follows (amounts are in thousands):

(Table on next page.)

	State Teachers' Retirement System Primary Government	Vermont State Retirement System Primary Government	Total Primary Government	Vermont State Retirement System Discrete Component Units
Service cost	$ 39,766	$ 51,071	$ 90,837	$ 875
Interest on total pension liability	246,468	190,854	437,322	3,273
Employee contributions	(39,075)	(40,130)	(79,205)	(688)
Plan administrative costs	2,715	2,208	4,923	38
Other changes	(5,775)	(294)	(6,069)	(5)
Projected earnings on plan investments	(136,029)	(134,353)	(270,382)	(2,305)
Recognition (amortization) of deferred pension outflows of resources:				
Difference between expected and actual experience	7,249	6,632	13,881	114
Net difference between projected and actual investment earnings	5,320	5,875	11,195	101
Recognition of deferred outflows from prior periods	107,292	80,432	187,724	1,380
Changes in proportional share of contributions	-	415	415	122
Recognition (amortization) of deferred pension inflows of resources:				
Recognition of deferred inflows from prior periods	(10,045)	(3,581)	(13,626)	(61)
Changes in proportional share of contributions	-	(283)	(283)	(254)
Total Pension Expense	$ 217,886	$ 158,846	$ 376,732	$ 2,590

Actuarial Methods and Assumptions (Employer Reporting)

Methods and assumptions used to determine pension expense and the total pension liability are based on a valuation date of June 30, 2018 for VSRS and STRS.

(Table on next page.)

	VSRS	STRS
Valuation date	6/30/2018*	6/30/2018*
Inflation assumptions	2.50%	2.50%
Investment rate of return	7.50%	7.50%
Projected salary increases	3.50% - 7.04%	3.75% - 9.09%
Cost of living adjustments	Groups A, C & D: 2.55%; Group F: 1.4% and Group F retiring after 7/1/08: 2.55%	Group A: 2.55%; Group C: 1.4%
Post Retirement Adjustments Allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated	Groups A, C, D - 5%	Group A - 5%
Allowances in payment for at least one year increased on January 1 by one-half of the percentage increase in the CPI but not in excess of percentage indicated	Group F - 5%	Group C - 5%
Assumed annual rate of cost-of-living increases	For those eligible for increases of 100% of CPI change - 2.55%	For those eligible for increases of 100% of CPI change - 2.55%
	For those eligible for increases of 50% of CPI change - 1.4%	For those eligible for increases of 50% of CPI change - 1.4%
Census Data for 2018 Valuation Retired members or beneficiaries currently receiving benefits	6,974	9,269
Inactive members	1,267	2,613
Active members	8,530	9,892
Terminated vested members	753	787
Total membership	17,524	22,561
*Valuation date is rolled forward to the measurement date of June 30, 2019 using standard actuarial techniques		

Mortality rates are based as follows for the various retirement systems:

Vermont State Retirement System

- *Pre-retirement Mortality*: Groups A and F were based on 101% of RP-2006 blended 30% Blue Collar Employee, 70% Healthy Employee with generational projection using Scale SSA-2017. Mortality rates for active employees in Group C were based on RP-2006 Blue Collar Employee with generational projection using Scale SSA-2017. Mortality rates for active employees in Group D were based on RP-2006 Healthy Employee with generational projection using Scale SSA-2017.

- *Post-retirement Mortality*: Groups A and F were based on 101% of RP-2006 blended 30% Blue Collar Annuitant, 70% Healthy Annuitant with generational projection using Scale SSA-2017. Mortality rates for retirees and beneficiaries in Group C were based on RP-2006 Blue Collar Annuitant with generational projection using Scale SSA-2017. Mortality rates for retirees and beneficiaries in Group D were based on RP-2006 Healthy Annuitant with generational projection using Scale SSA-2017.

- *Disabled Mortality:* Groups A, C, D, and F were based on RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017.

Vermont State Teachers' Retirement System

- *Pre-retirement Mortality*: All Groups were based on 98% of RP-2006 White Collar Employee with generational projection using Scale SSA-2017.

- *Post-retirement Mortality*: All Groups were based on 98% of RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017.

- *Disabled Mortality:* All Groups were based on the RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2014. Actuarial valuations attempt to estimate costs associated with the pension system based on a number of demographic, economic, and retirement experience assumptions. To the extent assumptions are at variance to experience, this can result in actuarial gains and losses ultimately impacting contribution rates and the development of the actuarially required contribution. Experience studies are required by statute to be conducted every five years to review actual experience in comparison to these assumptions and to provide recommended changes to assumptions.

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 measurement date are summarized in the following table:

Asset Class	Asset Allocation	Real Rate of Return
Global Equity	29.00%	6.90%
US Equity – Large Cap	4.00%	5.94%
US Equity – Small/Mid Cap	3.00%	6.72%
Non-US Equity – Large Cap	5.00%	6.81%
Non-US Equity – Small Cap	2.00%	7.31%
Emerging Markets Debt	4.00%	4.26%
Core Bond	14.00%	1.79%
Non-Core Bonds	6.00%	3.22%
Short Quality Credit	5.00%	1.81%
Private Credit	5.00%	6.00%
US TIPS	3.00%	1.45%
Core Real Estate	5.00%	4.26%
Non-Core Real Estate	3.00%	5.76%
Private Equity	10.00%	10.81%
Infrastructure/Farmland	2.00%	4.89%
Total	100.00%	

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 2.5%.

Discount Rate (Employer Reporting)

The discount rate used to measure the total pension liability as of June 30, 2019 measurement date was 7.50% for the VSRS and STRS. The discount rate used for the prior year was 7.50% for the VSRS and STRS. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 68.

The annual money-weighted rate of return on pension plan investments calculated as the internal rate of return on pension plan investments, net of pension plan investment expenses for the year ended June 30, 2019 measurement date was 5.90% for VSRS, and 6.10% for STRS. Amounts for the prior year were 6.73%, and 6.99% respectively. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Employer Reporting)

The following presents the net pension liability of the various retirement systems (at the June 30, 2019 measurement date), calculated using the discount rates determined above, as well as what the systems' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (amounts are in thousands):

	VSRS	STRS
One-percent decrease		
Discount rate	6.50%	6.50%
Net pension liability	$ 1,176,832	$ 1,938,120
Net pension liability, as reported		
Discount rate	7.50%	7.50%
Net pension liability	$ 841,341	$ 1,560,625
One-percent increase		
Discount rate	8.50%	8.50%
Net pension liability	$ 563,638	$ 1,242,124

Payable to the Defined Benefit Pension Plan (Employer Reporting)

At June 30, 2020, the State reported a payable of $7,970,031 for the outstanding amount of contributions to the VSRS pension plan required for the year ended June 30, 2020.

3. Net Pension Liability and Disclosures required by GASB Statement No. 67 (Plan Reporting)

This section includes the information that is required to be presented by GASB Statement No. 67, reporting on the financial statements for the defined benefit plans for the year ended June 30, 2020. Separate valuations were performed by the State's actuary to calculate the total pension liability in accordance with this standard for financial reporting by pension plans and calculates the net pension liability (NPL). The plans' valuations as of June 30, 2019 were rolled forward to the pension plans' fiscal year end of June 30, 2020. In addition to presenting the NPL, this section also includes information on the actuarial assumptions used in the valuation, the discount rate that was used to calculate the NPL, and disclosures as to the sensitivity of the NPL to changes in the discount rate.

Net Pension Liabilities (Plan Reporting)

The components of the net pension liabilities of the defined benefit retirement plans at June 30, 2020, are shown as follows with amounts in thousands:

	Vermont State Retirement System	Vermont State Teachers' Retirement System	Vermont Municipal Employees Retirement System
Total pension liability	$ 3,070,253	$ 3,902,618	$ 993,027
Fiduciary net position	(1,959,067)	(1,951,490)	(740,053)
Net pension liability	$ 1,111,186	$ 1,951,128	$ 252,974
Fiduciary net position as a percentage of total pension liability	63.81%	50.00%	74.52%

Additional information regarding changes in the net pension liability for the year ended June 30, 2020 can be found in the Required Supplementary Information section immediately following these notes to the financial statements.

Actuarial Assumptions (Plan Reporting)

The June 30, 2020 total pension liability was determined by rolling forward the total pension liability as of June 30, 2019 to June 30, 2020, using the actuarial assumptions and methods used in the June 30, 2019 actuarial valuation of the plans. There were no material changes in assumptions or benefit terms that occurred between the actuarial valuation date and the measurement date.

(Table on next page.)

	VSRS	STRS	MERS
Valuation date	6/30/2019*	6/30/2019*	6/30/2019*
Inflation assumptions	2.30%	2.30%	2.30%
Investment rate of return	7.00%	7.00%	7.00%
Projected salary increases	3.40% - 5.55%	3.30% - 10.50%	4.50% - 7.00%
Cost of living adjustments	Groups A, C & D and F (retiring on or after 7/1/2008): 2.40%; Group F (retiring before 7/1/2008) : 1.35%	Group A: 2.40%; Group C: 1.35%	Group A: 1.10%; Groups B, C, & D: 1.20%
Post Retirement Adjustments Allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated	Groups A, C, D, F (retired on or after 7/1/2008) - 5%	Group A - 5%	N/A
Allowances in payment for at least one year increased on January 1 by one-half of the percentage increase in the CPI but not in excess of percentage indicated	Group F (retired before 7/1/2008) - 5%	Group C - 5%	Group A - 2%, Groups B,C & D - 3%
Assumed annual rate of cost-of-living increases	For those eligible for increases of 100% of CPI change - 2.40%	For those eligible for increases of 100% of CPI change - 2.40%	
	For those eligible for increases of 50% of CPI change - 1.35%	For those eligible for increases of 50% of CPI change - 1.35%	
Census Data for 2019 Valuation Retired members or beneficiaries currently receiving benefits	7,268	9,514	3,415
Inactive members	1,443	2,756	2,814
Active members	8,443	9,862	7,630
Terminated vested members	747	819	896
Total membership	17,901	22,951	14,755
*Valuation date is rolled forward to the measurement date of June 30, 2020 using standard actuarial techniques			

Mortality rates are based as follows for the various retirement systems:

Vermont State Retirement System

- *Pre-retirement Mortality*: Groups A & F: 60% of PubG-2010 General Employee Amount-Weighted Above Median, 40% of PubG-2010 General Employee Amount-Weighted with generational projection using scale MP-2019. Group C: PubS-2010 Public Safety Employee Amount-Weighted with generational projection using scale MP-2019. Group D: 70% of PubG-2010 General Employee Amount-Weighted Above Median, 30% of PubG-2010 General Employee with generational projection using scale MP-2019.

- *Post-retirement Retiree Mortality*: Groups A & F: 109% of PubG-2010 General Healthy Retiree Amount-Weighted with generational projection using scale MP-2019. Group C: 40% of PubS-2010 Public Safety Retiree Amount-Weighted Above Median, 60% of PubS-2010 Public Safety Retiree Amount-Weighted with generational projection using scale MP-2019. Group D: PubG-2010 General Healthy Retiree Amount-Weighted Above Median with generational projection using scale MP-2019.

- *Post-retirement Beneficiaries Mortality*: Groups A & F: Pub-2010 Contingent Survivor Amount-Weighted with generational projection using MP-2019. Group C: 40% of Pub-2010 Contingent Survivor Amount-Weighted Above Median, 60% of Pub-2010 Contingent Survivor Amount-Weighted with generational projection using MP-2019. Group D: Pub-2010 Contingent Survivor Amount-Weighted Above Median with generational projection using MP-2019.

- *Disabled Mortality:* All Groups were based on the PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019.

Vermont State Teachers' Retirement System

- *Pre-retirement Mortality*: All Groups were based on the PubT-2010 Teacher Employee Amount-Weighted Table with generational projection using scale MP-2019.

- *Post-retirement Retiree Mortality*: All Groups based on the Teacher Healthy Retiree Amount-Weighted Table with generational projection using scale MP-2019.

- *Post-retirement Beneficiaries Mortality*: All Groups based on 109% of the Pub-2010 Contingent Survivor Amount-Weighted Table with generational projection using scale MP-2019

- *Disabled Mortality:* All Groups were based on the PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019.

Vermont Municipal Employees Retirement System

- *Pre-retirement Mortality*: Groups A/B/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.

- *Post-retirement Retiree Mortality*: Groups A/B/C: 104% of 40% PubG-2010 General Healthy Retiree 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 Healthy Retiree amount-weighted, with generational projection using scale MP-2019.

- *Post-retirement Beneficiaries Mortality*: Groups A/B/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 Mortality:* All groups were based on the PubNS-2010 Non-Safety Disabled Retiree amount-weighted with generational projection using Scale MP-2019.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2019.

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 are summarized in the following table:

(Table on next page.)

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Global Equity	29.00%	7.07%
US Equity – Large Cap	4.00%	6.19%
US Equity – Small/Mid Cap	3.00%	6.93%
Non-US Equity – Large Cap	5.00%	7.01%
Non-US Equity – Small Cap	2.00%	7.66%
Emerging Markets Debt	4.00%	3.66%
Core Bond	20.00%	0.39%
Private & Alternate Credit	10.00%	6.03%
US TIPS	3.00%	-0.20%
Core Real Estate	5.00%	4.06%
Non-Core Real Estate	3.00%	6.43%
Private Equity	10.00%	11.27%
Infrastructure/Farmland	2.00%	5.44%
Total	100.00%	

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 2.30%.

Discount Rate (Plan Reporting)

The discount rate used to measure the total pension liability was 7.00% for the VSRS, STRS, and MERS. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 67.

The annual money-weighted rate of return on pension plan investments calculated as the internal rate of return on pension plan investments, net of pension plan investment expenses for the year ended June 30, 2020 was 3.90% for VSRS, 4.10% for STRS, and 3.90% for MERS. Amounts for the prior year were 5.90%, 6.10% and 5.80% respectively. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Plan Reporting)

The following presents the net pension liability of the various retirement systems, calculated using the discount rates determined above, as well as what the systems' net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (amounts are in thousands):

(Table on next page.)

	VSRS	STRS	MERS
One-percent decrease			
Discount rate	6.00%	6.00%	6.00%
Net pension liability	$ 1,511,458	$ 2,430,339	$ 386,493
Net pension liability, as reported			
Discount rate	7.00%	7.00%	7.00%
Net pension liability	$ 1,111,186	$ 1,951,128	$ 252,974
One-percent increase			
Discount rate	8.00%	8.00%	8.00%
Net pension liability	$ 781,521	$ 1,552,656	$ 143,116

The defined benefit plans financial statements are on the following two pages:

(Notes continue on next page.)

Statement of Fiduciary Net Position
Defined Benefit Plans
June 30, 2020

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Assets			
Cash and short term investments	$ 23,139,051	$ 23,670,208	$ 12,700,310
Receivables			
Contributions - current	11,119,592	6,108,205	5,061,536
Contributions - non-current	-	-	6,314,229
Investments sold	33,198,376	33,800,692	11,977,262
Interest and dividends	871,526	875,288	683,170
Due from other funds	74,484	6,735	544,145
Other	8,774,022	11,861,392	3,403,655
Investments			
Fixed income	129,613,142	130,276,831	46,768,960
Equities	142,912,040	145,129,679	55,914,524
Mutual and commingled funds	1,416,006,540	1,399,433,006	528,958,025
Real estate and private partnerships	251,830,930	258,638,945	88,431,147
Prepaid expenses	61,720	72,007	37,718
Capital assets, net of depreciation	993,281	1,176,697	429,065
Total assets	2,018,594,704	2,011,049,685	761,223,746
Liabilities			
Accounts payable	1,401,133	616,693	232,582
Investments purchased	58,069,597	58,607,749	20,938,238
Due to other funds	57,334	335,361	32
Total liabilities	59,528,064	59,559,803	21,170,852
Net position restricted for employees' pension benefits	$ 1,959,066,640	$ 1,951,489,882	$ 740,052,894

Statement of Changes in Fiduciary Net Position
Defined Benefit Plans
For the Fiscal Year Ended June 30, 2020

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Additions			
Contributions			
Employer - pension benefit	$ 84,429,972	$ -	$ 20,680,856
Non-employer - pension benefit	-	120,247,389	-
Plan member	40,902,188	40,598,283	20,771,304
Transfers from other pension trust funds	594,069	408,259	459,660
Other revenues	-	6,694,193	-
Total contributions	125,926,229	167,948,124	41,911,820
Investment Income			
Net appreciation in fair value of investments	63,820,001	68,060,322	23,172,555
Dividends	13,502,745	13,480,895	4,860,638
Interest income	4,031,164	4,000,934	1,981,187
Other income	120,239	161,724	43,338
Total investment income	81,474,149	85,703,875	30,057,718
Less Investment Expenses			
Investment managers and consultants	2,509,639	2,598,556	943,932
Net investment income	78,964,510	83,105,319	29,113,786
Total additions	204,890,739	251,053,443	71,025,606
Deductions			
Retirement benefits	148,336,649	198,755,235	36,124,010
Refunds of contributions	3,494,656	1,885,974	1,951,540
Death claims	488,556	546,743	251,990
Transfers to other pension trust funds	705,670	49,219	756,584
Depreciation	268,218	318,423	117,485
Administration expenses	2,000,173	2,496,531	1,236,935
Total deductions	155,293,922	204,052,125	40,438,544
Change in net position	49,596,817	47,001,318	30,587,062
Net position restricted for employees' pension benefits			
July 1, 2019	1,909,469,823	1,904,488,564	709,465,832
June 30, 2020	$ 1,959,066,640	$ 1,951,489,882	$ 740,052,894

B. Defined Contribution Retirement Plans

Retirement Plan Descriptions

In accordance with Title 3 of the Vermont Statutes Annotated, Chapter 16A, the State established an optional single employer defined contribution pension plan for exempt State employees effective January 1, 1999. The Vermont State Defined Contribution Plan is reported in the Pension Trust Funds. Exempt employees hired after January 1, 1999, have a one-time opportunity to elect either the defined benefit or defined contribution plan. Employees are required to contribute at the rate of 2.85%. The State is required to contribute to each employee's account at the rate of 7% of the employee's compensation for each payroll period. An employee becomes vested in the plan after completion of 23 months of creditable service as a State employee. During the fiscal year ended June 30, 2020, member contributions totaled $752,992 with State employer contributions at $1,931,937. As of June 30, 2020, the Vermont State Defined Contribution Plan's net position totaled $71,101,946 and there were 562 participants.

The Vermont Municipal Employees' Defined Contribution Plan (24 V.S.A. 5070), a multiple employer defined contribution pension plan, was implemented by the Vermont Municipal Employees' Retirement System's Board of Trustees on July 1, 2000, and is reported as a pension trust fund. The defined contribution plan was offered by municipal employers to one or more groups of their eligible employees. Once offered by the employer, each eligible employee was required to make an election to participate. Employees participating in one of the municipal defined benefit plans who elected to participate in the defined contribution plan had the July 1, 2001, actuarial value of their accrued defined benefit plan transferred to the defined contribution plan. Employers that did not offer the defined contribution plan to their employees as of December 31, 1999, have an opportunity to do so no later than December 31 of any subsequent year with the transfer effective July 1 of the following year.

