



FINANCIAL SECTION



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, 2021, 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; Special Environmental Revolving Fund	0.06%	0.07%
Business-Type Activities	State Lottery Fund; Energy Efficiency Utility Fund	10.07%	21.38%
Special Fund	Universal Service Fund	1.50%	1.70%
State Lottery Fund	State Lottery Fund	100.00%	100.00%
Aggregate Remaining Fund Information	Energy Efficiency Utility Fund	0.42%	2.70%
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%

The Speaker of the House of Representatives,
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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, 2021, 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.

Emphasis of Matter

During the fiscal year ended June 30, 2021, the State adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the State reported a restatement for the change in accounting principle (see Note V-G). Our auditors' opinions were not modified with respect to the restatement.

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. 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 Speaker of the House of Representatives,
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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 23, 2021, 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 23, 2021

Management's Discussion and Analysis

State of Vermont

Unaudited

Fiscal Year Ended June 30, 2021

INTRODUCTION

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ended June 30, 2021. This Management's 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 2021. 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 \$55.3 million comprised of \$6.455 billion in total assets and \$1.380 billion in deferred outflows offset by \$7.551 billion in total liabilities, and \$340.0 million in deferred inflows at June 30, 2021 (Table 2). Of this deficit net position amount, \$2.883 billion represents the net investment in capital assets, \$822.9 million is restricted for various purposes, and \$3.761 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 increased by \$263.9 million as a result of this year's operations. The net position for governmental activities increased \$388.3 million and the net position for business-type activities decreased by \$124.4 million (Table 3). The decrease in net position for business-type 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 \$1.679 billion, an increase of \$583.3 million or 53.3% above the prior year. Of this ending fund balance, \$57.4 million is non-spendable, \$609.3 million is restricted for specific purposes, and \$1,011.8 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 (\$388.1 million), an increase in Special Revenue Funds (\$142.9 million) and an increase in Capital Projects Funds (\$46.1 million).
- Vermont's enterprise funds reported a combined net position of \$267.3 million, a decrease of \$124.5 million over last year.
- Vermont's General Fund reported an ending fund balance of \$652.6 million, of which \$50.0 million is non-spendable, and \$602.6 million is available for spending (assigned and unassigned).

Capital assets

- The carrying amount of capital assets for the primary government increased to \$3.243 billion, an increase of \$79.3 million over last year. The increase is primarily due to \$134.0 million in infrastructure assets and \$4.0 million increase in land and land improvements; offset by a \$29.5 million decrease in machinery and equipment, \$23.2 million decrease in construction in process, and \$6.0 million decrease in buildings and improvements.

Long-term debt

- Vermont's debt outstanding for general and special obligation bonds increased \$15.0 million as compared to fiscal year 2020. In 2021, Vermont issued \$153.3 million in general obligation bonds, and retired \$136.6 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.