Participating municipal employees are required to contribute at the rate of 5% of earnable compensation. Employers are required to contribute at the rate of 5.125%. Employees become vested in the plan after 12 months of service. During the fiscal year ended June 30, 2020, member contributions totaled $492,032 and employer contributions at $501,426. As of June 30, 2020, the Municipal Employees' Defined Contribution Plan's net position totaled $25,051,763 and there were 445 participants.

The Single Deposit Investment Account (SDIA), a non-contributory multiple employer defined contribution pension plan reported as a Pension Trust Fund, was established according to the provisions of Public Act 41 of the 1981 Session. The Act authorized a new Group B non-contributory plan within the State Teachers Retirement System (STRS) and a new Group E non-contributory plan within the Vermont State Retirement System (VSRS).

The STRS's members in the Group A contributory plan could have elected to either remain in the Group A plan or transfer to the new Group B non-contributory plan. Group A members electing to transfer to the Group B plan had their choice between the following three options:

- Have both their accumulated employee contributions and accumulated interest returned to them; or
- Have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- Have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

The VSRS's members in the Group A contributory plan could have elected to either remain in the Group A plan or transfer to the new Group E non-contributory plan. Group A members electing to transfer to the Group E plan had their choice between the following three options:

- Have both their accumulated employee contributions and accumulated interest returned to them; or
- Have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- Have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

No additional contributions could be made to the SDIA beyond those described above. The SDIA funds are not available to the members until they retire or terminate employment. At June 30, 2020 there were 910 members, with net position of $32,910,149 in the Single Deposit Investment Account.

The defined contribution plans' financial statements are as follows:

Statement of Fiduciary Net Position
Defined Contribution Plans
June 30, 2020

	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
Assets			
Cash and short term investments	$ 32,181	$ -	$ 49,093
Receivables			
Contributions	169,944	-	12,669
Other	-	-	2,430
Investments			
Mutual and commingled funds	70,977,324	32,910,149	25,145,954
Total assets	71,179,449	32,910,149	25,210,146
Liabilities			
Accounts payable	3,019	-	361
Due to other funds	74,484	-	158,022
Total liabilities	77,503	-	158,383
Net position restricted for employees' pension benefits	$ 71,101,946	$ 32,910,149	$ 25,051,763

Statement of Changes in Fiduciary Net Position
Defined Contribution Plans
For the Fiscal Year Ended June 30, 2020

	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
Additions			
Contributions			
Employer - pension benefit	$ 1,931,937	$ -	$ 501,426
Plan member	752,992	-	492,032
Transfers from other pension trust funds	34,731	-	14,754
Total contributions	2,719,660	-	1,008,212
Investment Income			
Net appreciation (depreciation) in fair value of investments	1,634,702	-	955,989
Dividends	1,334,246	874,621	388,856
Interest income	683	-	960
Other income	3,164	8	397
Total investment income	2,972,795	874,629	1,346,202
Less Investment Expenses			
Investment managers and consultants	-	49,971	-
Net investment income	2,972,795	824,658	1,346,202
Total additions	5,692,455	824,658	2,354,414
Deductions			
Retirement benefits	605,644	3,803,634	488,537
Transfers to non-state systems	3,422,302	1,056,353	760,729
Operating expenses	115,575	-	117,246
Total deductions	4,143,521	4,859,987	1,366,512
Change in net position	1,548,934	(4,035,329)	987,902
Net position restricted for employees' pension benefits			
July 1, 2019	69,553,012	36,945,478	24,063,861
June 30, 2020	$ 71,101,946	$ 32,910,149	$ 25,051,763

C. Other Postemployment Benefits (OPEB)

In addition to providing pension benefits, the State offers postemployment medical insurance, dental insurance, and life insurance benefits to retirees of the VSRS and STRS. Component units and authorities of the State will perform their own valuation as the State does not assume the risk or financial burden for their health care costs.

The State reports under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* GASB Statement No. 75 requires employers and nonemployer contributing entities to report their net OPEB liability on their financial statements.

Defined Benefit OPEB Plans
In order to provide the necessary disclosures that are required under the various GASB Statements, the disclosures below are separated into three sections. The first section (Disclosures about the Defined Benefit OPEB Plans) offers disclosures about the plans themselves - descriptions of the plans and who is covered; a discussion of benefits provided by each of the plans.

The second section (Financial Reporting of Net OPEB Liability and OPEB Expense by the Employer as required by GASB Statement No. 75) provides funding information regarding the OPEB plans that are required by GASB Statement No. 75 - changes in net OPEB liability, balances of deferred OPEB outflows of resources and deferred OPEB inflows of resources (including prospective schedules of amortization of the deferred outflows and inflows), and the calculation of OPEB expense for the year.

The third section (Net OPEB Liability and Disclosures required by GASB Statement No. 74) provides the information that is required by GASB Statement No. 74 - the calculation of the net OPEB liability (NOL); the actuarial assumptions and census data that were used in calculating that NOL; the discount rate that was used in the calculations; and the sensitivity of the NOL to changes in the discount rate.

1.Disclosures about the Defined OPEB Plans

This first section provides the disclosures about the defined benefit retirement plans required by GASB Statement No. 74, including the plan descriptions, contribution information, benefits and membership at June 30, 2020.

Plan Descriptions and Contribution Information

Vermont State Postemployment Benefits Trust Fund
The Vermont State Postemployment Benefits Trust Fund (VSPB) (3 V.S.A. 479a), a single employer defined benefit OPEB plan, was established in fiscal year 2007 as an irrevocable trust fund for the purpose of accumulating and providing reserves to support retiree postemployment benefits other than pension benefits for members of the Vermont State Retirement System (VSRS).

The VSPB is managed by the VSRS Retirement Board (see VSRS in 4.A.1 above). Title 3 V.S.A. Chapters 16 and 21 provides the authority to establish and amend the benefit provisions of the plan, and to establish and amend contribution requirements. Contributions are actuarially determined; however, the State has elected to pay State contributions to fund current year retiree health care expenses on a pay-as-you-go basis. State contributions for the fiscal year ended June 30, 2020, were $38,599,577, which is 6.96% of covered payroll. Employees are not required to contribute to the OPEB plan.

Benefits are provided through the State's self-insured Medical Insurance Fund (an internal service fund). VSPB plan members have access to the same benefit plans as active employees.

State employees hired prior to July 1, 2008, and retiring directly from active State service for any reason (disability, early, or normal) may elect to carry whatever medical coverage is in effect at that time into retirement for themselves and their dependents. During their lifetime the retiree will pay 20% of the cost of the premium, except in the case where retirees select joint or survivorship options. If the retiree chooses the joint or survivor

pension options and predeceases their spouse, the medical benefits along with the pension benefit will continue for the spouse. However, generally, the surviving spouse must pay 100% of the cost of the premium.

In addition, once a retiree or surviving spouse becomes eligible for Medicare coverage (at age 65); it is mandatory that they enroll in both Medicare Part A and Part B as soon as possible. Medicare thus becomes the primary insurer with the State plan becoming the secondary insurer. The insured's State insurance premium costs will then decrease in recognition of this change.

Vermont State Retirement System's defined benefit plan Group C members who terminate with 20 or more years of service, but are not yet 50 years old, may elect to receive medical coverage at the time they begin receiving their retirement benefits. For all other Vermont State Retirement System's active employees, if the employee does not retire directly from State service (inactive members), they are not eligible to participate in the State's medical insurance plan. If the insurance is terminated at any time after retirement benefits have been received, coverage will not be able to be obtained again at a later date.

Based on legislation enacted during fiscal year 2008, Vermont State Retirement System's defined benefit plan Group F employees hired after June 30, 2008 will pay, upon retirement, a tiered retiree health care premium amount based on completed years of service. The tiered rate paid will range from 100% of the premium cost for retirees with less than 10 years of service to 20% of the premium cost for retirees with 20 or more years of service. Additionally, as part of the enacted legislation, Group F employees hired after June 30, 2008 will also have the ability to elect health care insurance at the 20% premium cost level when they begin to receive retirement benefits in a manner comparable to regular retirements even if the employee terminated prior to their early retirement date, provided the member had 20 years of service upon termination of employment.

Retired Teachers' Health and Medical Benefit Fund

The Retired Teachers' Health and Medical Benefit Fund (RTHMB) (16 V.S.A. 1944b), a cost-sharing multiple employer defined benefit OPEB plan with a special funding situation, was created by the legislature on July 1, 2014, to explicitly appropriate State contributions to the fund for health care expenses separate from the State's contribution to the State Teachers' Retirement System (STRS) pension trust fund. Prior to fiscal year 2015, the health care expenses for the STRS's retirees were paid through a sub-fund of the defined benefit pension trust fund and no State contribution was explicitly budgeted or funded.

The RTHMB is managed by the STRS Retirement Board (see STRS in 4.A.1 above). Title 16 V.S.A. Chapter 55 provides the authority to establish and amend the benefit provisions of the plan, and to establish and amend contribution requirements. Contributions are actuarially determined; however, the State has elected to appropriate State contributions to fund current year retiree health care expenses on a pay-as-you-go basis. State contributions for the fiscal year ended June 30, 2020, were $35,176,080, which is 5.63% of covered payroll. Employees are not required to contribute to the OPEB plan.

Retirees of the STRS participate in multi-employer health coverage plans operated by the Vermont Education Health Initiative (VEHI) which is managed jointly by the Vermont School Boards Insurance Trust and the Vermont National Education Association. VEHI partners with Blue Cross Blue Shield to provide health insurance to retired and active teachers. VEHI issues its own audited financial statements. These and plan information are available the VEHI Offices, 2 Prospect Street, Suite 5, Montpelier, VT 05602.

STRS's members have access to medical benefit plans in retirement as offered by VEHI. The plans are identical to those offered to active teachers in public school systems in Vermont. Members may pick up medical coverage under one of the plans offered for themselves and all eligible dependents at the time of retirement, or anytime thereafter during one of the semi-annual open enrollment periods. If the member has a minimum of 10 years of creditable service at the time of retirement, the system picks up 80% of the retiree's premium only, based on the cost of the "standard plan" as defined by statute. The retiree must pick up the full cost of the premium for all covered dependents. Once a retiree becomes eligible for Medicare coverage (at age 65), it is mandatory that they enroll in both Medicare Part A and Part B. Medicare becomes the primary insurer and the Teacher's medical plans become the secondary insurer. Two of the plans offered become "carve-out" plans to coordinate with

Medicare, and one of the plans is replaced with a true Medicare supplemental plan. The premiums for all plans are reduced in accordance with the decrease in liability once Medicare becomes the primary insurer.

During fiscal year 2020 there were 134 participating employers in the STRS - RTHMB plan.

Membership in the plans consisted of the following at June 30, 2020:

	VSRS - VSPB	STRS - RTHMB
Retired members or beneficiaries currently receiving benefits	5,358	7,278
Retired members or beneficiaries not receiving benefits	-	2,657
Vested terminated members entitled to but not yet receiving benefits	-	1,868
Active members	8,822	9,996
Total	14,180	21,799

2. Employer Reporting of OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB Plans as required by GASB Statement No. 75

This section includes the information that is required to be reported by employers per GASB Statement No. 75. It reports information regarding the calculation of the State's net OPEB liability, including changes during the measurement period in both total OPEB liability and plan net position; balances in the various components of deferred OPEB outflows of resources and deferred OPEB inflows of resources and the amounts to be recognized in OPEB expense in future periods; and the calculation of OPEB expense. In addition to presenting the NOL, this section also includes information on the actuarial assumptions and census data used in the valuation, the discount rate that was used to calculate the NOL, and disclosures as to the sensitivity of the NOL to changes in the discount rate.

The State is responsible for 98.9933% of the VSPB net OPEB liability. The Vermont Veterans' Home (a discrete component unit) is responsible for 1.0067% of the VSPB net OPEB liability. The State is responsible for 100% of the RTHMB net OPEB liability as a non-employer contributing entity. The information is presented in this section is for those two plans.

Reporting Date, Measurement Date, and Valuation Date (Employer Reporting)

Net OPEB liabilities, deferred OPEB outflows of resources, deferred OPEB inflows of resources, and OPEB expense are all presented as of the State's reporting date (June 30, 2020) and for the State's reporting period (the year ended June 30, 2020). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 75 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of June 30, 2020, the State has chosen to use the end of the prior fiscal year (June 30, 2019) as the measurement date, and the year ended June 30, 2019 as the measurement period.

The total OPEB liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The State has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of June 30, 2018, to the measurement date of June 30, 2019. There were no material changes in assumptions or benefit terms that occurred between the actuarial valuation date and the measurement date.

Net OPEB Liabilities (Employer Reporting)

The net OPEB liability (NOL) is measured as the portion of the actuarial present value of projected benefit payments that is attributable to past periods of employee service, net of the OPEB plan's fiduciary net position. The changes in the components for the measurement period are as follows (amounts are in thousands):

	VSRS - VSPB			STRS - RTHMB		
	Increase (Decrease)			Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a-b)	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balances - June 30, 2018	$ 1,240,275	$ 21,771	$ 1,218,504	$ 927,843	$ (26,443)	$ 954,286
Changes for the year:						
Service cost	44,590	-	44,590	20,786	-	20,786
Interest	49,040	-	49,040	36,139	-	36,139
Benefit changes	-	-	-	(21,209)	-	(21,209)
Difference between expected and actual experience	6,284	-	6,284	24,665	-	24,665
Changes of assumptions	(25,551)	-	(25,551)	82,448	-	82,448
Contributions - non-employer	-	-	-	-	56,594	(56,594)
Contributions - employer	-	63,750	(63,750)	-	-	-
Net investment income	-	1,553	(1,553)	-	31	(31)
Benefit payments, including refunds of contributions	(35,340)	(35,340)	-	(29,607)	(29,607)	-
Administrative expenses	-	(2)	2	-	(263)	263
Net changes	39,023	29,961	9,062	113,222	26,755	86,467
Balances - June 30, 2019	$ 1,279,298	$ 51,732	$ 1,227,566	$ 1,041,065	$ 312	$ 1,040,753
Fiduciary net position as a percentage of total OPEB liability			4.04%			0.03%

Proportionate Share of Net OPEB Liability

	VSRS - VSPB			
		Proportionate Share		
	Amount	2020	2019	Change
Governmental activities	$ 1,210,429	98.6040%	97.5051%	1.0989%
Business type activities	4,779	0.3893%	0.7241%	-0.3348%
Discrete component unit	12,358	1.0067%	1.7708%	-0.7641%
Total net OPEB liability	$ 1,227,566	100.0000%	100.0000%	

Additional information regarding the changes in the net OPEB liability for the year ended June 30, 2020 can be found in the Required Supplementary information immediately following these notes to the financial statements.

Deferred OPEB Outflows of Resources and Deferred OPEB Inflows of Resources (Employer Reporting)

Most changes in the net OPEB liability are included in OPEB expense during the year of change. Changes resulting from current-period service cost, interest on the total OPEB liability, and changes in benefit terms are required to be included in OPEB expense immediately. Similarly, projected earnings on the OPEB plan's investments are also required to be included in the determination of OPEB expense immediately.

The effects of certain other changes in the net OPEB liability are required to be included in OPEB expense over the current and future periods, depending on the nature of the change. The effect on the net OPEB liability of differences between the projected earnings on OPEB plan investments and actual experience with regard to those earnings is required to be included in OPEB expense in a systematic and rational manner over a closed period of five years, beginning with the current period. Changes in the net OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEBs. This treatment arises from the concept that these changes result from the use of estimates, where probabilities of events range from 0 to 100 percent, while actual events either occur or do not occur. Therefore, differences between some estimates and actual experience will occur with every measurement that incorporates future events.

The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning with the current period. Changes in the net OPEB liability not included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEBs. This treatment arises from the concept that OPEBs arise from an exchange between employer and employee of salaries and benefits for employee service each period and that these transactions and related OPEB measurements are viewed in the context of ongoing, career-long employment relationships.

Employer contributions subsequent to the measurement date of the net OPEB liability are required to be reported as deferred outflows of resources, and will be recognized as a reduction of the net OPEB liability at June 30, 2021.

As of June 30, 2020, the State reported the following deferred OPEB outflows of resources and deferred OPEB inflows of resources (amounts are in thousands):

	VSRS - VSPB		VSRS - VSPB	
	Primary Government		Discrete Component Units	
Source	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,609	$ -	$ 108	$ -
Changes of assumptions	-	357,524	-	3,636
Net differences between projected and actual earnings on plan investments	1,442	-	14	-
Change in proportion and the effect of certain employer contributions on the employer's net OPEB liability	15,680	5,863	889	10,706
Employer contributions made subsequent to the measurement date	37,952	-	648	-
Total	$ 65,683	$ 363,387	$ 1,659	$ 14,342

Source	STRS - RTHMB Primary Government Deferred Outflows of Resources	STRS - RTHMB Primary Government Deferred Inflows of Resources
Differences between expected and actual experience	$ 41,887	$ -
Changes of assumptions	63,048	37,363
Net differences between projected and actual earnings on plan investments	-	2,748
Employer contributions made subsequent to the measurement date	35,176	-
Total	$ 140,111	$ 40,111

Source	Primary Government Total Deferred Outflows of Resources	Primary Government Total Deferred Inflows of Resources
Differences between expected and actual experience	$ 52,496	$ -
Changes of assumptions	63,048	394,887
Net differences between projected and actual earnings on plan investments	1,442	2,748
Change in proportion and the effect of certain employer contributions on the employer's net OPEB liability	15,680	5,863
Employer contributions made subsequent to the measurement date	73,128	-
Total	$ 205,794	$ 403,498

The amounts reported as deferred OPEB outflows of resources resulting from employer contributions made subsequent to the measurement date (VSRS-VSPB - $37.952 million Primary Government and $0.648 million Component Units; and STRS - RTHMB - $35.176 million Primary Government), will be recognized as a reduction of the net OPEB liability at June 30, 2021. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs, will be recognized in OPEB expense as follows (amounts are in thousands):

(Table on next page.)