Management's Discussion and Analysis

State of Vermont

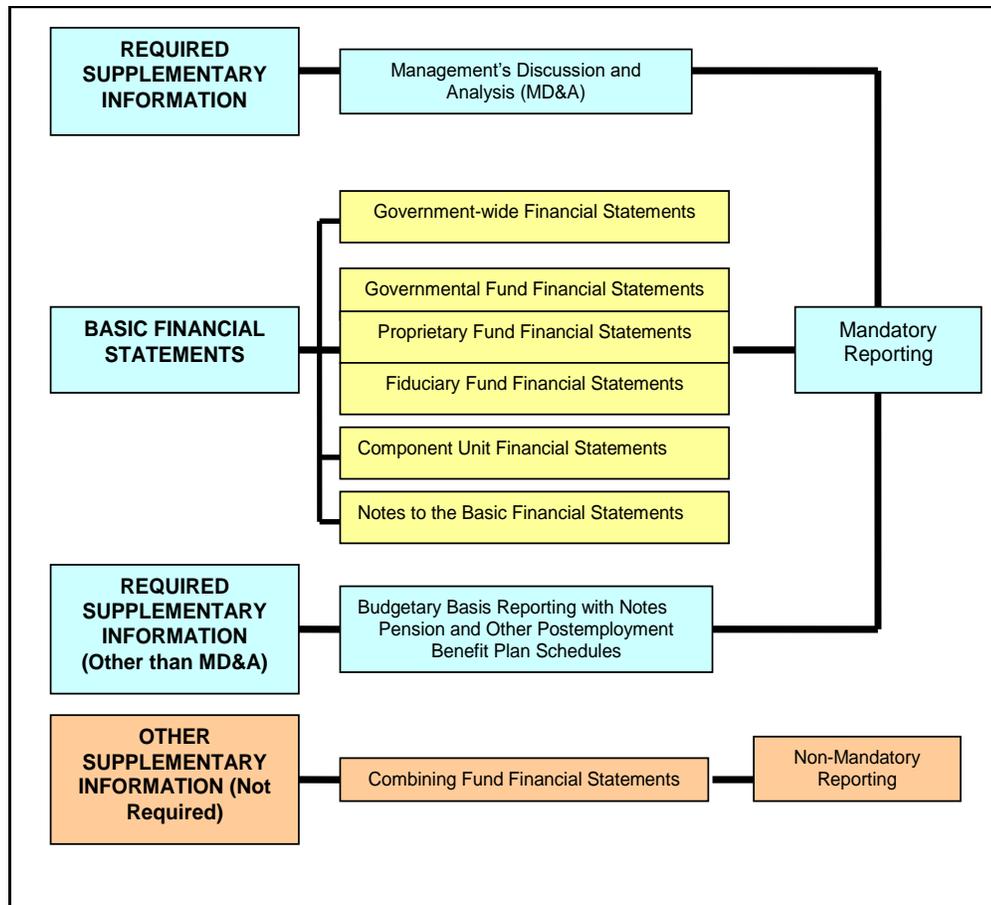
Unaudited

Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS

This Annual Comprehensive Financial Report (ACFR) 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 ACFR, 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 ACFR.



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.

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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,

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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.

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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 custodial funds). Combining schedules or statements for the individual pension, other postemployment benefit, and custodial 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.

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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 nonspendable, 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,

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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 Custodial Funds (five custodial funds which account for the assets held for distribution by Vermont on behalf of 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 custodial 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.

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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 custodial 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, 2021 and 2020 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 \$55.3 million at the end of fiscal year 2021, as shown in Table 2. Approximately \$2.883 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

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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 \$79.3 million primarily due to a \$134.0 million increase in infrastructure assets by the Agency of Transportation, and a \$4.0 increase in land and land improvements the Agency of Natural Resources; offset by a \$29.5 million decrease in machinery and equipment, \$23.2 million decrease in construction in process, and \$6.0 million decrease in buildings and improvements.

An additional portion of the primary government's net position (\$822.9 million) represents resources that are subject to external restrictions on how they may be used. This is a decrease of \$96.5 million and is primarily a result of additional amounts that are restricted for human services (\$22.2 million), natural resources (\$20.2 million), and commerce and community development (\$6.5 million); offset by decreases in unemployment compensation (\$128.8 million), protection to persons and property (\$11.5 million), labor (\$3.3 million), and education (\$1.8 million).

Internally imposed designations of resources are not presented as restricted net position. The remaining balance of unrestricted net position is a deficit of \$3.761 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, \$244.1 million outstanding at June 30, 2021, that does not result in a governmental activities' capital asset.

Current assets decreased by \$345.0 million primarily due to decreases in cash and cash equivalents (\$392.3 million), taxes receivable (\$94.0 million), other receivables (\$6.9 million), loans and notes receivable (\$2.1 million), other current assets (\$1.0 million), and inventories (\$0.3 million); offset by increases in federal grants receivables (\$146.4 million), investments (\$4.1 million), and receivables from component units (\$1.2 million). The decrease in cash & cash equivalents is largely due to spending down the \$1.25 billion in federal assistance Vermont received through the Coronavirus Aid, Relief, and Economic Security (CARES) Act in fiscal year 2020. Long term liabilities increased by \$1,107.3 million primarily due to the increase in net pension liabilities and net other postemployment benefit liabilities (\$1,063.5 million) and in bonds, notes, and leases payable (\$36.8 million).

At the end of fiscal year 2021, 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.)

Management's Discussion and Analysis

State of Vermont

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current assets.....	\$ 2,348.4	\$ 2,469.1	\$ 374.5	\$ 598.8	\$ 2,722.9	\$ 3,067.9
Other assets.....	487.8	426.8	1.4	1.7	489.2	428.5
Capital assets.....	3,239.2	3,159.5	3.8	4.1	3,243.0	3,163.6
Total assets.....	6,075.4	6,055.4	379.7	604.6	6,455.1	6,660.0
DEFERRED OUTFLOWS						
Total deferred outflows.....	1,372.2	709.8	8.0	2.3	1,380.2	712.1
LIABILITIES						
Other liabilities.....	1,049.6	1,767.7	91.2	193.0	1,140.8	1,960.7
Long-term liabilities.....	6,387.1	5,287.2	22.6	15.2	6,409.7	5,302.4
Total liabilities.....	7,436.7	7,054.9	113.8	208.2	7,550.5	7,263.1
DEFERRED INFLOWS						
Total deferred inflows.....	333.6	421.4	6.4	6.8	340.0	428.2
NET POSITION						
Net Investment in capital assets.....	2,879.1	2,750.2	3.8	4.1	2,882.9	2,754.3
Restricted.....	562.5	528.8	260.4	390.6	822.9	919.4
Unrestricted (deficit).....	(3,764.4)	(3,990.1)	3.3	(2.8)	(3,761.1)	(3,992.9)
Total net position.....	\$ (322.8)	\$ (711.1)	\$ 267.5	\$ 391.9	\$ (55.3)	\$ (319.2)

Totals may not add due to rounding.

Changes in Net Position

Governmental type activities had an overall increase in net position of \$388.3 million, or a 54.6% increase in the deficit net position, resulting from an operating profit of \$332.9 million and net transfers in from business-type activities of \$55.4 million. The \$1,820.6 million increase in revenues over 2020 was due to an increase of \$1,237.8 million in program revenues and \$582.8 million in general revenues. The increase in program revenue is largely due to the federal assistance Vermont received through the CARES Act to address the pandemic. The increase in general revenues is largely due to economic recovery from lifting of restrictions from the pandemic, and federal stimulus money helping to improve the economy.

Business-type activities had an overall decrease in net position of \$124.4 million or 31.7%, resulting from an operating loss of \$69.0 million and net transfers out of \$55.4 million to governmental activities; primarily from the State Lottery Fund (\$31.9 million) to support education, and transfer from Liquor Control Fund to the General Fund (\$22.8 million). Revenues increased from 2020, primarily due to increases in unemployment federal grants (\$119.9 million), lottery ticket sales (\$24.2 million), and liquor sales (\$5.3 million); offset by an increase in unemployment compensation expenses (\$51.7 million).

The primary government condensed financial statement information is derived from Vermont's June 30, 2021 and 2020 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.)

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State of Vermont

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services.....	\$ 448.5	\$ 546.4	\$ 391.2	\$ 424.1	\$ 839.7	\$ 970.5
Operating grants and contributions.....	3,436.0	2,116.2	655.0	535.1	4,091.0	2,651.3
Capital grants and contributions.....	200.2	184.3	-	-	200.2	184.3
General revenues						
Income taxes.....	1,335.2	954.9	-	-	1,335.2	954.9
Sales and use taxes.....	509.7	439.1	-	-	509.7	439.1
Statewide education tax						
Gross tax assessed.....	1,369.7	1,309.9	-	-	1,369.7	1,309.9
Income sensitivity adjustment.....	(172.2)	(165.8)	-	-	(172.2)	(165.8)
Meals and rooms tax.....	146.1	158.4	-	-	146.1	158.4
Other taxes.....	711.0	617.8	-	-	711.0	617.8
Miscellaneous.....	27.4	29.8	5.7	12.0	33.1	41.8
Total revenues.....	8,011.6	6,191.0	1,051.9	971.2	9,063.5	7,162.2
Expenses						
General government.....	454.8	302.0	-	-	454.8	302.0
Protection to persons and property.....	512.4	377.0	-	-	512.4	377.0
Human services.....	3,053.7	2,690.5	-	-	3,053.7	2,690.5
Labor.....	132.8	46.6	-	-	132.8	46.6
General education.....	2,608.4	2,267.4	-	-	2,608.4	2,267.4
Natural resources.....	150.3	149.2	-	-	150.3	149.2
Commerce and community development.....	269.9	36.4	-	-	269.9	36.4
Transportation.....	478.8	467.8	-	-	478.8	467.8
Interest on long-term debt.....	17.6	18.3	-	-	17.6	18.3
Unemployment compensation.....	-	-	852.8	801.1	852.8	801.1
State lottery.....	-	-	129.7	110.0	129.7	110.0
Liquor control.....	-	-	76.3	71.6	76.3	71.6
Other business type expenses.....	-	-	62.1	82.8	62.1	82.8
Total expenses.....	7,678.7	6,355.2	1,120.9	1,065.5	8,799.6	7,420.7
Change in net position						
before transfers.....	332.9	(164.2)	(69.0)	(94.3)	263.9	(258.5)
Transfers net in (out).....	55.4	51.7	(55.4)	(51.7)	-	-
Change in net position.....	388.3	(112.5)	(124.4)	(146.0)	263.9	(258.5)
Net position, beginning of year.....	(711.1)	(598.6)	391.9	537.9	(319.2)	(60.7)
Net position, end of year.....	\$ (322.8)	\$ (711.1)	\$ 267.5	\$ 391.9	\$ (55.3)	\$ (319.2)

Totals may not add due to rounding.