Year Ended June 30	STRS - RTHMB Primary Government	VSRS - VSPB Primary Government	TOTAL Primary Government	VSRS - VSPB Discrete Component Units
2021	$ 14,844	$ (63,814)	$ (48,970)	$ (2,140)
2022	19,892	(63,814)	(43,922)	(2,140)
2023	23,989	(63,858)	(39,869)	(2,141)
2024	6,099	(64,007)	(57,908)	(2,142)
2025	-	(54,841)	(54,841)	(2,055)
Thereafter	-	(25,322)	(25,322)	(2,713)
Total	$ 64,824	$ (335,656)	$ (270,832)	$ (13,331)

OPEB Expense (Employer Reporting)

As discussed above, most changes in the net OPEB liability are included in OPEB expense in the year of change, including changes resulting from current-period service cost, interest on the total OPEB liability, changes in benefit terms, and projected earnings on the OPEB plan's investments. Other changes in net OPEB liability are recorded as deferred OPEB outflows of resources and deferred OPEB inflows of resources, and included in OPEB expense on a systematic and rational manner over current and future periods. OPEB expense for the year ended June 30, 2020, is as follows (amounts are in thousands):

	Primary Government		Primary Government	Component Units
	STRS - RTHMB	VSRS - VSPB	TOTAL	VSRS - VSPB
Service cost	$ 20,786	$ 44,141	$ 64,927	$ 449
Interest on total OPEB liability	36,139	48,547	84,686	494
Changes in benefit terms	(21,209)	-	(21,209)	-
Plan administrative costs	263	2	265	-
Projected earnings on plan investments	981	(2,671)	(1,690)	(27)
Recognition (amortization) of deferred OPEB outflows of resources:				
Difference between expected and actual experience	5,804	825	6,629	8
Change in assumptions	19,400	-	19,400	-
Difference between projected and actual investment earnings	-	227	227	2
Recognition of deferred outflows from prior periods	9,798	1,121	10,919	11
Changes in Proportions	-	2,409	2,409	161
Recognition (amortization) of deferred OPEB inflows of resources:				
Change in assumptions	-	(3,355)	(3,355)	(34)
Difference between projected and actual investment earnings	(203)	-	(203)	-
Recognition of deferred inflows from prior periods	(19,955)	(64,108)	(84,063)	(652)
Changes in Proportions	-	(933)	(933)	(1,637)
Total OPEB Expense	$ 51,804	$ 26,205	$ 78,009	$ (1,225)

Actuarial Methods and Assumptions (Employer Reporting)

Actuarial Assumptions (Employer Reporting)

Total OPEB liability at the June 30, 2019 measurement date was determined using the June 30, 2018 actuarial valuation and applying roll forward procedures. The actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified were as follows:

	VSRS - VSPB	STRS - RTHMB
Inflation	2.75%	2.75%
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation	7.50%, net of OPEB plan investment expense, including inflation
Discount rate	3.50%	3.50%
Salary increase rate	Varies by age from age 20 - 7.04%, to age 60 - 3.50%.	Varies by age from age 20 - 9.09%, to age 60 - 3.75%.
Health care cost trend rate		
Non-Medicare	7.15% graded to 4.50% over 12 years	7.15% graded to 4.50% over 12 years
Medicare	7.30% graded to 4.50% over 13 years	7.15% graded to 4.50% over 12 years
Retiree contributions	Equal to health trend	Equal to health trend
Plan membership - 6/30/2018		
Retired members or beneficiaries currently receiving benefits	5,040	6,713
Retired members or beneficiaries not receiving benefits	-	2,416
Vested terminated members entitled to but not yet receiving benefits	-	1,949
Active members	8,798	9,892
Total	13,838	20,970

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the following actuarial experience studies:

Vermont State Retirement System
Experience Study: July 1, 2010 – June 30, 2014, dated October 29, 2015 completed by Buck Consultants

Vermont State Teachers' Retirement System
Experience Study: July 1, 2010 – June 30, 2014, dated March 2, 2016 completed by Buck Consultants

Mortality rates are based on the following:

Vermont State Retirement System

- *Pre-retirement Mortality*: Groups A and F were based on 101% of RP-2006 blended 30% Blue Collar Employee, 70% Healthy Employee with generational projection using Scale SSA-2017. Group C were based on RP-2006 Blue Collar Employee with generational projection using Scale SSA-2017. Group D were based on RP-2006 Healthy Employee with generational projection using Scale SSA-2017.

- *Post-retirement Mortality*: Groups A and F were based on 101% of RP-2006 blended 30% Blue Collar Annuitant, 70% Healthy Annuitant with generational projection using Scale SSA-2017. Group C were based on RP-2006 Blue Collar Annuitant with generational projection using Scale SSA-2017. Group D were based on RP-2006 Healthy Annuitant with generational projection using Scale SSA-2017.

- *Disabled Mortality:* A, C, D, and F were based on RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017.

Vermont State Teachers' Retirement System

- *Pre-retirement Mortality*: 98% of RP-2006 White Collar Employee with generational projection using Scale SSA-2017.

- *Post-retirement Mortality*: 98% of RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017.

- *Disabled Mortality:* RP-2006 Disabled Mortality Table with generational projections using Scale SSA-2017.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns 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 the expected inflation. The following table contains the target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate or return assumption:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.50%
International equity	15.00%	7.75%
Emerging international equity	5.00%	9.25%
Core bonds	60.00%	4.37%
Total	100.00%	

Discount Rate (Employer Reporting)

The projection of cash flows used to determine the discount rate assumed that the plans' contributions would be made at rates equal to the projected benefit payments for the upcoming year. Based on these assumptions, the OPEB plans' fiduciary net position was projected to be exhausted within the first year. Therefore, the long-term bond rate expected rate of return of 3.50% on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The 3.50% is based on the 20-year Bond Buyer GO index at June 30, 2019 measurement date. The discount rate used in the prior year was 3.87%

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (Employer Reporting)

The following presents the NOL of the plans, as well as what the plans' NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amounts in thousands):

(Table on next page.)

	VSRS - VSPB	STRS - RTHMB
One-percent decrease		
Discount rate	2.50%	2.50%
Net OPEB liability	$ 1,433,890	$ 1,217,020
Net OPEB liability, as reported		
Discount rate	3.50%	3.50%
Net OPEB liability	$ 1,227,566	$ 1,040,753
One-percent increase		
Discount rate	4.50%	4.50%
Net OPEB liability	$ 1,061,071	$ 897,088

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (Employer Reporting)

The following presents the NOL of the plans, as well as what the plans' NOL would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (amounts in thousands):

	VSRS - VSPB	STRS - RTHMB
One-percent decrease		
Healthcare cost trend rate		
Non-medicare	6.15% decreasing to 3.5%	6.15% decreasing to 3.5%
Medicare	6.30% decreasing to 3.5%	6.15% decreasing to 3.5%
Net OPEB liability	$ 1,046,521	$ 877,522
Net OPEB liability, as reported		
Healthcare cost trend rate		
Non-medicare	7.15% decreasing to 4.5%	7.15% decreasing to 4.5%
Medicare	7.30% decreasing to 4.5%	7.15% decreasing to 4.5%
Net OPEB liability	$ 1,227,566	$ 1,040,753
One-percent increase		
Healthcare cost trend rate		
Non-medicare	8.15% decreasing to 5.5%	8.15% decreasing to 5.5%
Medicare	8.30% decreasing to 5.5%	8.15% decreasing to 5.5%
Net OPEB liability	$ 1,459,488	$ 1,251,944

Payable to the OPEB Plans (Employer Reporting)

At June 30, 2020, the State reported a payable of $68,307 for the outstanding amount of contributions to the VSPB plan required for the year ended June 30, 2020.

3. Net OPEB Liability and Disclosures required by GASB Statement No. 74 (Plan Reporting)

This section includes information that is required to be presented by GASB Statement No. 74. The plans elected to base the valuations on plan data as of June 30, 2019 and used update procedures to roll forward the total OPEB liability to the OPEB plans' fiscal year end. In addition to presenting the NOL, this section also includes

information on the actuarial assumptions and census data used in the valuation, the discount rate that was used to calculate the NOL, and disclosures as to the sensitivity of the NOL to changes in the discount rate.

GASB Statement No, 74 requires that OPEB plans disclose the NOL and other related disclosures.

Net OPEB Liabilities (Plan Reporting)

The components of the net OPEB liabilities at June 30, 2020, were as follows (amounts in thousands):

	VSRS - VSPB	STRS - RTHMB
Total OPEB liability	$ 1,482,970	$ 1,268,119
Fiduciary net position (deficit)	57,592	8,719
Net OPEB liability	$ 1,425,378	$ 1,259,400
Fiduciary net position as a percentage of total OPEB liability	3.88%	0.69%

Additional information regarding changes in net OPEB liability for the year ended June 30, 2020 can be found in the Required Supplementary Information section of these financial statements.

Actuarial Assumptions (Plan Reporting)

The total OPEB liability at June 30, 2020 was determined using the June 30, 2019 actuarial valuation and applying roll forward procedures. The actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified were as follows:

(Table on next page.)

	VSRS - VSPB	STRS - RTHMB
Inflation	2.00%	2.00%
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation	7.00%, net of OPEB plan investment expense, including inflation
Discount rate	2.23%	2.21%
Salary increase rate	Varies by age from age 20 - 5.55%, to age 60 - 3.40%.	Varies by age from age 20 - 10.50%, to age 60 - 3.55%.
Health care cost trend rate		
Non-Medicare	6.925% graded to 4.50% over 11 years	6.925% graded to 4.50% over 11 years
Medicare	6.14% graded to 4.50% over 13 years	6.14% graded to 4.50% over 12 years
Retiree contributions	Equal to health trend	Equal to health trend
Plan membership - 6/30/2019		
Retired members or beneficiaries currently receiving benefits	5,236	6,878
Retired members or beneficiaries not receiving benefits	-	2,486
Vested terminated members entitled to but not yet receiving benefits	-	1,990
Active members	8,725	9,862
Total	13,961	21,216

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the following actuarial experience studies:

Vermont State Retirement System
Experience Study: July 1, 2014 – June 30, 2019, completed in October 2020 by Segal

Vermont State Teachers' Retirement System
Experience Study: July 1, 2014 – June 30, 2019, completed in October 2020 by Segal

Mortality rates are based on the following:

Vermont State Retirement System

- *Pre-retirement Mortality*: Groups A & F: 60% of PubG-2010 General Employee Headcount-Weighted Above Median, 40% of PubG-2010 General Employee Headcount-Weighted with generational projection using scale MP-2019. Group C: PubS-2010 Public Safety Employee Headcount-Weighted with generational projection using scale MP-2019. Group D: 70% of PubG-2010 General Employee Headcount-Weighted Above Median, 30% of PubG-2010 General Employee with generational projection using scale MP-2019.

- *Post-retirement Retiree Mortality*: Groups A & F: 109% of PubG-2010 General Healthy Retiree Headcount-Weighted with generational projection using scale MP-2019. Group C: 40% of PubS-2010 Public Safety Retiree Headcount-Weighted Above Median, 60% of PubS-2010 Public Safety Retiree Headcount-Weighted with generational projection using scale MP-2019. Group D: PubG-2010 General Healthy Retiree Headcount-Weighted Above Median with generational projection using scale MP-2019.

- *Post-retirement Beneficiaries Mortality*: Groups A & F: Pub-2010 Contingent Survivor Headcount-Weighted with generational projection using MP-2019. Group C: 40% of Pub-2010 Contingent Survivor Headcount-Weighted Above Median, 60% of Pub-2010 Contingent Survivor Headcount-Weighted with generational projection using MP-2019. Group D: Pub-2010 Contingent Survivor Headcount-Weighted Above Median with generational projection using MP-2019.

- *Disabled Mortality:* All Groups were based on the PubNS-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table with generational projection using scale MP-2019.

Vermont State Teachers' Retirement System

Pre-retirement Mortality: All Groups were based on the PubT-2010 Teacher Employee Headcount-Weighted Table with generational projection using scale MP-2019.

- *Post-retirement Retiree Mortality*: All Groups based on the Teacher Healthy Retiree Headcount-Weighted Table with generational projection using scale MP-2019.

- *Post-retirement Beneficiaries Mortality*: All Groups based on 109% of the Pub-2010 Contingent Survivor Headcount-Weighted Table with generational projection using scale MP-2019

- *Disabled Mortality:* All Groups were based on the PubNS-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table with generational projection using scale MP-2019.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best estimate ranges of expected future rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These returns 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 the expected inflation.

The following table contains the target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate or return assumption:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Large cap equity	20.00%	7.25%
International equity	15.00%	9.00%
Emerging international equity	5.00%	11.25%
Core bonds	60.00%	2.50%
	100.00%	

Discount Rate (Plan Reporting)

The projection of cash flow used to determine the discount rate assumed that the plans' contributions would be made at rates equal to the projected benefit payments for the upcoming year. Based on these assumptions, RTHMB's OPEB plan fiduciary net position was projected to be exhausted within the first year. Therefore, the long-term bond rate expected rate of return of 2.21% on plan investments was applied to all periods of projected benefit payments to determine the RTHMB's total OPEB liability. Since, VSPB's OPEB fiduciary net position is partially sufficient to cover projected benefit payments, a blended discount rate of 2.23% was used to measure the total OPEB liability. VSPB's discount rate is a blend of the long-term expected rate of return on VSPB's OPEB plan investments and the long-term bond rate expected rate of return of 2.21%.

The 2.21% is based on the 20-year Bond Buyer GO index at June 30, 2020. The discount rate used in the prior year was 3.50% for both plans. For the year ended June 30, 2020, the VSPB annual money-weighted rate return

of investments, net of investment expense, was 6.20%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate (Plan Reporting)

The following presents the NOL of the plans, as well as what the plans' NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentge-point higher than the current rate (amounts in thousands):

	VSRS - VSPB	STRS - RTHMB
One-percent decrease		
Discount rate	1.23%	1.21%
Net OPEB liability	$ 1,686,127	$ 1,491,537
Net OPEB liability, as reported		
Discount rate	2.23%	2.21%
Net OPEB liability	$ 1,425,378	$ 1,259,400
One-percent increase		
Discount rate	3.23%	3.21%
Net OPEB liability	$ 1,218,200	$ 1,074,304

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate (Plan Reporting)

The following presents the NOL of the plans, as well as what the plans' NOL would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (amounts in thousands):

(Table on next page.)

	VSRS - VSPB	STRS - RTHMB
One-percent decrease		
Healthcare cost trend rate		
Non-medicare	5.925% decreasing to 3.5%	5.925% decreasing to 3.5%
Medicare	5.14% decreasing to 3.5%	5.14% decreasing to 3.5%
Net OPEB liability	$ 1,197,073	$ 1,044,651
Net OPEB liability, as reported		
Healthcare cost trend rate		
Non-medicare	6.925% decreasing to 4.5%	6.925% decreasing to 4.5%
Medicare	6.14% decreasing to 4.5%	6.14% decreasing to 4.5%
Net OPEB liability	$ 1,425,378	$ 1,259,400
One-percent increase		
Healthcare cost trend rate		
Non-medicare	7.925% decreasing to 5.5%	7.925% decreasing to 5.5%
Medicare	7.14% decreasing to 5.5%	7.14% decreasing to 5.5%
Net OPEB liability	$ 1,724,222	$ 1,543,109

Dental Insurance
Dental plans are available to retired State employees, retired teachers, retired municipal employees and their eligible dependents. The dental plan must be elected at the time of retirement. The retiree pays the full premium for all covered lives. There is no cost to the State.

Life Insurance
In the case of life insurance, if a State employee retires with 20 or more years of service and was participating in the life insurance program, a $10,000 benefit will continue into retirement. If a State employee retires due to disability prior to age 60, and if proper documentation is approved by the life insurance company, full life insurance coverage will continue at the State's expense up to age 65. When the retiree reaches the age of 65 and if they have a total of 20 years or more of active and retired (while receiving disability) service, life insurance coverage will automatically change to the $10,000 level with 100% of the premium being paid by the State. In addition, a retiree may convert their insurance coverage in effect at their time of retirement to an individual policy within 30 days of their retirement date without a physical exam.

Vermont Municipal Employees Health Benefit Fund
The Vermont Municipal Employees Retirement System (MERS), a cost-sharing, multiple-employer public employees' retirement system, is administered by the State but has no associated State health care benefit or liability. While the Vermont Municipal Employees Health Benefit Fund is classified as a postemployment benefit fund, there is no accrued liability in excess of the assets of the fund. There is no annual required contribution and unfunded actuarial accrued liability.

The MERS Retirement Health Savings Plan (RHS) established on July 1, 2007, is a tax-advantaged savings plan that assists retirees in paying for healthcare costs after retirement. Contributions to this fund are deposited into the RHS Plan member accounts on a tax-free basis, accumulate interest on a tax-free basis, and are drawn out during retirement on a tax-free basis to reimburse health care expenses, including out-of-pocket expenses, deductibles and premiums.

The MERS Board deposited an initial amount of $5.1 million into the RHS accounts on July 2, 2007. Additional employer contributions totaling approximately $6 million were collected during the course of the fiscal years 2008 and 2009 that were deposited in member accounts during fiscal year 2009. No such contributions have been

made since fiscal year 2009. Future contributions and subsequent transfers to member accounts will be made as directed by the MERS Board of Trustees. There is no guarantee that the RHS member accounts will receive any additional funding. While classified as a postemployment benefit fund, there is no accrued liability in excess of the asset of the fund. There is no annual required contribution and unfunded actuarial accrued liability.

All MERS defined benefit pension plan members and retirees who have a minimum of 5 years of contributory service are eligible to participate in the RHS plan. The amount each member will receive is determined by the total number of contributory years of service in the system. Each year of service is equal to one share. The share value is determined based on the total eligible population, the total number of years of contributory service represented, and the amount of the distribution. The share value will change when future deposits are made. All eligible members receive the first five shares in their medical reimbursement account, which may be used for any medical expense, including premium reimbursement. The additional shares, representing service credit above five years, are deposited into the premium reimbursement account, which may only be used for medical, dental, vision or long-term health care premium reimbursements.

The money may be accessed by members only after separation from service and the achievement of retiree status from the MERS plan. For members who were already receiving retirement benefits from the MERS, the funds in their RHS account could be accessed after July 2, 2007 to reimbursement expenses incurred after July 1, 2007. Members who are still actively employed, and members in a vested-terminated status, may access the funds once they retire and begin receiving monthly pension payments. Funds in the RHS accounts are invested in the appropriate age-related Milestone Fund through a third-party record keeper.

At June 30, 2020, there were 4,032 active and retired members participating in the MERS RHS plan. The net position of the MERS RHS plan at June 30, 2020 was $13,917,009.

The financial statements for the OPEB Funds are on the following two pages:

Statement of Fiduciary Net Position
Other Postemployment Benefit Funds
June 30, 2020

	Vermont State Postemployment Benefits Trust Fund	Vermont Retired Teachers' Health and Medical Benefits Fund	Vermont Municipal Employees' Health Benefit Fund
Assets			
Cash and short term investments	$ 5,933,378	$ 3,126,221	$ 641,938
Receivables			
Contributions	68,838	-	-
Other receivables	17,502	5,599,018	-
Investments			
Mutual funds	51,618,999	-	13,281,119
Prepaid expenses	-	67,899	-
Total assets	57,638,717	8,793,138	13,923,057
Liabilities			
Accounts payable	46,009	74,162	6,048
Due to other funds	-	277	-
Total liabilities	46,009	74,439	6,048
Net position restricted for employee's other postemployment benefits	$ 57,592,708	$ 8,718,699	$ 13,917,009

Statement of Changes in Fiduciary Net Position
Other Postemployment Benefit Funds
For the Fiscal Year Ended June 30, 2020

	Vermont State Postemployment Benefits Trust Fund	Vermont Retired Teachers' Health and Medical Benefits Fund	Vermont Municipal Employees' Health Benefit Fund
Additions			
Contributions			
Employer - healthcare benefit	$ 38,599,577	$ -	$ -
Non-employer - healthcare benefit	-	35,176,080	-
Total contributions	38,599,577	35,176,080	-
Investment Income			
Net appreciation (depreciation) in fair value of investments	1,769,933	-	463,913
Dividends	1,229,831	-	273,799
Interest income	35,865	282,650	9,239
Other income	-	501,276	-
Total investment income	3,035,629	783,926	746,951
Less Investment Expenses			
Investment managers and consultants	5,720	-	16,038
Net investment income	3,029,909	783,926	730,913
Total additions	41,629,486	35,960,006	730,913
Deductions			
Other postemployment benefits	35,767,740	27,551,293	571,821
Operating expenses	1,785	2,104	-
Total deductions	35,769,525	27,553,397	571,821
Change in net position	5,859,961	8,406,609	159,092
Net position restricted for employees postemployment benefits			
July 1, 2019	51,732,747	312,090	13,757,917
June 30, 2020	$ 57,592,708	$ 8,718,699	$ 13,917,009

5. Other Long-term Liabilities

Governmental activities long-term liabilities are generally liquidated by payments from the governmental and internal service funds' programs, including all major governmental fund types except for the Education Fund. Bonds payable are liquidated by transfers of resources from the General, Transportation, Special and Federal Funds. During the year ended June 30, 2020, the following changes occurred in the governmental activities long-term liabilities:

	Total Liability July 1, 2019	Additions	Reductions	Total Liability June 30, 2020	Amounts due within one year
Governmental activities					
Bonds payable					
Bonds	$ 609,165,000	$ 127,780,000	$ 100,510,000	$ 636,435,000	$ 55,825,000
Bond premium	29,470,883	16,913,891	7,673,712	38,711,062	7,662,253
Bond discount	(104,836)	-	(104,836)	-	-
Total bonds payable	638,531,047	144,693,891	108,078,876	675,146,062	63,487,253
Capital leases payable	9,418,025	-	260,695	9,157,330	295,381
Compensated absences	35,994,575	45,699,642	40,013,603	41,680,614	39,442,365
Claims and judgments	60,972,430	185,167,507	188,083,413	58,056,524	22,323,048
Contingent liabilities	7,000,000	-	-	7,000,000	-
Net pension liabilities	2,258,521,410	601,347,004	477,534,301	2,382,334,113	-
Net other postemployment liabilities	2,142,389,979	276,213,378	167,421,333	2,251,182,024	18,832,594
Pollution remediation obligations	10,148,534	839,688	1,833,552	9,154,670	2,110,906
Total governmental activities long-term liabilities	$ 5,162,976,000	$ 1,253,961,110	$ 983,225,773	$ 5,433,711,337	$ 146,491,547

During the year ended June 30, 2020, the changes occurred in the business-type activities and fiduciary funds long-term liabilities are as follows:

	Total Liability July 1, 2019	Additions	Reductions	Total Liability June 30, 2020	Amounts due within one year
Business-type activities					
Compensated absences	$ 292,348	$ 302,918	$ 263,812	$ 331,454	$ 282,122
Lottery prize awards payable	7,075,536	91,645,984	90,913,923	7,807,597	7,331,257
Net pension liabilities	5,579,433	1,868,766	2,003,949	5,444,250	-
Net other postemployment liabilities	8,823,342	389,011	4,432,993	4,779,360	-
Other liabilities	2,717,342	1,772,097	-	4,489,439	-
Total business-type activities long term liabilities	$ 24,488,001	$ 95,978,776	$ 97,614,677	$ 22,852,100	$ 7,613,379
Fiduciary					
Compensated absences	$ 10,524	$ 20,393	$ 14,539	$ 16,378	$ 16,198

The compensated absences for the Business-type activities are included as part of accrued salaries and benefits on the propriety funds' Statement of Net Position. The compensated absences for the fiduciary funds are included as part of accrued liabilities on the fiduciary funds Statement of Net Position.

The Pollution Remediation Obligation (PRO) liabilities were measured using the actual contract cost when no changes in cost are expected, or a method that is materially close to the expected cash flow technique. Liability

estimates are subject to change due to cost increases or reductions, or changes in technology or applicable laws or regulations governing the remediation efforts. Overall, the state has recorded a pollution remediation liability of $9,154,670 of which $2,110,906 is due within one year.

Pollution remediation liability activity in fiscal year 2020 was as follows:

Superfund Sites

Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the United States Environmental Protection Agency (USEPA) expends resources from the superfund trust for cleanup. Currently, there are eight sites where the state has referred the matter to federal Superfund jurisdiction, and has executed a contract, or legal obligation, to share in the cost for cleanup and long-term operations and maintenance. These obligations are reflected in a State Superfund Contract.

There are two superfund sites where no liability has been reported because obligations are not yet reasonably estimable. The sites include an abandoned copper mine requiring cleanup of acid mine drainage and hazardous waste groundwater cleanup from a former manufacturing facility of capacitors, transformers, and motors used in household appliances.

The remaining six Superfund sites in Vermont are in various stages of cleanup, from initial assessment to cleanup activities and required monitoring of the remediation effort. There are no viable Potentially Responsible Parties (PRP) or insurance available to reduce the remediation costs for the superfund sites listed below. The PRO as of June 30, 2020 is $4,037,424, and the estimated amount to be paid for remediation activities in 2021 is $1,168,906.

Department of Environmental Conservation

The Vermont Agency of Natural Resources through the Department of Environmental Conservation (DEC) administers the Environmental Contingency Fund, authorized under 10 V.S.A. §1283, to pay for the investigation and cleanup of contaminated sites where there is no PRP or the PRP is recalcitrant, and the state considers it necessary to investigate and/or mitigate the effects of hazardous material releases to the environment. In the latter case, the state has the right to recover costs from the PRP, but in the former case, there is often no viable PRP to pursue and, if the pollution is significant, the state is left with little or no discretion to avoid addressing the issue.

The DEC has undertaken a proactive role in investigating the most likely sources of per- and polyfluoroalkyl substances (PFAS) contamination found in public drinking water and in directing public water systems to implement treatment or other remedy to reduce the levels of regulated PFAS contaminants in the water. This effort has been expanded with the passage of Act S.49 during the 2019 legislative session. The State is pursuing recoveries and/or cost sharing by participants named in the lawsuits as a PRP in the public water sites impacted by PFAS. The estimated amount due in 2021 which is primarily for the cost of sampling, vapor intrusion mitigation, and monitoring is $500,000. The PRO as of June 30, 2020 is $912,684.

The State is also responsible for the monitoring and treatment performance evaluations for the cleanup of ground water contamination resulting from a chemical spill at a former dry cleaner facility. The total PRO reported on June 30, 2020 is $669,528 for source removal of contamination, if dictated by annual monitoring. The amount due in 2021 for operation and maintenance is $10,000.

Lastly, the largest potential obligations for cleanup under the DEC's supervisions includes a former mining facility with large eroding mining tailings and waste rock piles that are discharging asbestos into downstream waters. Currently, one of the PRP performs the annual operation and maintenance of the erosion control features. The erosion control measures at the site will ultimately need to be replaced. The PRO for the mining site is $2,000,000 for the estimated cost of reconstruction measures not yet scheduled but likely to occur within the next five years.

Other State Agencies and Departments

Agencies and departments are working with regulators, including the USEPA, to ensure remediation of contaminate sites which are often detected during construction projects including renovation of historic buildings, excavation, and infrastructure improvements. The PRO is generally related to indoor air issues like asbestos or other chemical and toxics contaminating community soil and groundwater.

The liabilities are being reported because the agency or department was named as a PRP, or legally obligates itself to commence pollution remediation required for permitting or other regulatory restrictions. There are no viable PRP or insurance available to reduce the remediation costs for these sites.

In fiscal year 2019, the Vermont Agency of Transportation detected contaminated soil at the construction site of the replacement drawbridge between Grand Isle and North Hero. The Agency suspected the presence of lead around the bridge from previous paint systems, and testing yielded positive results for some lead as well as polychlorinated biphenyls (PCBs). Subsequent testing revealed a larger more complex contamination profile including hexavalent chromium and lead in soil and sediment underlying the bridge site and into Lake Champlain. The remediation and site monitoring will likely remain ongoing well beyond the current construction investigation and remediation phases. The PRO as of June 30, 2020 is $1,000,000.

The other four sites represent a wide array of remediation activities ranging from one-time events of removing contaminated soils related to renovations to longer-term activities like extending the area of investigation of water supply sampling and testing of community drinking water. The PRO as of June 30, 2020 is $535,034 with an estimated $432,000 to be expended in the current fiscal year.

H. Fund Balance/Net Position

Governmental Funds

The composition of the summarized fund balances reported on the governmental funds' Balance Sheet for the fiscal year ended June 30, 2020, are as follows:

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund			
Government Operations			
Administrative Services	$ -	$ -	$ 851,981
Public Safety and Regulatory Services	-	-	1,861,870
Courts	-	-	3,245,162
Health and Human Services	-	-	2,752,872
Correctional Services	-	-	1,320
Educational Services	-	-	68,883
Natural Resources Protection and Preservation	-	-	1,131,860
Economic and Community Development	-	-	1,722,152
Tourism and Marketing	-	-	767,339
Total General Fund	$ -	$ -	$ 12,403,439
Transportation Fund			
Transportation	$ -	$ 5,560,700	$ -
Total Transportation Fund	$ -	$ 5,560,700	$ -

	Restricted Purposes	Committed Purposes	Assigned Purposes
Education Fund			
Educational Services	$ -	$ 96,164,362	$ -
Total Education Fund	$ -	$ 96,164,362	$ -
Special Fund			
Government Operations			
Governor and Other Elected Officials	$ -	$ 574,647	$ 48,476
Legislature	-	44,158	2,366
Administrative Services	692,212	22,117,294	2,483,599
Public Safety and Regulatory Services	1,688,114	27,828,923	72,674
Courts	-	3,561,688	-
Health and Human Services	1,974,739	25,269,034	6,204
Correctional Services	4	984,178	-
Employment and Training	-	14,500,996	-
Educational Services	-	1,736,291	-
Natural Resources Protection and Preservation	8,764,076	44,068,803	94
Economic and Community Development	5,474,484	4,374,155	-
Tourism and Marketing	-	336,930	-
Total Special Fund	$ 18,593,629	$ 145,397,097	$ 2,613,413
Federal Revenue Fund			
Government Operations			
Administrative Services	$ 407,855	$ -	$ -
Public Safety and Regulatory Services	10,465,267	-	-
Health and Human Services	31,403,325	-	-
Employment and Training	8,675,494	-	-
Educational Services	1,866,058	-	-
Natural Resources Protection and Preservation	419,524,992	-	-
Economic and Community Development	361,464	-	-
Total Federal Revenue Funds	$ 472,704,455	$ -	$ -
Global Commitment Fund			
Health and Human Services	$ 29,058,760	$ -	$ -
Total Global Commitment Fund	$ 29,058,760	$ -	$ -
Non-major Governmental Funds			
Government Operations			
Administrative Services	$ 18,815	$ -	$ -
Health and Human Services	19,629	-	-
Educational Services	-	25,031,007	-
Natural Resources Protection and Preservation	66,320	15,576,043	-
Economic and Community Development	5,190	-	-
Capital Outlays	9,088,872	-	-
Debt Service	3,211,004	219,946	-
Total Non-major Governmental Funds	$ 12,409,830	$ 40,826,996	$ -

Note V. OTHER INFORMATION

A. Risk Management

1. Workers' Compensation and Risk Management

The Agency of Administration's Financial Services Division oversees the Workers' Compensation and Risk Management programs, which administers all insurance programs for State government with the exception of the health and life insurance plans listed below. State policy is to minimize the purchase of commercial insurance by either self-funding or otherwise retaining the risk when it makes sense to do so. The programs set aside assets and pay claims utilizing the following three Internal Service Funds:

State Employees' Workers' Compensation Fund
State Liability Self Insurance Fund
Risk Management – All Other Fund (used for the purchase of commercial insurance policies)

The State Employees' Workers' Compensation Fund covers all State employees who are injured on the job, pursuant to State statute. Certain quasi-governmental entities may also request coverage through this program. The State has unlimited exposure to liability and has not purchased any excess workers' compensation insurance to limit this exposure. All claims are processed by a third-party administrator. Two types of claims audits are conducted annually. One is a claims management audit by an independent outside claims consulting company to ensure that the claims operations and claims adjusting follow leading industry practice. The second is a complete actuarial review of Workers' Compensation claims and fund to review and recommend reasonable reserve and funding levels. Reserve fund allocated charges to each participating entity is done by Risk Management personnel utilizing departmental exposure and experience factors.

The State Liability Insurance Fund covers general and employment practices liability, discrimination, bodily injury and automobile liability risk. The coverage is comparable to standard private commercial policies. This liability coverage is offered to state agencies and certain quasi-governmental agencies. The State's exposure to tort risk in Vermont is subject to the doctrine of sovereign immunity and is governed by the Vermont Tort Claims Act, 12 V.S.A. §5601. The current sovereign immunity limits are $500,000 per person and $2,000,000 per occurrence. Exposure outside of Vermont and to federal suit and other non-tort suit is potentially unlimited. The State holds a self-insured retention (SIR) for the first $500,000 of exposure and purchases excess commercial liability insurance up to $1,500,000 ($2,000,000 total) per occurrence in Vermont and $10,000,000 per occurrence in excess of the $500,000 SIR for claims that are not subject to the Vermont Tort Claims Act. Claims are processed by the third-party administrator and/or the Vermont Attorney General's Office. Two types of claims audits are conducted annually. One is a claims management audit by an independent outside claims consulting company to ensure that the claims operations and claims adjusting follow leading industry practice. The second is a complete actuarial review of liability claims and fund to review and recommend reasonable reserve and funding levels. Reserve fund allocated charges to each participating entity is done by Risk Management personnel utilizing departmental exposure and experience factors.

The Risk-Management – All Other Fund provides insurance coverage through purchased commercial policies for risks not covered by the above funds. This coverage provides insurance for State-owned real property, bonds for various categories of employees, errors and omissions coverage for judges, workers' compensation coverage for non-state employees on contract with the Agency of Human Services, and various other miscellaneous coverages. The State's liability exposure is limited to the amount of the various deductibles associated with the respective policies and potentially for any claims in excess of the purchased limits. Premium charges from the various insurers are either assessed directly against the entity requiring the coverage or apportioned among those entities receiving the benefits of the coverage. Risk Management also assesses a surcharge of up to 5% of the premium to cover administrative costs. Entities eligible for coverage are state agencies and certain quasi-governmental agencies.

Insurance settlements have never exceeded the above commercial insurance limits.

2. Health Care Insurance, Dental Assistance Plan, and Life Insurance Funds for State Employee Benefit Plans

The Employee Benefits Division of the Department of Human Resources maintains medical/behavioral health insurance, dental assistance plan, and life insurance funds for the benefit of current State employees, retired former employees, and legislators as well as employees and certain former employees of outside "special" groups (Special Groups) which have been declared eligible to participate by statute or labor agreement. Not all of these named groups may participate in every plan. Detailed eligibility information for each group listed above can be found in the plan summaries that follow. Temporary and contractual employees are not eligible to participate in these plans.

Enrolled plan participants share in the premium cost of the medical/behavioral health plan. Prescription drug coverage is included in the medical/behavioral health plan. Premium rate development is performed by an outside actuary in conjunction with the Operations Division of the Department of Human Resources. The State's liability for incurred but not yet reported (IBNR) claims is calculated by the actuary and is based on the State's prior claims experience. Special Groups covered under the health insurance plan remit premium to the State for their members. Retirees covered under the health plan pay premium through the Retirement Division of the Treasurer's Office.

The plan options are: TotalChoice which is a "preferred provider organization" indemnity-type plan; and the SelectCare plan which is a "point of service" plan similar to an open-ended Health Maintenance Organization (members may opt out of the SelectCare network but must meet a deductible and coinsurance to do so). Benefits are administered under a managed care arrangement. Both health plan options are self-insured by the State. The State uses a third-party administrator to provide administrative services, including claims payment. To limit the State's large claims exposure, the State has purchased a stop loss insurance policy.

The self-funded State of Vermont Employee Dental Assistance Plan provides up to $1,000 regular dental benefits annually and up to $1,750 lifetime benefit for orthodontic expenses for each participant. These plan caps effectively limit the State's exposure to catastrophic loss, so no stop-loss insurance has been purchased. The Operations Division within the Department of Human Resources develops the premium rates, in consultation with the dental plan administrator's actuary. Participants include all groups mentioned in paragraph 1 above except for retirees. The State pays 100% of the premium for State employee participants and their covered dependents. Special Groups covered under the dental assistance plan remit premium to the State for their members.

The State of Vermont Employee Life Insurance Program consists of a Term-Life benefit and an Accidental Death and Dismemberment (AD&D) benefit, each of which provides coverage equal to two times a participant's base salary rounded down to the nearest $100. Retirees who work for the State for at least twenty years and who have life insurance at the time of retirement receive a retiree life benefit of $10,000 with no AD&D coverage. Both Life and AD&D are fully insured benefits. The State purchases insurance under which the carrier retains liability for all claims. The Operations Division calculates the premium rates charged to departments for both of these programs. The State pays 75% of active employees' premiums and 100% of retirees' premium costs. Only current State employees, retired State employees, and current active employees of the Special Groups are eligible to participate. Special Groups covered under the life insurance plan remit premium to the State for their members.

Three years' changes in the respective funds' claims liability amounts are displayed in the following table:

(Table on next page.)

Fund and Fiscal Year	Liability at Beginning of the Fiscal Year	Current FY Claims and Changes in Estimates	Current FY Claims Payments	Liability at End of the Fiscal Year
Workers' Compensation Fund				
2018	$ 23,525,052	$ 14,332,986	$ 9,110,153	$ 28,747,885
2019	28,747,885	11,405,255	11,530,934	28,622,206
2020	28,622,206	11,910,597	11,597,138	28,935,665
State Liability Insurance Fund				
2018	8,335,231	2,556,475	2,122,367	8,769,339
2019	8,769,339	2,803,305	2,048,600	9,524,044
2020	9,524,044	260,545	1,982,910	7,801,679
Medical Insurance Fund				
2018	15,885,213	173,608,576	176,217,265	13,276,524
2019	13,276,524	177,987,236	168,802,967	22,460,793
2020	22,460,793	167,704,318	169,060,329	21,104,782
Dental Insurance Fund				
2018	313,600	6,321,672	6,349,334	285,938
2019	285,938	6,403,546	6,324,097	365,387
2020	365,387	5,292,047	5,443,036	214,398

B. Budget Stabilization Reserves

The Legislature created Budget Stabilization Reserves within the General Fund per 32 V.S.A 308, the Transportation Fund per 32 V.S.A 308a, and the Education Fund Budget per 16 V.S.A 4026. These reserves were created to reduce the effects of annual variations in State revenues upon these funds by reserving certain surpluses of revenues.