The following graph illustrates the revenues of Vermont's primary government for fiscal year 2021. Approximately 47.3% comes from other entities and governments in the form of operating and capital grants and contributions (primarily federal grant revenues). An additional 27.9% of total revenues are generated by the statewide education and income taxes.

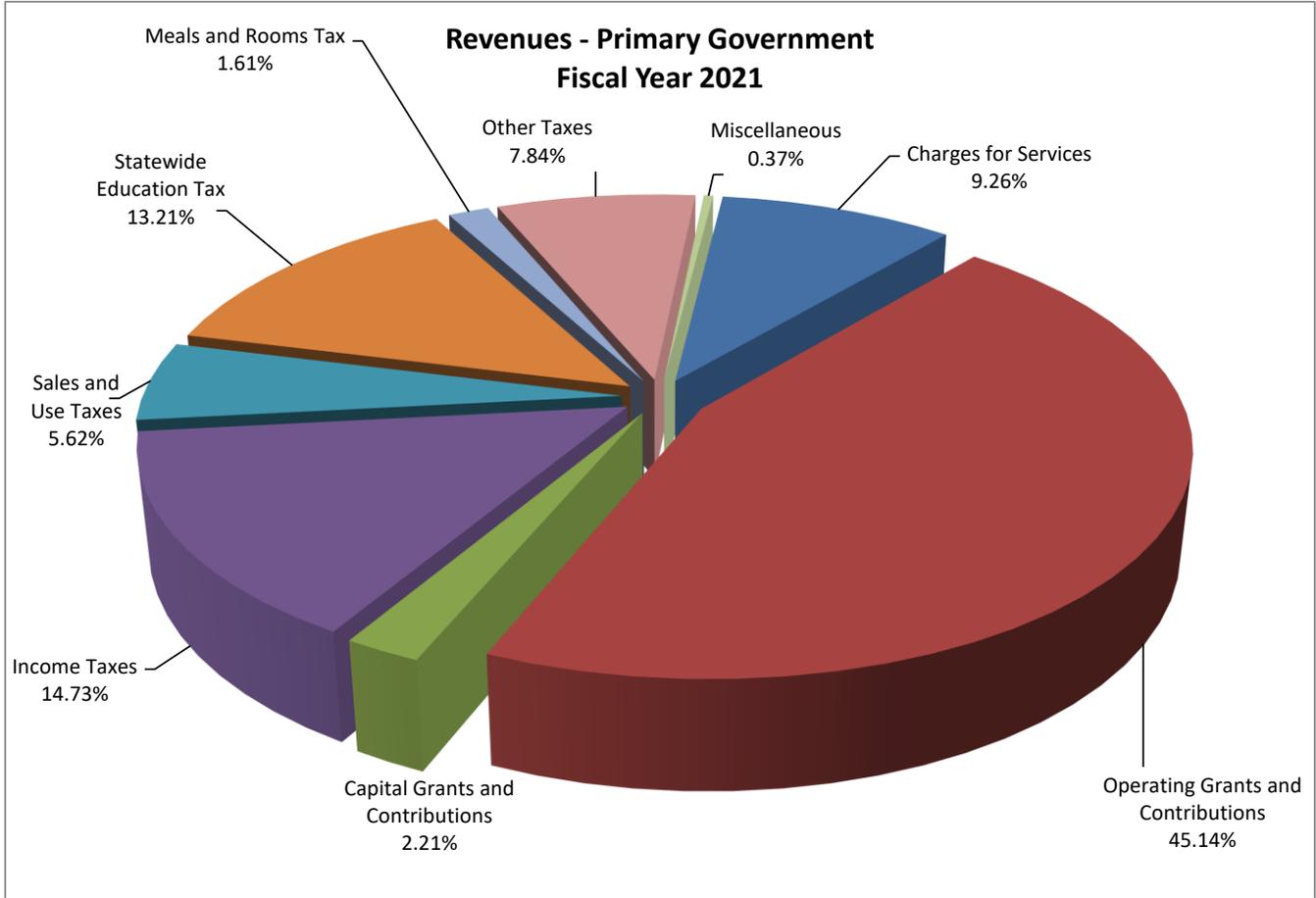
(Table on next page.)

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Percentages may not equal 100% due to rounding.

The following graph illustrates the percentages of total primary government expenses for fiscal year 2021. The largest category of expense is for human services (34.7% 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 (29.6% of total expenses) which supports secondary and higher education.