The reserves balances consist of any budgetary basis surplus at the close of the fiscal year, provided the balance in each fund's Budget Stabilization Reserve shall not exceed an amount equal to five percent of its appropriations for the prior fiscal year plus any additional amounts as may be authorized by the Vermont Legislature. Use of the reserve is limited to offsetting the respective fund's deficit at the close of a fiscal year. For fiscal year 2020, the State fully funded the Budget Stabilization Reserves for the General, Transportation and Education Funds to their respective statutory maximum levels. The balances at June 30, 2020 are as follows: $79,823,411 in the General Fund's Budget Stabilization Reserve; $14,085,548 in the Transportation Fund's Budget Stabilization Reserve; and $32,978,533 in the Education Fund's Budget Stabilization Reserve.

In addition to the Budget Stabilization Reserve, the General Fund Balance Reserve, also known as the "Rainy Day Reserve" was established per 32 V.S.A 308c. After satisfying the requirements of 32 V.S.A 308, and after other reserve requirements have been met, fifty percent of any remaining the end of fiscal year General Fund surplus determined on budgetary basis shall be reserved in the General Fund Balance Reserve. The General Fund Balance Reserve shall not exceed five percent of the appropriations from the General Fund for the prior fiscal year without legislative authorization. Use of General Fund Balance Reserve is limited to the use of up to fifty percent of the amounts added in the prior fiscal year from the General Fund Balance Reserve to fund unforeseen or emergency needs, and to compensate for a reduction of revenues if the official State revenue estimates are reduced by two percent or more form the original estimate used to determined general appropriations act or budget adjustment act. For fiscal year 2020, the balance in the General Fund Balance Reserve was $31,553,273.

C. Limited Liabilities

1. Contingent Liabilities

Federal Grants:
The State receives federal grants that are subject to audit and review by federal grantor agencies that could result in expenditures being disallowed under the terms of the grants. However, it is believed that required reimbursements resulting from such disallowances would not be material.

2. Limited Liabilities

Vermont Economic Development Authority:
The State has a limited liability for the VEDA. VEDA may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 219. Annually, VEDA must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. To date, it has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

Vermont Municipal Bond Bank:
The State has a limited liability for the Vermont Municipal Bond Bank (Bank). The Bank is required to maintain debt service reserve funds. 24 V.S.A. Section 4675 requires the State to provide annual appropriations to restore the reserve funds to the required minimum balance, if necessary. It has never been necessary for the State to appropriate money to the reserve fund and it is not anticipated that it will need to make an appropriation in the future.

Vermont Housing Finance Agency:
The State has a limited liability for the Vermont Housing Finance Agency (Agency). The Agency may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 632. Annually, the Agency must report to the State the amount necessary to bring these reserve fund balances up to the minimum required by statute. This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve fund and it is not anticipated that any appropriation will have to be made.

Vermont Student Assistance Corporation:
The State has a limited liability for the VSAC. VSAC may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 2867. Annually, VSAC must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. To date, it has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

University of Vermont:
The State has a limited liability for the UVM. UVM may create one or more debt service reserve funds in accordance with 16 V.S.A. Section 2363. Annually, UVM must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. To date, it has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

Vermont State Colleges:
The State has a limited liability for the VSC. VSC may create one or more debt service reserve funds in accordance with 16 V.S.A. Section 286. Annually, VSC must report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. To date, it has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

3. Contractual Liabilities

As of June 30, 2020, the State of Vermont had long-term contracts outstanding of approximately $527,096,762 funded from federal sources, and $637,229,042 funded from all other funding sources. Contracts such as retainer contracts and contracts for commodities have not been included since the nature of these on-going contracts are tracked statewide to insure the best prices for supplies and some professional services. Following is a summary of contractual obligations by agency, department or office on June 30, 2020.

The Agency of Transportation contracts are mainly infrastructure construction contracts of which 67% have end dates of June 30, 2021 or earlier. Of the Agency of Human Services contractual obligations, 41% is in the Department of Vermont Health Access, 35% in the Department of Children and Families, and 4% in the Department of Corrections. Of the contracts in the Agency of Administration, 62% have end dates that expire by the end of fiscal year 2021 and are primarily for human resource benefit administration services (82%), and capital construction (6%). Of the contracts for the Agency of Digital Services, 73% for data software / consulting and 17% for telecommunications / fiber optic networks. The State Treasurer's Office contracts are mostly investment management services and health insurance for the retirement plans of which 52% having end dates that expire by the end of fiscal year 2021.

Following is a summary of contractual obligations by agency, department or office at June 30, 2020:

(Table on next page.)

Agency, Department, or Office	Total Contractual Obligation	Funded by Federal Sources	Funded by Other Sources
Agency of Administration	$ 130,910,920	$ 355,051	$ 130,555,869
Agency of Agriculture, Food & Markets	2,796,614	7,600	2,789,014
Agency of Commerce & Community Development	1,855,079	650,013	1,205,066
Agency of Digital Services	51,924,109	-	51,924,109
Agency of Education	14,112,243	12,040,063	2,072,180
Agency of Human Services	327,867,333	231,710,973	96,156,360
Agency of Natural Resources	17,480,411	4,073,015	13,407,396
Agency of Transportation	384,611,440	236,661,942	147,949,498
Auditor of Accounts' Office	1,364,705	-	1,364,705
Center Crime Victim Services	320,364	296,507	23,857
Criminal Justice Training Council	273,027	-	273,027
Department of Labor	18,826,641	18,826,641	-
Department of Liquor & Lottery	19,782,418	-	19,782,418
Department of Public Safety	7,113,990	1,600,619	5,513,371
Enhanced 911 Board	10,483,532	-	10,483,532
Financial Regulation	6,563,152	-	6,563,152
Green Mountain Care Board	7,529,789	-	7,529,789
Joint Fiscal Office	788,749	28,763	759,986
Judiciary	827,014	-	827,014
Military Department	25,669,438	19,768,305	5,901,133
Office of the Attorney General	4,214,973	43,189	4,171,784
Office of the Defender General	2,268,685	-	2,268,685
Public Service Department	6,451,121	52,102	6,399,019
Public Utility Commission	369,872	-	369,872
Secretary of State's Office	12,447,209	981,979	11,465,230
State Treasurer's Office	107,401,431	-	107,401,431
State's Attorneys and Sheriffs	71,545	-	71,545
Total	$ 1,164,325,804	$ 527,096,762	$ 637,229,042

4. Grant Awards

The State of Vermont engages in many grant programs that benefit municipalities, non-profits, individuals, and families statewide. The grant table below summarizes the grant activity by agency, department, or office. The award balance represents the total grant obligation outstanding. The awards to grantees in the current fiscal year totaled $673,044,274. The award adjustments column includes an increase of $10,988,634 for amendments to grants that commenced in prior fiscal years and a reduction of $13,839,750 to the current year awards balance under Human Services for the contribution received from the University of Vermont Medical Center for the Graduate Medical Education program. The grants expended amount of $652,025,813 includes payments issued to grantees on both current year awards and prior year grant awards. The award balances on June 30, 2020 represents the remaining unexpended award amounts.

(Table on next page.)

	Number of Grants Awarded in 2020	Total Grant Obligation				
		Award Balances at June 30, 2019	Current Year Awards	Award Adjustments	Grants Expended	Award Balances at June 30, 2020
Agency of Administration	288	$ -	$ 127,247,562	$ -	$ 127,247,562	$ -
Agency of Agriculture, Food & Markets	425	8,067,355	15,630,051	621,843	12,420,805	11,898,444
Agency of Commerce & Community Development	352	19,150,327	16,756,213	(1,719,341)	16,649,930	17,537,269
Agency of Education	1,413	19,132,797	144,882,759	-	146,874,453	17,141,103
Agency of Human Services	731	78,348,272	203,851,097	(40,882,464)	173,268,207	68,048,698
Agency of Natural Resources	257	35,263,535	63,587,021	19,741	36,107,321	62,762,976
Agency of Transportation	417	155,345,039	79,131,455	39,332,611	114,117,424	159,691,681
Center Crime Victim Services	147	1,112,599	6,795,350	-	6,927,018	980,931
Department of Labor	43	4,487,800	1,698,500	(149,537)	3,432,157	2,604,606
Department of Liquor & Lottery	1	-	2,500	-	2,500	-
Department of Public Safety	182	15,918,508	9,155,325	(109,198)	11,307,473	13,657,162
Enhanced 911 Board	39	226,476	291,826	-	271,424	246,878
Judiciary	1	-	45,000	-	45,000	-
Military Department	11	-	63,206	-	63,206	-
Office of the Attorney General	-	29,906	25,000	(4,432)	22,841	27,633
Public Service Department	17	2,802,077	1,414,611	25,000	815,552	3,426,136
Public Utilities Commission	1	-	350,000	-	350,000	
State Treasurer's Office	16	72,808	246,752	14,661	232,894	101,327
State's Attorneys and Sheriffs	54	-	1,870,046	-	1,870,046	-
Total	4,395	$ 339,957,499	$ 673,044,274	$ (2,851,116)	$ 652,025,813	$ 358,124,844

The Agency of Administration includes the Department of Libraries which awarded 202 grants in the amount of $175,381 to public libraries throughout the state. The agency also awarded over $123 million to help fund higher education in Vermont, and $3.1 million to promote cultural development. The Agency of Education awarded 1,413 grants totaling $144.9 million or 32% of the total number of grants issued by the state. The Agency of Human Services issued 731 awards and expended $173 million to improve the conditions and wellbeing of Vermonters. The Agency of Human Services also awarded $30 million to the University of Vermont Medical Center, Inc. for the Graduate Medical Education program (GME). The GME program helps ensure access to quality essential professional health services for Medicaid beneficiaries through the care provided by teaching physicians and teaching hospitals. The University of Vermont contributed $13.8 million to the State to support the GME programs; this support is listed as other revenue in the Global Commitment Fund. The Agency of Transportation awarded 417 grants, totaling $79.1 million, providing funding to communities around the state that focus on safety, preservation and maintenance of existing transportation system, economic development, and energy efficient transportation choices.

D. Litigation

The State, its agencies, officials and employees are defendants in numerous lawsuits involving funding for social welfare programs, civil rights actions, public education funding, breach of contract and negligence. The Attorney General is unable to predict the ultimate outcome of the majority of these suits, some of which seek recovery of monetary damages of unspecified amounts. However, based on information provided by the Attorney General, any ultimate liability to the State resulting from these lawsuits that is not covered by various insurance policies, would not materially affect the State's overall financial condition.

E. Joint Venture

The State of Vermont has entered into a Tri-State Lotto Compact with the States of New Hampshire and Maine for the purpose of operating a tri-state lottery. This lottery does not replace Vermont's individual lottery games but is run in addition to the existing games. The Compact provided for the creation of a Tri-State Lottery Commission (Commission) which is an interstate body, both corporate and politic, serving as a common agent for the party states and representing them both collectively and individually in the exercise of its powers and duties. The Commission is composed of one member from each of the party states. Each State's lottery appoints one of its members to this position. The three-member Commission annually elects a chairperson from among its members. The Commission is empowered to promulgate rules and regulations governing the establishment and to administer the operation of the Tri-State Lotto. Tri-State Lotto tickets are sold in each of the party states and processed in a central location as determined by the Commission. A proportional share of revenue and expenses is allocated to each state based on the ticket sales made by that state. The exceptions to the proportional allocation include: (1) the facilities management fee and agent commissions, which are based on a contracted percentage of operating revenue that varies from state to state; and (2) per diem charges, advertising, and certain printing, travel and miscellaneous costs, which are allocated based on actual charges generated by each state. Comparative financial information for fiscal years ending June 30, 2020 and 2019 are as follows:

	June 30, 2020	June 30, 2019	Increase (Decrease)
Comparative Financial Information			
Assets	$ 35,459,648	$ 36,096,482	$ (636,834)
Liabilities	28,437,991	29,749,054	(1,311,063)
Operating revenues	72,639,922	69,881,196	2,758,726
Interest income	252,577	242,063	10,514
Commissions, fees and bonus expense	5,710,903	5,519,151	191,752
Prize awards	41,504,750	38,531,502	2,973,248
Other operating expenses	3,055,496	4,261,548	(1,206,052)
Total transfers to member states	22,621,350	21,811,058	810,292
Transfer to Vermont	3,537,403	3,271,552	265,851

Tri-State Lotto Commission issues separately audited financial statements. Additional information regarding the Tri-State Lotto Commission may be obtained by contacting the Vermont Lottery Commission, 1311 US Route 302-Berlin, Suite 100, Barre, Vermont 05641.

F. Tax Abatements

The State of Vermont provides tax abatements through various programs subject to the requirements of GASB Statement No. 77. A tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity through which the government promises to forgo tax revenues to which they are otherwise entitled, and the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefit the government or its citizens. As of June 30, 2020, the State provided tax abatements through the following programs:

(Table on next page.)

Vermont Affordable Housing Tax Credit

Purpose of program	The program encourages construction or rehabilitation of affordable housing projects in the State.
Tax being abated	Personal income, corporate income, bank franchise, and insurance premium taxes
Authority to abate taxes	32 V.S.A. 5930u
Criteria to be eligible to receive abatements and commitment of the taxpayer	Any municipality, private sector developer, State agency as defined in 10 V.S.A. 6301a, the Vermont Housing Finance Agency, or a nonprofit organization qualifying under 26 U.S.C. 501(c)(3), or a cooperative housing organization, the purpose of which is to create and retain affordable housing for Vermonters with lower income and which has in its bylaws a requirement that the housing the organization creates be maintained as affordable housing for Vermonters with lower income on a perpetual basis. The taxpayer applies to and must be approved by the allocating agency to receive the credit. In return, the taxpayer agrees to construct or rehabilitate affordable housing projects as specified in the application submitted. Vermont's designated allocating agency for this tax credit is the Vermont Housing Finance Agency. The participant is required to ensure that eligible housing is maintained as affordable housing by subsidy covenant, as defined in 27 V.S.A. 610 on a perpetual basis.
How taxes are reduced	Taxpayer will claim credit on tax return. Unused credits may be carried forward for fourteen years.
How is the amount of the tax abatement determined	The amount of the credit is determined by the allocating agency based on the amount of eligible investment in the affordable housing project.
Provisions for recapturing abated taxes	N/A
Type of commitments other than taxes	N/A
Dollar amount of taxes abated during reporting period	$3,823,445

Agricultural and Managed Forest Land Use Program

Purpose of program	The program goal is to preserve the working landscape and the rural character of Vermont.
Tax being abated	Education Property Tax
Authority to abate taxes	32 V.S.A 3756
Criteria to be eligible to receive abatements and commitment of the taxpayer	A property must be at least 25 contiguous acres in size to be eligible for enrollment in the program, with limited exceptions for actively farmed land, and conservation land owned by a qualified organization as defined in 10 V.S.A 6301a. The property owner applies to and must be approved by the Department of Taxes to receive the tax abatement. In return, the owners of agricultural land and/or farm buildings are required to certify annually that their agricultural land and farm buildings meet the requirements to be eligible for the program; and for forested and conservation land (non-agricultural) the property must be managed according to the approved forest or conservation management plan and according to state standards and be inspected at least once every 10 years.
How taxes are reduced	Reduction of assessed value
How is the amount of the tax abatement determined	Land is valued at fixed price per acre as determined by the Current Use Advisory Board
Provisions for recapturing abated taxes	Once enrolled in the program land is subject to a lien, if this land is ever developed or removed from the program, the owner at the time of development must pay a land use change tax of 10% tax on the full fair market value of the changed land determined without regard to the use value appraisal.
Type of commitments other than taxes	As part of the Land Use Program, is a municipal hold harmless payment that reimburses municipalities for property tax revenue not collected due to the reduction in assessed value from property enrolled in the Land Use Program. Fiscal year 2020 payments are $16,507,284.
Dollar amount of taxes abated during reporting period	$47,594,167

Vermont Downtown and Village Center Tax Credit Program

Purpose of program	The program encourages the improvement and rehabilitation of historic properties in designated downtowns and village centers. It includes three tax credits: The Historic Rehabilitation Tax Credit, the Façade Improvement Tax Credit, and the Code or Technology Improvement Tax Credit.
Tax being abated	Personal income, corporate income, bank franchise, and insurance premium taxes
Authority to abate taxes	32 V.S.A. 5930cc
Criteria to be eligible to receive abatements and commitment of the taxpayer	Commercial buildings and non-profit owned buildings constructed before 1983 located within designated downtown or village centers are eligible for the credit. The taxpayer applies to and must be approved by the Vermont Downtown Development Board to receive the credit. In return, the taxpayer agrees to improve or rehabilitate their historic property in designated downtowns and village centers as specified in the application submitted.
How taxes are reduced	Taxpayer will claim credit on tax return. Unused credits may be carried forward for nine years.
How is the amount of the tax abatement determined	Historic Rehabilitation Tax Credit is 10% of qualified expenditures up to a maximum tax credit of $75,000. Façade Improvement Tax Credit is 25% of qualified expenditures up to a maximum tax credit of $25,000. Code or Technology Improvement Tax Credit is 50% of qualified expenditures up to a maximum tax credit of $50,000 for sprinklers, $50,000 for elevators, $12,000 for platform lifts, $50,000 for other qualified code improvements, and $30,000 for technology improvements.
Provisions for recapturing abated taxes	If, within five years after completion of the qualified project the applicant shall be liable for a recapture penalty in an amount equal to the total tax credit claimed if the Vermont Downtown Development Board finds that any work performed on the qualified project is inconsistent with the approved application; or the applicant knowingly failed to supply any information, or supplied incorrect or untrue information or failed to comply with any award condition; or in the case of the Historic Rehabilitation Tax Credit, the National Park Service revokes certification for unapproved alterations or for work not done as described in the historic preservation certification application.
Type of commitments other than taxes	N/A
Dollar amount of taxes abated during reporting period	$2,598,903

Vermont Employment Growth Incentive (VEGI)

Purpose of program	The program is designed to encourage business recruitment, growth and expansion.
Tax being abated	Personal income taxes
Authority to abate taxes	32 V.S.A. 3330
Criteria to be eligible to receive abatements and commitment of the taxpayer	Any size business can apply, to be eligible to receive abatements. The Vermont Economic Progress Council (VEPC) must find for the project that the total estimated incremental tax revenues from all sources generated to the State by the proposed economic activity exceeds the revenue costs of the activity to the State, including the cost of the incentive. The host municipality must welcome the new business. The proposed economic activity must conform to applicable town and regional plans. If the business proposes to expand within a limited local market, an incentive must not give the business an unfair competitive advantage over other Vermont businesses in the same or similar line of business and in the same limited local market. Applicants must assert in writing and VEPC must agree that, but for the incentive, the proposed economic activity: would not occur; or would occur in a significantly different manner that is significantly less desirable to the State. The taxpayer applies to and must be approved by the VEPC to receive the tax abatement. In return, the taxpayer agrees to meet their performance requirements for new qualifying employment, new qualifying payroll, and new qualifying capital investments as specified in the application submitted.
How taxes are reduced	Refund of taxes paid
How is the amount of the tax abatement determined	The total amount of abatement is determined by a cost-benefit model analysis that calculates the estimated revenue benefits and costs to the State, based on the qualifying jobs, payroll, and capital investments projected by the applicant.
Provisions for recapturing abated taxes	For three years from the last day of the utilization period if the business experiences a 90% or greater reduction in base employment, or if the business fails to file required claim forms. In addition, if the business fails to meet its capital investment performance requirements by the end of the award period the abatements paid may be recaptured.
Type of commitments other than taxes	N/A
Dollar amount of taxes abated during reporting period	$1,892,074

G. Accounting Changes

Accounting changes related to prior period adjustments

A prior period restatement of net position was made for a correction of an error in one of the University of Vermont's (UVM) discretely presented components units. The University Medical Education Associates, Inc. (UMEA) discovered an error in the allocation of investment income earned in June 2019. As a result of the correction, the investment income recognized by UMEA as donor restricted in 2019 and donor restricted net assets as of June 30, 2019 have been decreased and allocations of investment income to funds held for others increased. The effect of the restatement is shown below.