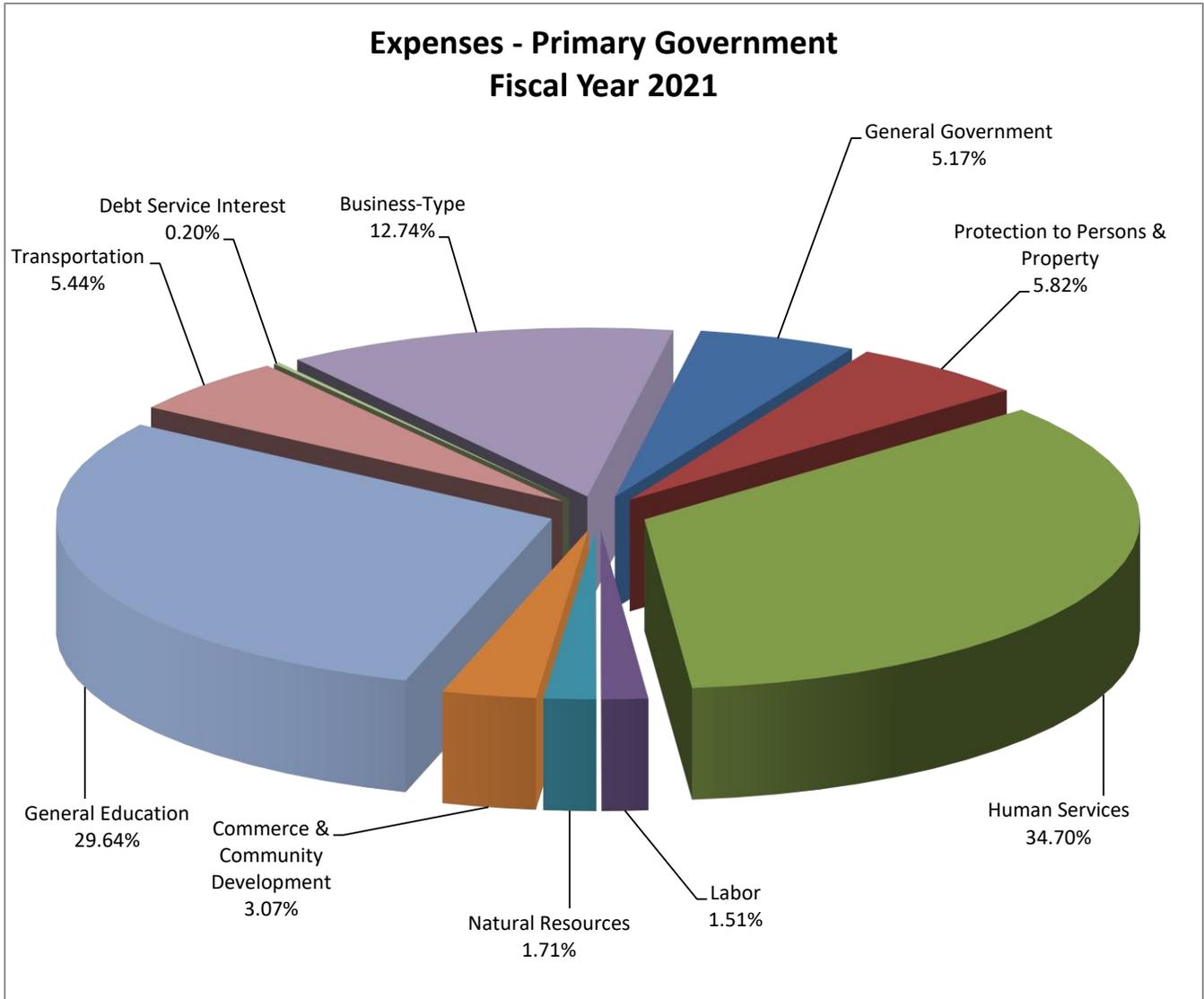
(Chart on next page.)

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Governmental Activities

In 2021, governmental activities' revenues exceed expenses by \$332.9 million (before transfers), the net transfers of \$55.4 million from business activities resulted in an increase of \$388.3 million, for a 54.6% decrease in deficit net position. Revenues increased by \$1,820.6 million, primarily due to an increase in program revenues (\$1,237.8 million), and general revenues (\$582.8 million). Spending increased for human services (\$363.2 million), general education (\$341.0 million), commerce and community development (\$233.5 million), general government (\$152.8 million), protection to persons and property (\$135.4 million), labor (\$86.2 million), transportation (\$11.0 million), and natural resources (\$1.1 million).

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

(Table on next page.)

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TABLE 4
Revenues - Governmental Activities

Revenue Type	(In Millions)		
	2021	2020	Change
Charges for services.....	\$ 448.5	\$ 546.4	\$ (97.9)
Operating grants.....	3,436.0	2,116.2	1,319.8
Capital grants.....	200.2	184.3	15.9
Income taxes.....	1,335.2	954.9	380.3
Sales and use taxes.....	509.7	439.1	70.6
Statewide education tax.....	1,197.5	1,144.1	53.4
Meals and rooms tax.....	146.1	158.4	(12.3)
Other taxes.....	711.0	617.8	93.2
Miscellaneous.....	27.4	29.8	(2.4)
Total	<u>\$ 8,011.6</u>	<u>\$ 6,191.0</u>	<u>\$ 1,820.6</u>

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

TABLE 5
Expenses - Governmental Activities

Functional Category	(In Millions)		
	2021	2020	Change
General government.....	\$ 454.8	\$ 302.0	\$ 152.8
Protection to persons and property.....	512.4	377.0	135.4
Human services.....	3,053.7	2,690.5	363.2
Labor.....	132.8	46.6	86.2
General education.....	2,608.4	2,267.4	341.0
Natural resources.....	150.3	149.2	1.1
Commerce and community development...	269.9	36.4	233.5
Transportation.....	478.8	467.8	11.0
Interest on long-term debt.....	17.6	18.3	(0.7)
Total	<u>\$ 7,678.7</u>	<u>\$ 6,355.2</u>	<u>\$ 1,323.5</u>

The following table shows to what extent program revenues (charges for services and grants and contributions) covered program expenses. For fiscal year 2021, program revenues covered \$4.085 billion or 53.2% of \$7.679 billion in program expenses. The remaining \$3.594 billion or 46.8% of program expenses was paid for by state taxes and other general revenue.

(Table on next page.)

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TABLE 6
Net Program Revenue
For the years ended June 30, 2021 and 2020

	Program Expenses	Less Program Revenues	Net Program (Expense)/Revenue		Program Revenues as a Percentage of Program Expenses	
			2021	2020	2021	2020
Functions/programs						
General government	\$ 454,772,741	\$ 1,129,716,749	\$ 674,944,008	\$ 41,723,858	248.4%	113.8%
Protection to persons and property	512,381,219	330,564,605	(181,816,614)	(147,754,501)	64.5%	60.8%
Human services	3,053,817,421	1,778,969,355	(1,274,848,066)	(1,107,502,539)	58.3%	58.8%
Labor	132,790,867	86,882,209	(45,908,658)	(17,485,890)	65.4%	62.5%
General education	2,608,373,427	176,070,459	(2,432,302,968)	(2,120,389,169)	6.8%	6.5%
Natural resources	150,274,704	102,465,495	(47,809,209)	(57,498,040)	68.2%	61.5%
Commerce and community development	269,887,599	11,944,834	(257,942,765)	(25,427,330)	4.4%	30.2%
Transportation	478,845,913	467,532,451	(11,313,462)	(56,529,564)	97.6%	87.9%
Interest on long-term debt	17,563,424	509,102	(17,054,322)	(17,496,050)	2.9%	4.6%
	<u>\$ 7,678,707,315</u>	<u>\$ 4,084,655,259</u>	<u>\$(3,594,052,056)</u>	<u>\$(3,508,359,225)</u>	<u>53.2%</u>	<u>44.8%</u>

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 2021, the unrestricted fund balance is 60.3% 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 2021, Vermont's governmental funds reported combined fund balances of \$1.679 billion, an increase of \$583.3 million in comparison with the prior fiscal year.

The General Fund is the chief operating fund of Vermont. At the end of fiscal year 2021, the General Fund's total fund balance was \$652.6 million. The fund balance was made up of non-spendable amounts totaling \$50.0 million, and available amounts totaling \$602.6 million of which \$587.0 million is unassigned. During 2021, total revenues and other financing sources were greater than total expenditures and other financing uses by \$388.1 million.

General Fund revenues increased by \$324.4 million, or 20.7%, primarily due to a \$331.8 million increase in tax revenues. The increase in tax revenues is the result of the economic recovery from lifting of restrictions related to the pandemic, and federal stimulus money helping to improve the economy. Expenditures increased by \$50.8 million or 5.1%, primarily due to increases in general government (\$55.2 million), general education (\$33.6 million), commerce and community development (\$7.6 million), debt service (\$1.1 million), and natural resources (\$0.6 million); offset by decreases in protection to persons and property (\$24.4 million), human services (\$22.4 million), and labor (\$0.5 million). The General Fund's statutory reserve for budgetary stabilization increased by \$2.0 million to \$81.9 million, the statutory maximum.