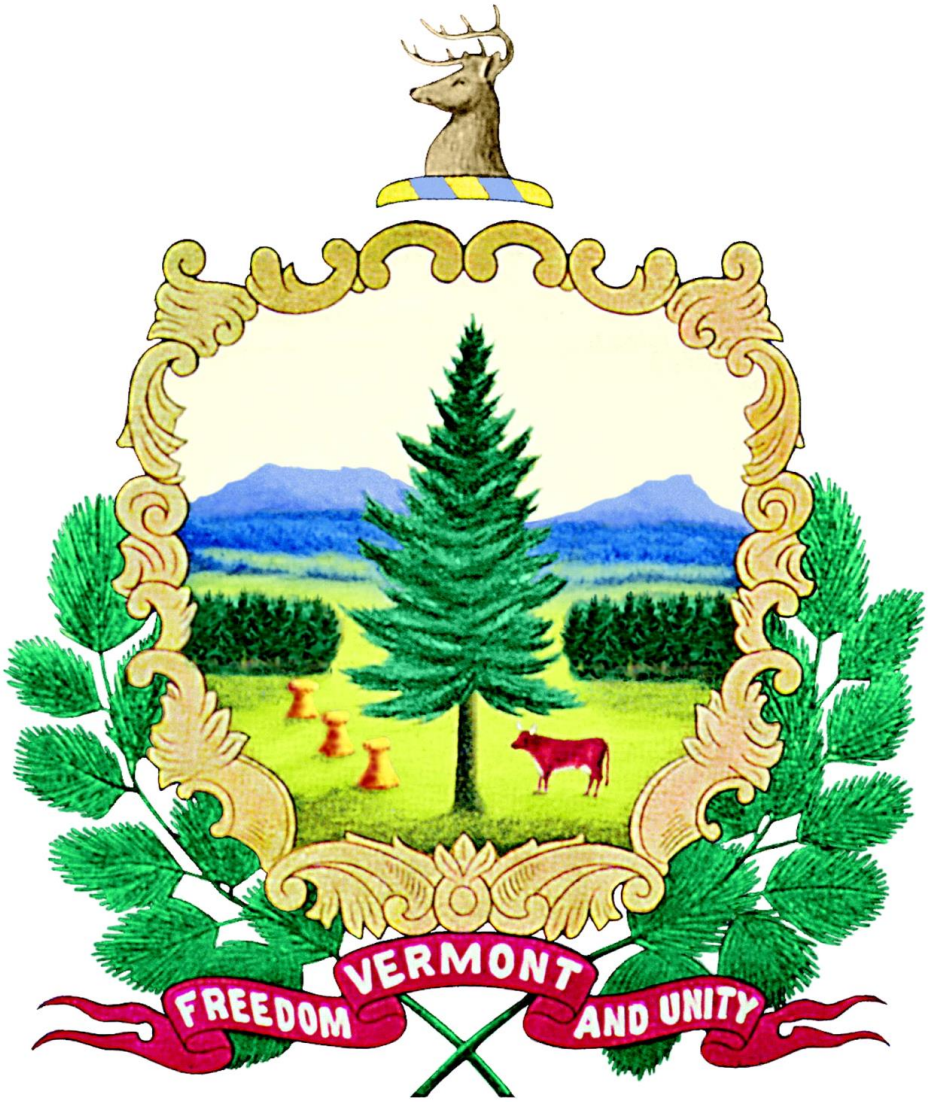
Restatement of net position

The effects of accounting changes on net position of component units were as follows:

	University of Vermont and State Agricultural College
As originally reported	$ 593,105,000
Restatements	
Restatement for a prior period adjustment as of July 1, 2019	(586,000)
Restated amount	$ 592,519,000

H. Subsequent Events

During fiscal year 2020, the World Health Organization declared the spread of COVID-19 a worldwide pandemic, which continues to significantly impact global markets, supply chains, businesses and communities. Specific to the State, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, revenue loss, costs for emergency preparedness, unemployment assistance volume, and shortages of personnel. Management believes the State is taking appropriate actions to mitigate any further negative impact.



Required Supplementary Information

(Unaudited)

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
VERMONT STATE RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST SEVEN FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2020	2019	2018	2017
Total pension liability				
Service cost	$ 53,010	$ 51,946	$ 49,744	$ 42,704
Interest	204,548	194,127	180,860	178,959
Differences between expected and actual experience	5,123	40,476	83,266	19,283
Changes of assumptions	209,787	-	-	42,725
Benefit payments, including refunds of member contributions	(153,026)	(144,297)	(134,090)	(126,480)
Net change in total pension liability	319,442	142,252	179,780	157,191
Total pension liability, July 1	2,750,811	2,608,559	2,428,779	2,271,588
Total pension liability, June 30	3,070,253	2,750,811	2,608,559	2,428,779
Fiduciary net position				
Contributions - employer	84,430	66,618	64,564	60,280
Contributions - member	40,902	40,818	40,423	35,967
Net investment income (loss)	78,965	106,778	123,632	170,358
Benefit payments, including refunds of member contributions	(153,026)	(144,297)	(134,090)	(126,480)
Administrative expenses	(2,268)	(2,246)	(1,720)	(1,777)
Other	594	299	249	444
Net change in fiduciary net position	49,597	67,970	93,058	138,792
Fiduciary net position, beginning of year	1,909,470	1,841,500	1,748,442	1,609,650
Fiduciary net position, end of year	1,959,067	1,909,470	1,841,500	1,748,442
Net pension liability, June 30	$ 1,111,186	$ 841,341	$ 767,059	$ 680,337
Fiduciary net position as a percentage of the total pension liability	63.81%	69.41%	70.59%	71.99%
Covered payroll	$ 527,571	$ 521,671	$ 504,553	$ 471,268
Net pension liability as a percentage of covered payroll	210.62%	161.28%	152.03%	144.36%
Notes to Schedule				
Change in assumptions:				
Discount rate	7.00%	7.50%	7.50%	7.50%
Assumed inflation	2.30%	2.50%	2.50%	2.50%
Assumed COLA increase				
Groups A, C, D and F (retired on or after 7/1/2008)	2.40%	2.55%	2.55%	2.55%
Group F (retired before 7/1/2008)	1.35%	1.40%	1.40%	1.40%

For 6/30/2020 mortality tables updated from variations of RP-2006 with generational improvement to variations of PubG-2010 with generational projection.
For the 2020 GASB 67 valuation, various actuarial assumptions were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2019.
Benefit changes since June 30, 2014: None
Plan Type: single employer

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Independent Auditors' Report.

2016	2015	2014
$ 47,012	$ 41,786	$ 39,369
171,563	164,405	156,635
25,051	3,979	-
(21,853)	62,247	-
(120,094)	(111,396)	(104,493)
101,679	161,021	91,511
2,169,909	2,008,888	1,917,377
2,271,588	2,169,909	2,008,888
54,347	55,881	56,483
34,055	33,296	31,746
17,962	(8,485)	203,722
(120,094)	(111,396)	(104,493)
(1,467)	(1,858)	(1,158)
(14)	177	454
(15,211)	(32,385)	186,754
1,624,861	1,657,246	1,470,492
1,609,650	1,624,861	1,657,246
$ 661,938	$ 545,048	$ 351,642
70.86%	74.88%	82.50%
$ 462,057	$ 437,676	$ 416,766
143.26%	124.53%	84.37%
7.95%	7.95%	8.22%
3.00%	3.00%	3.00%
3.00%	3.00%	3.00%
1.50%	1.50%	1.50%

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATE TEACHERS' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST SEVEN FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2020	2019	2018	2017
Total pension liability				
Service cost	$ 40,744	$ 39,766	$ 40,117	$ 35,383
Interest	255,393	246,468	237,747	228,939
Differences between expected and actual experience	31,637	28,998	59,469	12,523
Changes of assumptions	310,968	-	(32,957)	185,849
Benefit payments, including refunds of member contributions	(201,237)	(193,197)	(182,259)	(172,156)
Net change in total pension liability	437,505	122,035	122,117	290,538
Total pension liability, July 1	3,465,113	3,343,078	3,220,961	2,930,423
Total pension liability, June 30	3,902,618	3,465,113	3,343,078	3,220,961
Fiduciary net position				
Contributions - non-employer	120,247	113,748	110,354	78,664
Contributions - member	40,599	39,075	37,889	36,142
Net investment income (loss)	83,105	109,429	125,566	173,167
Benefit payments, including refunds of member contributions	(201,237)	(193,197)	(182,259)	(172,156)
Administrative expenses	(2,815)	(2,715)	(2,084)	(2,214)
Other	7,103	5,775	4,349	4,055
Net change in fiduciary net position	47,002	72,115	93,815	117,658
Fiduciary net position, beginning of year	1,904,488	1,832,373	1,738,558	1,620,900
Fiduciary net position, end of year	1,951,490	1,904,488	1,832,373	1,738,558
Net pension liability, June 30	$ 1,951,128	$ 1,560,625	$ 1,510,705	$ 1,482,403
Fiduciary net position as a percentage of the total pension liability	50.00%	54.96%	54.81%	53.98%
Covered payroll	$ 624,908	$ 612,899	$ 607,355	$ 586,397
Net pension liability as a percentage of covered payroll	312.23%	254.63%	248.74%	252.80%
Notes to Schedule				
Change in assumptions:				
Discount rate	7.00%	7.50%	7.50%	7.50%
Assumed inflation	2.30%	2.50%	2.50%	2.50%
Assumed COLA increase				
Group A	2.40%	2.55%	2.55%	2.55%
Group C	1.35%	1.40%	1.40%	1.40%

For 6/30/2020 mortality tables updated from variations of RP-2006 with generational improvement to variations of PubG-2010 with generational projection.
For the 2020 GASB 67 valuation, various actuarial assumptions were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2019.
Benefit changes since June 30, 2014: None
Plan Type: cost sharing multiple employer with a special funding situation

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Independent Auditors' Report.

2016	2015	2014
$ 34,979	$ 33,614	$ 33,144
222,185	215,447	206,150
3,613	20,003	-
(7,224)	57,489	-
(162,751)	(150,734)	(140,846)
90,802	175,819	98,448
2,839,621	2,663,802	2,565,354
2,930,423	2,839,621	2,663,802
73,225	72,909	72,668
35,409	34,864	32,559
19,877	(7,567)	212,338
(162,751)	(150,734)	(140,847)
(1,797)	(2,259)	(26,116)
3,821	538	411
(32,216)	(52,249)	151,013
1,653,116	1,705,365	1,554,352
1,620,900	1,653,116	1,705,365
$ 1,309,523	$ 1,186,505	$ 958,437
55.31%	58.22%	64.02%
$ 557,708	$ 567,074	$ 563,623
234.80%	209.23%	170.05%
7.95%	7.95%	8.15%
3.00%	3.00%	3.00%
3.00%	3.00%	3.00%
1.50%	1.50%	1.50%

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST SEVEN FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2020	2019	2018	2017
Total pension liability				
Service cost	$ 34,726	$ 30,744	$ 28,434	$ 27,246
Interest	67,361	61,618	56,504	54,780
Differences between expected and actual experience	8,292	17,468	14,172	(3,749)
Changes of assumptions	38,774	-	-	14,481
Changes of benefit terms	-	-	194	-
Benefit payments, including refunds of member contributions	(39,084)	(35,397)	(31,445)	(27,803)
Net change in total pension liability	110,069	74,433	67,859	64,955
Total pension liability, July 1	882,958	808,525	740,666	675,711
Total pension liability, June 30	993,027	882,958	808,525	740,666
Fiduciary net position				
Contributions - employer	20,681	19,203	17,520	16,482
Contributions - member	20,771	19,778	19,167	25,210
Net investment income (loss)	29,114	38,740	43,889	59,487
Benefit payments, including refunds of member contributions	(39,084)	(35,397)	(31,445)	(27,803)
Administrative expenses	(1,355)	(1,158)	(929)	(875)
Other	460	451	137	(6)
Net change in fiduciary net position	30,587	41,617	48,339	72,495
Fiduciary net position, beginning of year	709,466	667,849	619,510	547,015
Fiduciary net position, end of year	740,053	709,466	667,849	619,510
Net pension liability, June 30	$ 252,974	$ 173,492	$ 140,676	$ 121,156
Fiduciary net position as a percentage of the total pension liability	74.52%	80.35%	82.60%	83.64%
Covered payroll	$ 306,103	$ 289,839	$ 274,814	$ 256,730
Net pension liability as a percentage of covered payroll	82.64%	59.86%	51.19%	47.19%
Notes to Schedule				
Changes in assumptions and methods:				
Discount rate	7.00%	7.50%	7.50%	7.50%
Assumed inflation	2.30%	2.50%	2.50%	2.50%
Assumed COLA increase				
Group A	1.10%	1.15%	1.15%	1.15%
Group B, C, and D	1.20%	1.30%	1.30%	1.30%

For 6/30/2020 mortality tables updated from variations of RP-2006 with generational improvement to variations of PubG-2010 with generational projection.
For the 2020 GASB 67 valuation, various actuarial assumptions were changed in accordance with the findings of an experience study covering the five-year period ending June 30, 2019.
Benefit changes since June 30, 2014: None
Plan Type: cost sharing multiple employer

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Independent Auditors' Report.

2016	2015	2014
$ 25,264	$ 24,366	$ 22,519
49,744	46,058	42,139
1,088	3,046	-
12,204	19,192	-
-	-	-
(25,589)	(23,314)	(20,601)
62,711	69,348	44,057
613,000	543,652	499,595
675,711	613,000	543,652
15,236	14,136	12,806
15,227	13,588	13,234
6,777	(2,359)	64,346
(25,589)	(23,315)	(20,601)
(755)	(950)	(588)
215	279	2,143
11,111	1,379	71,340
535,904	534,525	463,186
547,015	535,904	534,526
$ 128,696	$ 77,096	$ 9,126
80.95%	87.42%	98.32%
$ 249,811	$ 230,969	$ 220,372
51.52%	33.38%	4.14%
7.95%	7.95%	8.23%
3.00%	3.00%	3.00%
1.50%	1.50%	1.50%
1.80%	1.80%	1.80%

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
LAST SEVEN YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

Retirement System	Year Ended 6/30	Actuarially Determined Contribution[1] (ADC)	Contributions in Relation to ADC	Contribution (Excess) Deficiency	Covered Payroll (CP)	Contribution as a Percent of CP
Vermont State Retirement System	2020	$ 78,944	$ 84,430	$ (5,486)	$ 527,571	16.00%
	2019	62,985	66,618	(3,633)	521,671	12.77%
	2018	52,065	64,564	(12,499)	504,553	12.80%
	2017	48,503	60,280	(11,777)	471,268	12.79%
	2016	46,238	54,347	(8,109)	462,057	11.76%
	2015	44,652	55,881	(11,229)	437,676	12.77%
	2014	42,786	56,483	(13,697)	416,766	13.55%
State Teachers' Retirement System[2]	2020	$ 126,197	$ 126,942	$ (745)	$ 624,908	20.31%
	2019	105,641	119,175	(13,534)	612,899	19.44%
	2018	88,409	114,599	(26,190)	607,355	18.87%
	2017	82,660	82,887	(227)	586,397	14.13%
	2016	76,103	76,948	(845)	557,708	13.80%
	2015	72,858	72,909	(51)	567,074	12.86%
	2014	68,353	72,668	(4,315)	563,623	12.89%
Vermont Municipal Employees' Retirement System	2020	$ 22,618	$ 20,681	$ 1,937	$ 306,103	6.76%
	2019	17,263	19,203	(1,940)	289,839	6.63%
	2018	15,067	17,520	(2,453)	274,814	6.38%
	2017	12,896	16,482	(3,586)	256,730	6.42%
	2016	15,236	15,236	-	249,811	6.10%
	2015	14,136	14,136	-	230,969	6.12%
	2014	12,806	12,806	-	220,372	5.81%

Notes to Schedule

[1] ADC for a given fiscal year are based on results from the June 30 actuarial valuation two years prior for STRS and VTRS, and one year prior for MERS.

[2] Included in the ADC is an actuarially determined contribution rate that is applied to the total earnable compensation for teachers whose funding is provided by federal grants and is paid by the employer to the STRS.

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplemental information.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

	VSRS	STRS	MERS
Valuation date			
Actuarially determined contributions rates are calculated as of June 30 two years prior for VSRS and STRS and one year prior for MERS to the end of the fiscal year in which contributions are reported. Assumptions values listed below were used in determining the actuarially determined contributions rates calculated as of that date.			
Actuarial cost method	Entry Age Normal	Entry Age Normal	Projected Benefit Cost
Amortization method	Level percentage of payroll	Level percentage of payroll	Installments increasing 3% per year
Remaining amortization period	20 years	20 years	19 years
All closed basis			
Asset valuation method	Preliminary Asset Value plus 20% of difference between market and preliminary asset values	Preliminary Asset Value plus 20% of difference between market and preliminary asset values	Actuarial value of assets using a five year smoothing technique
Actuarial assumptions			
Investment rate of return [1]	7.50%	7.50%	7.50%
Inflation rate	2.50%	2.50%	2.50%
Projected salary increases	3.50%-7.04%	3.75%-9.09%	5.00%
Cost of living adjustments[2]	Groups A, C & D - 2.55% Group F - 1.40% Group F retiring after 7/1/2008 - 2.55%	Group A - 2.55% Group C - 1.40%	Group A - 1.15% Groups B, C & D - 1.30%

Mortality Rates

VSRS

Pre-retirement:
- Group A/F - 101% of RP-2006 blended 30% Blue Collar Employee, 70% Healthy Employee with generational projection using Scale SSA-2017
- Group C - RP-2006 Blue Collar Employee with generational projection using Scale SSA-2017
- Group D - RP-2006 Healthy Employee with generational projection using Scale SSA-2017

Healthy Retiree:
- Group A/F - 101% of RP-2006 blended 30% Blue Collar Annuitant, 70% Healthy Annuitant with generational projection using Scale SSA-2017
- Group C - RP-2006 Blue Collar Annuitant with generational projection using Scale SSA-2017
- Group D - RP-2006 Healthy Annuitant with generational projection using Scale SSA-2017

Disabled Retiree:
- All Groups - RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017

STRS

Pre-retirement:
- All Groups - 98% of RP-2006 White Collar Employee Table with generational projection using scale SSA-2017

Healthy Retiree:
- All Groups - 98% of RP-2006 White Collar Annuitant Table with generational projection using scale SSA-2017

Disabled Retiree:
- All Groups - RP-2006 Disabled Mortality Table with generational projection using scale SSA-2017

MERS

Pre-retirement:
- Groups A/B/C - 98% of RP-2006 tables, blended 60% Blue Collar Employee, 40% Healthy Employee with generational projection using Scale SSA-2017
- Group D - 100% of RP-2006 Blue Collar Employee with generational projection using Scale SSA-2017

Healthy Retiree:
- Groups A/B/C - 98% of RP-2006 tables, blended 60% Blue Collar Annuitant, 40% Healthy Annuitant with generational projection using Scale SSA-2017
- Group D - 100% of RP-2006 Healthy Annuitant with generational projection using Scale SSA-2017

Disabled Retiree:
- All Groups - RP-2006 Disabled Mortality Table with generational projection using Scale SSA-2017

[1] Through the 2014 valuations, a select-and-ultimate interest rate set was used ranging from 6.25% in year 1 to 9% in years 17 and later.
For 2016 a 7.95% rate was used for MERS, for 2018 a 7.50% rate was used for MERS
For 2019 a 7.50% rate was used for VSRS and STRS

[2] Effective January 1, 2014, the Group F employees who were actively contributing into the system on June 30, 2008, and retired on or after July 1, 2008, are eligible for 100% of CPI.