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The Transportation Fund's total fund balance was \$52.7 million at June 30, 2021, an increase of \$47.2 million from the fiscal year 2020's ending total fund balance. Transportation Fund revenues increased \$78.9 million or 14.1%, primarily due to increases in federal grant revenue for program development (\$53.3 million), purchase & use tax (\$19.2 million), non-business licenses (\$5.5 million), motor fuel tax (\$2.9 million), and other taxes (\$0.7 million); offset by a decreases in fines, forfeits and penalties (\$1.2 million), fees (\$0.8 million), rents and leases (\$0.3 million), investment income (\$0.3 million), other revenues (\$0.3 million), and business licenses (\$0.2 million). Transportation expenditures increased \$3.0 million for transportation related projects. The Transportation Fund's statutory reserve for budget stabilization decreased by \$2.1 million to \$11.9 million but remained at the statutory maximum.

The Education Fund at June 30, 2021 had a total fund balance of \$165.9 million, an increase of \$69.7 million from fiscal year 2020's ending balance. Education fund expenditures increased by \$54.3 million, primarily due to an increase in grants to school districts of \$54.3 million. Revenues from sales and use taxes increased \$71.9 million, statewide education tax increased \$53.4 million, and purchase and use taxes increased by \$9.6 million; offset by a decrease in meals and rooms taxes by \$2.6 million. The Education Fund's statutory reserve for budget stabilization increased \$5.2 million to \$38.2 million.

The Special Fund's total fund balance at the end of fiscal year 2021 was \$157.0 million, a decrease of 5.8% compared to 2020. The Special Fund's total fund balance is comprised of \$16.8 million as restricted, and \$140.2 million as committed and assigned. Special Fund revenues increased \$32.4 million or 11.5%, and expenditures increased \$57.8 million or 22.5%. The primary increases in expenditures were from the human services function (\$59.8 million), general government (\$2.7 million), and natural resources (\$0.9 million); offset by decreases in the general education (\$2.6 million), transportation (\$1.6 million), labor (\$0.7 million), commerce and community development (\$0.4 million), and protection to persons and property (\$0.3 million) functions. This resulted in a decrease in "excess of revenues over expenditures" of \$25.4 million from last fiscal year. Fiscal year 2021 transfers out to other funds exceeded transfers in from other funds by \$10.6 million. The Special Fund received transfers in of \$91.0 million, in part, consisting of Federal Revenue Fund monies for the earned income tax credit (\$17.3 million); earned income federal receipts (\$8.5 million); matching funds for school-based Medicare services (\$22.0 million); and \$41 million for Federal Emergency Management Assistance (FEMA). Transfers out of \$101.6 million consisted primarily of \$50.3 million for securities, insurance, & captive funds to the General Fund; \$32.5 million for Vermont's payment for Medicaid coverage under the Global Commitment to Health Medicaid waiver; \$7.4 million in Medicaid reimbursement to the Education Fund, \$3.3 million to the General Fund for Attorney General fees and reimbursements; \$3.0 million from the healthcare Special Fund to the General Fund; \$2.7 million for the Secretary of State services; and \$1.6 million of tobacco funds to the General 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 2021 were \$2,191.6 million, an increase of \$1,199.1 million compared to fiscal year 2020's federal grant revenues. Expenditures were \$2,100.2 million in fiscal year 2021, an increase of \$1,143.5 million compared to 2020. The increase in expenditures is largely due to the State's response to the COVID-19 pandemic, and the corresponding increase in federal grant revenue is from federal assistance Vermont received through the CARES Act to address the pandemic. The Federal Revenue Fund's total fund balance at the end of fiscal year 2021 (\$504.5 million) was an increase of \$31.8 million as compared to the total fund balance at the end of fiscal year 2020.

The fiscal year 2021 ending total fund balance for the Global Commitment Fund was \$29.4 million, an increase of \$0.4 million. Total revenues and net transfers of \$1,560.6 million exceeded expenditures by \$0.4 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

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net position balance decreased from \$382.2 million at June 30, 2020 to \$253.5 million at June 30, 2021, a decrease of \$128.8 million. Expenditures from the fund for unemployment benefits increased by \$51.5 million from 2020.