See Independent Auditors' Report.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST SEVEN YEARS[1]
(Dollar amounts expressed in thousands)
(Unaudited)

	Vermont State Retirement System			
	2020	2019	2018	2017
State's proportion of net pension liability	98.3137%	98.2187%	98.2850%	98.3625%
State's proportionate share of the net pension liability	$ 827,153	$ 753,395	$ 668,669	$ 651,099
Fiduciary net position as a percentage of the total pension liability	69.41%	70.59%	71.99%	70.86%

	State Teachers' Retirement System[2]			
	2020	2019	2018	2017
State's proportion of net pension liability	100%	100%	100%	100%
State's proportionate share of the net pension liability	$ 1,560,625	$ 1,510,705	$ 1,482,403	$ 1,309,523
Fiduciary net position as a percentage of the total pension liability	54.96%	54.81%	53.98%	55.31%

[1]The amounts presented for each fiscal year were determined by an actuarial valuation on June 30 two years prior to to the fiscal year. The measurement period and measurement date is one year prior to the fiscal year.

[2]The State Teacher's Retirement System has a special funding situation where the State, as the non-employer contributing entity, is responsible for the net pension liability.

GASB No. 68 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Independent Auditors' Report.

2016	2015	2014
98.3289%	98.2355%	98.1400%
$ 535,939	$ 345,437	$ 438,573
74.88%	82.50%	76.69%

2016	2015	2014
100%	100%	100%
$ 1,186,505	$ 958,437	$ 1,011,002
58.22%	64.02%	60.59%

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PLANS
SCHEDULE OF INVESTMENT RETURNS
LAST SEVEN YEARS
(Unaudited)

	2020	2019	2018	2017
VERMONT STATE RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	3.90%	5.90%	6.73%	10.33%
STATE TEACHERS' RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	4.10%	6.10%	6.99%	10.17%
VERMONT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	3.90%	5.80%	6.75%	10.88%

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Independent Auditors' Report.

2016	2015	2014
1.44%	-0.50%	14.05%
1.69%	-0.40%	13.83%
1.56%	-0.51%	14.13%

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
VERMONT STATE POSTEMPLOYMENT BENEFIT TRUST FUND
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS
LAST FOUR FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2020	2019	2018	2017
Total OPEB liability				
Service cost	$ 45,691	$ 44,590	$ 52,326	$ 66,841
Interest	45,754	49,041	54,401	46,868
Changes of benefit terms	-	-	(20,233)	-
Differences between expected and actual experience	20,361	6,284	7,140	-
Changes of assumptions	127,633	(25,551)	(303,322)	(190,151)
Benefit payments, net of retiree contributions, including administrative expense	(35,768)	(35,340)	(34,559)	(33,346)
Net change in total OPEB liability	203,671	39,024	(244,247)	(109,788)
Total OPEB liability, July 1	1,279,299	1,240,275	1,484,522	1,594,310
Total OPEB liability, June 30	1,482,970	1,279,299	1,240,275	1,484,522
Fiduciary net position				
Contributions - employer	38,600	63,750	32,957	33,123
Net investment income (loss)	3,030	1,554	872	1,372
Benefit payments, including refunds of member contributions	(35,768)	(35,340)	(34,559)	(33,346)
Administrative expenses	(3)	(2)	(1)	-
Net change in fiduciary net position	5,859	29,962	(731)	1,149
Fiduciary net position, beginning of year	51,733	21,771	22,502	21,353
Fiduciary net position, end of year	57,592	51,733	21,771	22,502
Net OPEB liability, June 30	$ 1,425,378	$ 1,227,566	$ 1,218,504	$ 1,462,020
Fiduciary net position as a percentage of the total OPEB liability	3.88%	4.04%	1.76%	1.52%
Covered payroll	$ 554,292	$ 548,512	$ 531,543	$ 497,201
Net OPEB liability as a percentage of covered-payroll	257.15%	223.80%	229.24%	294.05%

Notes to Schedule
Plan Type: single employer
Benefit changes in 2018: Medical copays were modified, and pharmacy deductible and maxiumum out of pocket expenses were increased
In 2018 the discount rate was increased from 3.58% to 3.87%
In 2019 the discount rate was decreased from 3.87% to 3.50%
In 2020 the discount rate was decreased from 3.50% to 2.23%
GASB No. 74 required supplementary information is not available for fiscal years prior to 2017. Data for future years will be added prospectively.

See Independent Auditors' Report.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
RETIRED TEACHERS' HEALTH AND MEDICAL BENEFITS TRUST FUND
SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS
LAST FOUR FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2020	2019	2018	2017
Total OPEB liability				
Service cost	$ 30,590	$ 20,786	$ 26,273	$ 32,511
Interest	37,030	36,139	32,838	26,425
Differences between expected and actual experience	31,061	24,665	42,621	-
Changes of assumptions	155,924	82,448	(50,192)	(33,192)
Changes of benefit terms	-	(21,209)	-	-
Benefit payments, net of retiree contributions, including administrative expense	(27,551)	(29,607)	(29,329)	(29,577)
Net change in total OPEB liability	227,054	113,222	22,211	(3,833)
Total OPEB liability, July 1	1,041,065	927,843	905,632	909,465
Total OPEB liability, June 30	1,268,119	1,041,065	927,843	905,632
Fiduciary net position				
Contributions - non-employer	35,176	56,594	29,803	23,839
Net investment income (loss)	283	31	20	41
Benefit payments, including refunds of member contributions	(27,551)	(29,607)	(29,329)	(29,348)
Administrative expenses	(2)	(263)	(279)	(229)
Other	501	-	-	-
Net change in fiduciary net position	8,407	26,755	215	(5,697)
Fiduciary net position, beginning of year	312	(26,443)	(26,658)	(20,961)
Fiduciary net position, end of year	8,719	312	(26,443)	(26,658)
Net OPEB liability, June 30	$ 1,259,400	$ 1,040,753	$ 954,286	$ 932,290
Fiduciary net position as a percentage of the total OPEB liability	0.69%	0.03%	-2.85%	-2.94%
Covered payroll	$ 624,908	$ 612,899	$ 607,355	$ 586,397
Net OPEB liability as a percentage of covered payroll	201.53%	169.81%	157.12%	158.99%

Notes to Schedule

Plan Type: cost sharing multiple employer with a special funding situation
In 2018 the discount rate was increased from 3.58% to 3.87%
In 2019 the discount rate was decreased from 3.87% to 3.50%
In 2020 the discount rate was decreased from 3.50% to 2.21%
Benefit changes in 2019:
Effective January 1, 2020, OTC, Fertility, and ED drugs will be removed from the Medicare prescription drug plan, and non-Medicare retirees will be moved to the National Preferred Formulary and Accredo Exclusive Specialty Network.
GASB No. 74 required supplementary information is not available for fiscal years prior to 2017. Data for future years will be added prospectively.

See Independent Auditors' Report.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF INVESTMENT RETURNS
LAST FOUR FISCAL YEARS
(Unaudited)

	2020	2019	2018	2017
Vermont State Postemployment Benefit Trust Fund				
Annual money-weighted rate of return, net of investment expense	6.20%	6.90%	4.00%	6.50%
Retired Teachers' Health and Medical Benefits Fund *				
Annual money-weighted rate of return, net of investment expense	N/A	N/A	N/A	N/A

* The Retired Teachers' Health and Medical Benefits Fund has no investments.

GASB No. 74 required supplementary information is not available for fiscal years prior to 2017. Data for future years will be added prospectively.

See Independent Auditors' Report.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
LAST FOUR FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

Retirement System	Year Ended 6/30	Actuarially Determined Contribution[1] (ADC)	Contributions in Relation to ADC	Contribution (Excess) Deficiency	Covered Payroll (CP)	Contribution as a Percent of CP
Vermont State Postemployment Benefit Trust Fund (VSPB)	2020	$ 87,805	$ 38,600	$ 49,205	$ 554,293	6.96%
	2019	100,188	63,750	36,438	548,512	11.62%
	2018	74,760	32,957	41,803	531,543	6.20%
	2017	71,833	33,123	38,710	497,201	6.66%
Retired Teachers' Health and Medical Benefits Fund (RTHMB)	2020	$ 58,253	$ 35,176	$ 23,077	$ 624,908	5.63%
	2019	54,659	56,594	(1,935)	612,899	9.23%
	2018	37,317	29,803	7,514	607,355	4.91%
	2017	35,918	23,839	12,079	586,397	4.07%

[1]ADC for a given fiscal year are based on results from the June 30 actuarial valuation two years prior.
GASB No. 74 required supplementary information is not available for fiscal years prior to 2017. Data for future years will be added prospectively.

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

	VSPB	RTHMB
Valuation date:		
Actuarially determined contributions rates are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are reported. Assumptions values listed below were used in determining the actuarially determined contributions rates calculated as of that date.		
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of payroll, closed basis	Level percentage of payroll, closed basis
Remaining amortization period	29 years	29 years
Asset valuation method	Market Value	Market Value
Actuarial assumptions		
Investment rate of return	7.50%	7.50%
Discount rate	3.87%	3.87%
Projected salary increases	Varies by age from age 20 - 7.04%, to age 60 - 3.50%.	Varies by age from age 20 - 9.09%, to age 60 - 3.75%
Inflation	2.75%	2.75%
Health care cost trend rates		
Non-Medicare	7.15% graded to 4.50% over 12 years	7.15% graded to 4.50% over 12 years
Medicare	7.30% graded to 4.50% over 13 years	7.15% graded to 4.50% over 12 years

Mortality Rates

VSPB

Pre-retirement:

Group A/F - 101% of RP-2006 blended 30% Blue Collar Employee, 70% Healthy Employee with generational projection using Scale SSA-2017

Group C - RP-2006 Blue Collar Employee with generational projection using Scale SSA-2017

Group D - RP-2006 Healthy Employee with generational projection using Scale SSA-2017

Healthy Retiree:

Group A/F - 101% of RP-2006 blended 30% Blue Collar Annuitant, 70% Healthy Annuitant with generational projection using Scale SSA-2017

Group C - RP-2006 Blue Collar Annuitant with generational projection using Scale SSA-2017

Group D - RP-2006 Healthy Annuitant with generational projection using Scale SSA-2017

Disabled Retiree:

All Groups - RP-2006 Disabled Mortality Table with generational projections using Scale SSA-2017

RTHMB

Pre-retirement:

All Groups - 98% of RP-2014 White Collar Employee with generational projection using Scale SSA-2017

Healthy Retiree:

All Groups - 98% of RP-2014 White Collar Annuitant with generational projection using Scale SSA-2017

Disabled Retiree:

All Groups - RP-2014 Disabled Mortality Table with generational projections using Scale SSA-2017

See Independent Auditors' Report.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST THREE FISCAL YEARS[1]
(Dollar amounts expressed in thousands)
(Unaudited)

Vermont State Postemployment Benefit Trust Fund

	2020	2019	2018
State's proportion of net OPEB liability	98.9933%	98.2292%	98.2979%
State's proportionate share of the net OPEB liability	$ 1,215,208	$ 1,196,927	$ 1,437,135
Fiduciary net position as a percentage of the total OPEB liability	4.04%	1.76%	1.52%

Retired Teachers' Health and Medical Benefits Fund[2]

	2020	2019	2018
State's proportion of net OPEB liability	100%	100%	100%
State's proportionate share of the net OPEB liability	$ 1,040,753	$ 954,286	$ 932,290
Fiduciary net position as a percentage of the total OPEB liability	0.03%	-2.85%	-2.94%

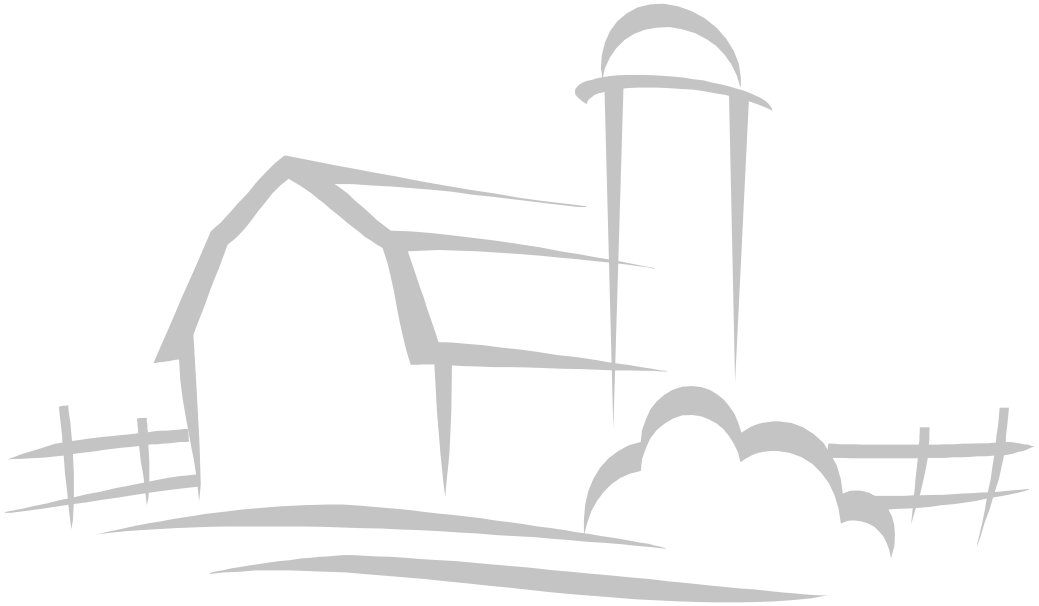
[1]The amounts presented for each fiscal year were determined as of the measurement date. The measurement period and measurement date is one year prior to the fiscal year.

[2]The Retired Teachers' Health and Medical Benefits Fund has a special funding situation where the State, as the non-employer contributing entity, is responsible for the net OPEB liability.

GASB No. 75 required supplementary information is not available for fiscal years prior to 2018. Data for future years will be added prospectively.

See Independent Auditors' Report.

THIS PAGE INTENTIONALLY LEFT BLANK



Vermont

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 1,494,410,000	$ 1,512,770,000	$ 1,381,830,473	$ (130,939,527)
Earnings of Departments	46,900,000	46,300,000	44,742,417	(1,557,583)
Other	34,830,000	35,530,000	32,647,760	(2,882,240)
Total revenues	1,576,140,000	1,594,600,000	1,459,220,650	(135,379,350)
Expenditures				
General Government				
Agency of Administration	56,146,137	51,835,592	48,204,734	(3,630,858)
Agency of Digital Services	179,238	2,527,364	1,845,704	(681,660)
Executive Office	1,658,582	1,834,949	1,513,910	(321,039)
Legislative Council	13,610,685	14,212,735	12,563,878	(1,648,857)
Joint Fiscal Office	2,023,053	2,888,353	2,438,762	(449,591)
Sergeant at Arms	863,204	956,480	899,277	(57,203)
Lieutenant Governor's Office	263,133	267,049	262,472	(4,577)
Auditor of Accounts	404,513	453,284	305,216	(148,068)
State Treasurer	981,483	1,209,349	742,261	(467,088)
State Labor Relations Board	259,233	264,809	246,068	(18,741)
VOSHA Review Board	46,175	72,337	39,985	(32,352)
Homeowner Property Tax Assistance	16,600,000	17,591,901	16,621,013	(970,888)
Renter Rebate Tax Assistance	9,500,000	10,593,434	9,651,471	(941,963)
Protection to Persons and Property				
Attorney General	8,148,752	8,589,496	7,817,162	(772,334)
Defender General	18,456,675	18,732,872	18,390,809	(342,063)
Judiciary	46,742,395	51,974,698	45,095,776	(6,878,922)
State's Attorneys and Sheriffs	19,374,276	20,752,471	19,200,801	(1,551,670)
Department of Public Safety	52,173,561	55,058,230	52,842,019	(2,216,211)
Military Department	5,516,066	5,956,190	4,714,284	(1,241,906)
Center for Crime Victim Services	1,264,158	1,380,243	1,349,816	(30,427)
Criminal Justice Training Council	2,488,016	2,583,682	2,572,707	(10,975)
Agency of Agriculture, Food and Markets	8,831,510	12,324,777	9,818,158	(2,506,619)
Secretary of State	-	450,000	-	(450,000)
Public Service Department	350,000	350,000	350,000	-
Human Rights Commission	628,256	664,401	555,090	(109,311)
Human Services				
Agency of Human Services	993,326,403	986,894,850	954,032,789	(32,862,061)
Green Mountain Care Board	3,192,315	4,050,536	2,825,011	(1,225,525)
Governor's Commission on Women	390,631	524,910	491,598	(33,312)
Human Services Board	451,554	543,753	375,038	(168,715)
Vermont Veterans' Home	345,783	2,445,783	445,341	(2,000,442)
Labor				
Department of Labor	4,569,407	6,525,369	3,958,350	(2,567,019)
General Education				
Agency of Education	14,727,016	15,987,976	14,407,875	(1,580,101)
State Teacher's Retirement	144,533,820	144,533,820	144,533,820	-
Higher Education	91,796,726	93,116,726	93,116,726	-

continued on next page

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Natural Resources				
Agency of Natural Resources	28,971,895	31,023,524	29,487,145	(1,536,379)
Natural Resources Board	637,074	637,074	637,074	-
Commerce and Community Development				
Agency of Commerce and Community Development	15,042,215	21,537,618	15,050,459	(6,487,159)
Cultural Development	2,062,718	2,115,949	2,115,949	-
Housing and Conservation Board	-	500,000	87,500	(412,500)
Total expenditures	1,566,556,658	1,593,962,584	1,519,606,048	(74,356,536)
Excess of revenues over expenditures	9,583,342	637,416	(60,385,398)	(61,022,814)
Other Financing Sources (Uses)				
Transfers in	38,105,322	159,836,574	159,836,574	-
Transfers out	(79,043,324)	(86,210,372)	(86,210,372)	-
Premium on sale of bonds	5,279,530	5,279,530	5,279,530	-
Refunding bonds issued	39,202,429	39,202,429	39,202,429	-
Payment to escrow agent	(44,481,959)	(44,481,959)	(44,481,959)	-
Total other financing sources (uses)	(40,938,002)	73,626,202	73,626,202	-
Excess of revenues and other sources over (under) expenditures and other uses	(31,354,660)	74,263,618	13,240,804	(61,022,814)
Fund balance, July 1	289,176,988	289,176,988	289,176,988	-
Fund balance, June 30	$ 257,822,328	$ 363,440,606	$ 302,417,792	$ (61,022,814)

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
TRANSPORTATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 173,700,000	$ 173,500,000	$ 160,746,693	$ (12,753,307)
Motor vehicle fees	86,100,000	86,800,000	83,638,270	(3,161,730)
Federal	319,145,747	343,088,788	287,275,789	(55,812,999)
Other	41,400,000	39,900,000	38,140,281	(1,759,719)
Total revenues	620,345,747	643,288,788	569,801,033	(73,487,755)
Expenditures				
General Government				
Agency of Administration	6,387,636	3,880,184	3,880,184	-
Protection to Persons and Property				
Department of Public Safety	20,250,000	20,501,432	20,034,659	(466,773)
Transportation				
Agency of Transportation	591,662,397	597,159,323	566,031,858	(31,127,465)
Total expenditures	618,300,033	621,540,939	589,946,701	(31,594,238)
Excess of revenues over (under) expenditures	2,045,714	21,747,849	(20,145,668)	(41,893,517)
Other financing sources (uses)				
Transfers out	(5,325,113)	(5,325,113)	(5,325,113)	-
Total other financing sources (uses)	(5,325,113)	(5,325,113)	(5,325,113)	-
Excess of revenues and other sources over (under) expenditures and other uses	(3,279,399)	16,422,736	(25,470,781)	(41,893,517)
Fund balance, July 1	31,029,789	31,029,789	31,029,789	-
Fund balance (deficit), June 30	$ 27,750,390	$ 47,452,525	$ 5,559,008	$ (41,893,517)

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 1,666,838,910	$ 1,672,538,910	$ 1,654,831,347	$ (17,707,563)
Interest and premiums	700,000	700,000	838,313	138,313
Total revenues	1,667,538,910	1,673,238,910	1,655,669,660	(17,569,250)
Expenditures				
General Government				
Grand List	-	362,405	171,457	(190,948)
General Education				
Agency of Education	1,719,987,983	1,737,254,771	1,702,157,402	(35,097,369)
State Teachers' Retirement	6,781,221	6,781,221	6,781,221	-
Total expenditures	1,726,769,204	1,744,398,397	1,709,110,080	(35,288,317)
Excess of revenues over (under) expenditures	(59,230,294)	(71,159,487)	(53,440,420)	17,719,067
Other financing sources (uses)				
Transfers in	39,351,739	39,351,739	39,351,739	-
Total other financing sources (uses)	39,351,739	39,351,739	39,351,739	-
Excess of revenues and other sources over (under) expenditures and other uses	(19,878,555)	(31,807,748)	(14,088,681)	17,719,067
Fund balance, July 1	82,355,531	82,355,531	82,355,531	-
Fund balance, June 30	$ 62,476,976	$ 50,547,783	$ 68,266,850	$ 17,719,067

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Special Fund Revenues	$ 379,805,558	$ 811,082,386	$ 608,455,159	$ (202,627,227)
Total revenues	379,805,558	811,082,386	608,455,159	(202,627,227)
Expenditures				
General Government				
Agency of Administration	18,406,218	38,911,042	19,611,554	(19,299,488)
Agency of Digital Services	383,707	739,452	451,254	(288,198)
Executive Office	186,500	186,500	180,689	(5,811)
Joint Fiscal Office	-	121,193	80,025	(41,168)
Sergeant at Arms	-	38,948	5,579	(33,369)
Auditor of Accounts	53,145	241,960	166,960	(75,000)
State Treasurer	3,089,050	3,631,621	3,560,467	(71,154)
State Labor Relations Board	9,576	9,576	5,467	(4,109)
VOSHA Review Board	46,175	46,175	44,753	(1,422)
Unorganized Towns and Gores	-	480,000	364,054	(115,946)
Ethics Commission	-	60,946	-	(60,946)
Protection to Persons and Property				
Attorney General	5,653,931	6,902,154	6,257,736	(644,418)
Defender General	589,653	739,653	723,182	(16,471)
Judiciary	5,344,048	12,379,048	4,156,991	(8,222,057)
State's Attorneys and Sheriffs	2,787,885	2,787,885	2,561,587	(226,298)
Department of Public Safety	20,505,785	24,404,598	20,655,328	(3,749,270)
Military Department	207,218	2,108,414	1,821,680	(286,734)
Center for Crime Victim Services	5,342,728	5,351,499	4,676,552	(674,947)
Criminal Justice Training Council	204,625	351,394	321,264	(30,130)
Agency of Agriculture, Food and Markets	13,935,170	17,323,435	13,516,117	(3,807,318)
Department of Financial Regulation	15,673,483	16,061,393	15,310,614	(750,779)
Secretary of State	11,394,045	12,100,061	11,635,084	(464,977)
Public Service Department	13,457,207	16,346,502	9,015,995	(7,330,507)
Public Utility Commission	3,757,500	3,914,081	3,911,429	(2,652)
Enhanced 911 Board	4,912,414	5,315,029	5,237,228	(77,801)
Department of Liquor and Lottery	218,843	334,760	200,292	(134,468)
Human Services				
Agency of Human Services	182,526,956	480,361,000	400,704,488	(79,656,512)
Green Mountain Care Board	4,788,473	5,274,540	4,150,682	(1,123,858)
Governor's Commission on Women	2,500	2,500	216	(2,284)
Human Services Board	22,526	12,526	-	(12,526)
Labor				
Department of Labor	8,462,147	9,866,429	4,257,198	(5,609,231)
General Education				
Agency of Education	19,751,693	21,658,267	18,582,392	(3,075,875)

continued on next page

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Natural Resources				
Agency of Natural Resources	67,448,045	98,445,289	58,535,342	(39,909,947)
Natural Resources Board	2,645,953	2,645,953	2,429,384	(216,569)
Commerce and Community Development				
Agency of Commerce and Community Development	7,353,171	14,172,610	6,044,948	(8,127,662)
Cultural Development	-	32,078	32,078	-
Transportation				
Agency of Transportation	3,199,815	8,501,898	4,852,564	(3,649,334)
Total expenditures	422,360,185	811,860,409	624,061,173	(187,799,236)
Excess of revenues over expenditures	(42,554,627)	(778,023)	(15,606,014)	(14,827,991)
Other Financing Sources (Uses)				
Proceeds on sale of refunding bonds	-	322,571	322,571	-
Transfers in	64,883,026	67,976,102	67,976,102	-
Transfers out	(22,328,399)	(67,198,079)	(67,198,079)	-
Total other financing sources (uses)	42,554,627	1,100,594	1,100,594	-
Excess of revenues and other sources over (under) expenditures and other uses	-	322,571	(14,505,420)	(14,827,991)
Fund balance, July 1	193,690,178	193,690,178	193,690,178	-
Fund balance, June 30	$ 193,690,178	$ 194,012,749	$ 179,184,758	$ (14,827,991)

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
FEDERAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Federal	$ 1,741,075,364	$ 2,308,038,417	$ 2,934,890,081	$ 626,851,664
Interest and premiums	-	283,058	283,058	-
Other	-	67,533	67,533	-
Total revenues	1,741,075,364	2,308,389,008	2,935,240,672	626,851,664
Expenditures				
General Government				
Agency of Administration	1,116,678	55,575,580	4,064,818	(51,510,762)
Agency of Digital Services	-	1,585,418	405,766	(1,179,652)
Executive Office	-	305,000	298,315	(6,685)
Legislative Council	-	750,000	-	(750,000)
Seargent at Arms	-	600,000	-	(600,000)
State Treasurer	-	2,932,894	232,894	(2,700,000)
Protection to Persons and Property				
Attorney General	1,256,355	1,426,355	1,304,117	(122,238)
Defender General	-	534,174	138,236	(395,938)
Judiciary	887,586	5,798,086	601,744	(5,196,342)
State's Attorneys and Sheriffs	31,000	1,281,164	273,632	(1,007,532)
Department of Public Safety	14,881,272	33,748,732	26,076,124	(7,672,608)
Military Department	21,266,703	33,636,102	23,362,950	(10,273,152)
Center for Crime Victim Services	9,682,330	9,957,330	7,167,495	(2,789,835)
Criminal Justice Training Council	-	14,491	14,491	-
Agency of Agriculture, Food and Markets	3,636,220	4,162,438	3,836,256	(326,182)
Department of Financial Regulation	-	215,000	200,236	(14,764)
Secretary of State	2,153,524	8,168,524	1,771,070	(6,397,454)
Public Service Department	1,454,243	2,085,335	1,194,379	(890,956)
Enhanced 911 Board	-	33,599	27,348	(6,251)
Human Rights Commission	75,291	120,297	119,930	(367)
Department of Liquor and Lottery	184,484	186,789	142,913	(43,876)
Human Services				
Agency of Human Services	1,411,157,843	1,630,535,291	1,487,586,289	(142,949,002)
Green Mountain Care Board	-	29,305	29,305	-
Human Services Board	332,018	413,663	244,340	(169,323)
Labor				
Department of Labor	31,540,700	64,346,582	34,904,969	(29,441,613)
General Education				
Higher Education	-	26,307,000	26,307,000	-
Agency of Education	131,488,559	186,880,045	134,515,658	(52,364,387)
Natural Resources				
Agency of Natural Resources	46,182,691	61,715,931	34,041,703	(27,674,228)
Natural Resources Board	-	19,227	12,333	(6,894)

continued on next page

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
FEDERAL REVENUE FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Commerce and Community Development				
Agency of Commerce and Community Development	11,592,110	44,465,864	9,172,814	(35,293,050)
Housing and Conservation Board	-	23,000,000	-	(23,000,000)
Transportation				
Agency of Transportation	-	3,869,156	1,378,629	(2,490,527)
Total expenditures	1,688,919,607	2,204,699,372	1,799,425,754	(405,273,618)
Excess of revenues over expenditures	52,155,757	103,689,636	1,135,814,918	1,032,125,282
Other Financing Sources (Uses)				
Transfers out	(52,155,757)	(103,339,045)	(103,339,045)	-
Total other financing sources (uses)	(52,155,757)	(103,339,045)	(103,339,045)	-
Excess of revenues and other sources over (under) expenditures and other uses	-	350,591	1,032,475,873	1,032,125,282
Fund balance, July 1	34,294,683	34,294,683	34,294,683	-
Fund balance, June 30	$ 34,294,683	$ 34,645,274	$ 1,066,770,556	$ 1,032,125,282

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GLOBAL COMMITMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Global Commitment Premiums	$ 1,619,988,025	$ 1,616,828,123	$ 1,584,840,976	$ (31,987,147)
Total revenues	1,619,988,025	1,616,828,123	1,584,840,976	(31,987,147)
Expenditures				
Human Services				
Agency of Human Services	1,590,055,367	1,586,886,685	1,555,042,207	(31,844,478)
Green Mountain Care Board	-	8,780	-	(8,780)
General Education				
Higher Education	2,433,195	2,433,195	2,433,195	-
Agency of Education	260,000	260,000	211,969	(48,031)
Total expenditures	1,592,748,562	1,589,588,660	1,557,687,371	(31,901,289)
Excess of revenues over (under) expenditures	27,239,463	27,239,463	27,153,605	(85,858)
Other financing sources (uses)				
Transfers out	(27,239,463)	(27,239,463)	(27,239,463)	-
Total other financing sources (uses)	(27,239,463)	(27,239,463)	(27,239,463)	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	(85,858)	(85,858)
Fund balance, July 1	101,899	101,899	101,899	-
Fund balance, June 30	$ 101,899	$ 101,899	$ 16,041	$ (85,858)

See Independent Auditors' Report.
The accompanying notes are an integral part of the required supplementary information.

Notes to the Required Supplementary Information—Budgetary Reporting (unaudited)

Budgetary Comparison Schedules
The budgetary schedules provide a comparison of the original and final adopted budget with actual data on a budgetary basis for the Governmental Funds. The State's legal level of budgetary control is at the activity level. The State compiles a separate legal basis budgetary report, which shows the legal compliance with the budget. Budgetary comparison schedules showing legal level detail may be obtained by contacting the State of Vermont, Department of Finance and Management, 109 State Street, 4th Floor, Pavilion Building, Montpelier, Vermont 05609-0401.

Budgetary Process
Vermont statutes require the head of every State department, board, and commission and any officer or individual responsible for any activity for which funds are appropriated by the Vermont Legislature to provide, on or before September 1 preceding any biennium, statements to the Commissioner of Finance and Management showing in detail the amounts appropriated and expended for both the current and preceding fiscal years and the amount estimated to be necessary for similar activity for the ensuing two fiscal years. The Commissioner of Finance and Management and the Secretary of Administration are then required to submit to the Governor by November 15 preceding each biennium, the estimates as received along with any other estimates for the ensuing two fiscal years. The Governor then submits to the Vermont Legislature, no later than the third Tuesday of every annual session, a budget that embodies estimates, requests, and recommendations for appropriations or other authorizations for expenditures from the State treasury for at least the succeeding fiscal year. The Vermont Legislature then enacts into law an appropriations act that must be approved by the Governor before expenditures can be made. In recent years in accordance with Act 250 of 1979 Section 125, it has been the practice of the Governor to submit an annual budget and the Vermont Legislature to enact appropriations on an annual basis.

Budgets are prepared and appropriated on a cash basis and usually at the program level. The Governor may amend appropriations or transfer appropriations within limits established by 32 V.S.A. Chapter 9. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds' unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation unless authorized to be carried forward to the following year(s) by legislative act. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

Revenue Estimates
By July 31 each year, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of State revenues in the General, Transportation, Education, and Global Commitment Funds. The Emergency Board then has 10 days to determine the original revenue estimates for the fiscal year. For the Special and Federal Revenue Funds the original budget for revenues is based on the amount appropriated for expenditures. By January 15, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of State revenues and the Emergency Board determines any revision to the July revenue estimates.

Expenditure and Transfer Budgets
The original budgets for expenditures and transfers are determined by the Legislature through the passage of the annual Appropriation Act. The Commissioner of Finance and Management (with approval from the Governor) may transfer balances of appropriations not to exceed $50,000 made under any appropriation act for the support of the government from one component of an agency, department, or other unit of State government, to any component of the same agency, department, or unit; and may transfer balances of appropriations made under any appropriation act from one department or unit of the agency of transportation to another department or unit of the agency of transportation for the specific purpose of funding authorized transportation projects which have been approved by the federal government for advance construction in which the expenditure of State funds will be reimbursed by federal funds when the federal funds become available, and the transfer is limited to funds which have been approved for reimbursement. If any receipts including federal receipts exceed the appropriated amounts, the receipts may be allocated and expended, subject to the approval of the Secretary of Administration. If, however, the expenditure of those receipts will establish or increase the scope of the program, which

establishment or increase will at any time commit the State to the expenditure of State funds, they may be expended only upon the approval of the Legislature. The full faith and credit of the State has been pledged to support various programs. Any payments that are required to be made by the Treasurer are paid in accordance with Vermont Statutes and do not require an appropriation by the Legislature.

Budgetary and GAAP Basis Reporting

The accompanying budgetary comparison schedules report the actual revenues, expenditures and other financing sources (uses) on a budgetary basis, which differs significantly from GAAP. These different accounting principles result in basis, perspective, and entity differences in the fund balance - budgetary basis. *Basis differences* arise because the basis of budgeting (cash basis) differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances - governmental funds. *Perspective differences* result because the Appropriation Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriation Act. The following presents a reconciliation of the budgetary basis and GAAP basis fund balances for the funds reported in the accompanying schedules for the fiscal year ended June 30, 2020:

	General Fund	Transportation Fund	Education Fund	Special Fund	Federal Revenue Fund	Global Commitment Fund
Fund Balance - Budgetary Basis	$ 302,417,792	$ 5,559,008	$ 68,266,850	$ 179,184,758	$1,066,770,556	$ 16,041
Basis differences						
Cash not in budget balances	(63,391,680)	(5,101,372)	28,495	915,867	5,859	(16,128)
Taxes receivable	292,534,100	346,618	60,955,857	1,711,462	-	-
Notes and loans receivable	291,100	-	-	3,064,116	-	-
Other receivables	(2,273,121)	10,287,810	1,978,958	17,512,629	(2,032,461)	34,135,820
Interest receivable	163,254	-		-	-	-
Due from other funds	3,772,477	23,079	391,754	4,956,309	2,164,772	67,598,747
Due from federal government	-	35,060,471	-	-	150,507,512	80,821,869
Due from component units	2,067,410	-	-	-	-	-
Interfund receivable	61,478,832	5,077,613	-	-	51,183,289	-
Advances to other funds	(203,046)	-	-	-	-	-
Advances to component units	5,500,000	-	-	-	-	-
Other current assets	-	-	-	1,637,000	(678,208)	-
Accounts payable	(19,833,350)	(24,935,506)	(24,588,761)	(16,142,436)	(79,818,334)	(144,715,242)
Accrued liabilities	(26,317,042)	(7,569,915)	-	(6,520,794)	(12,500,742)	(1,795,768)
Retainage payable	(266,201)	(81,594)	-	(562,966)	(483,462)	-
Unearned revenue	(6,788,047)	(23,937)	-	(349,879)	(1,096,877,878)	-
Tax refunds payable	(34,972,916)	-	(216,711)	(713)	-	-
Interfund payable	(51,183,289)	-	-	-	-	(10,800)
Intergovernmental payables - federal government	-	-	-	-	(8,924,784)	-
Due to other funds	(70,889,145)	(6,987,866)	(33,000)	(7,744,357)	(13,031,197)	(2,138,287)
Due to component units	(412,500)	-	-	-	-	-
Unavailable revenue	(127,225,645)	(10,006,077)	(10,619,080)	(19,489,875)	(162,736)	(4,837,492)
Entity differences						
Blended non-budgeted funds	-	3,912,368	-	8,437,453	416,662,452	-
Perspective differences						
Component unit included in budgeted funds	-	-	-	(4,435)	(80,183)	-
Fund Balance - GAAP Basis	$ 264,468,983	$ 5,560,700	$ 96,164,362	$ 166,604,139	$ 472,704,455	$ 29,058,760