Vermont's internal service funds' total net position at June 30, 2021 was \$73.9 million, a \$1.3 million increase from June 30, 2020. This change is primarily due to increases in net position of Communication & Information Technology Fund (\$4.1 million), Highway Garage Fund (\$2.9 million), Facilities Operations Fund (\$2.1 million), Property Management Fund (\$1.9 million), Financial Human Resource Information Fund (\$0.6 million), Copy Center Fund (\$0.3 million), and the Dental Insurance Fund (\$0.3 million); offset by a decreases in the Medical Insurance Fund (\$8.1 million), Workers Compensation fund (\$0.9 million), Offender Work Program Fund (\$0.6 million), Fleet Fund (\$0.6 million), Risk Management and All Other Fund (\$0.5 million), and the Life Insurance Fund (\$0.4 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 25.1 percent to \$6.08 billion at June 30, 2021. 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, 2021 is \$20.7 million, and total liabilities balance is \$11.0 million, including the escheat property claims liability estimated at \$10.9 million, resulting in an ending net position of \$9.8 million. The Custodial Funds' total assets balance at June 30, 2021 is \$10.9 million, and total liabilities balance is \$7.6 million, resulting in an ending net position of \$3.3 million. Net position of all fiduciary funds is reported as restricted for particular purposes.

GENERAL FUND BUDGET HIGHLIGHTS

Vermont ended fiscal year 2021 with General Fund revenues of \$1.952 billion, expenditures of \$1.443 billion, and net transfers to other funds of \$54.2 million (non-GAAP budgetary basis). This was a \$493.1 million increase in revenues over the previous year. The fiscal year 2021 General Fund consensus revenue forecast initially approved by the Emergency Board in 2020 was subsequently revised upward by the Emergency Board at their January 2021 meeting. Compared to target, the revenues were 38.1% above the 2020 revenue forecast of \$1,414 million, and 24.1% above the 2021 revised revenue forecast of \$1,574 million. Personal income tax receipts were \$286.3 million above target, corporate taxes above target by \$70.2 million, meals and rooms tax above target by 12.0 million, and estate tax receipts were \$3.5 million above target. The General Fund results allowed for a fully funded General Fund Budget Stabilization Reserve of \$81.9 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, 2021 was \$3.243 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 on next page.)

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land, Land Use Rights, and						
Land Improvements.....	\$ 165,083	\$ 161,052	\$ -	\$ -	\$ 165,083	\$ 161,052
Construction in Progress.....	652,380	675,571	-	-	652,380	675,571
Works of Art.....	136	136	-	-	136	136
Buildings and Improvements.....	424,772	430,745	-	-	424,772	430,745
Machinery and Equipment.....	178,355	207,595	3,767	4,071	182,122	211,666
Infrastructure.....	1,818,436	1,684,415	-	-	1,818,436	1,684,415
Totals.....	\$ 3,239,162	\$ 3,159,514	\$ 3,767	\$ 4,071	\$ 3,242,929	\$ 3,163,585

Totals may not add due to rounding.

Many component units, 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, 2021, Vermont had \$244.1 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 2021, the State of Vermont's outstanding general and special obligation bond debt increased by approximately \$15.0 million. This increase can be accounted for by the issuance of general obligation bonds of \$153.3 million; offset by the redemption of general obligation bonds of \$136.6 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 was impacted by the COVID-19 pandemic in calendar years 2020 and 2021. This required state government, the state's health system, and the general public to undertake and participate in a series of extraordinary public health measures designed to protect the lives and ultimately the livelihoods of state residents and visitors. During the sharp but brief period of economic decline at the onset of the crisis, Vermont's economy and labor markets experienced a harsh, but relatively brief three-month economic downturn where state labor

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Unaudited

Fiscal Year Ended June 30, 2021

markets lost an estimated 63,500 jobs overall, corresponding to roughly 1 in 5 jobs that existed just prior to the onset of the pandemic. Job losses and business interruptions were particularly significant in the parts of the economy where remote working and social distancing were difficult, if not impossible, to undertake. Particularly negatively impacted were the state's Leisure and Hospitality sector, the traditional "Bricks and Mortar" Retail sector, the Health Care industry, and the Entertainment sector.

This economic hardship was reflected in the state's overall economic performance metrics. In calendar year 2020, the national economy as measured by inflation-adjusted Gross Domestic Product (GDP) declined by 3.4 percent, while Vermont's inflation-adjusted Gross State Product (GSP) declined by 4.2 percent, somewhat higher than the national rate. Vermont faces demographic challenges in its labor market which contributes to forecasted growth at roughly one-half of a percentage point lower than the national rate for calendar years 2021 and 2022. The rate of Vermont's job recovery is expected to reflect these same demographic challenges. Even though the forward pace of Vermont's economy is expected to lag a bit behind the U.S. average, Vermont is expected to continue to compare favorably in terms of its rate of unemployment. With a forecasted unemployment rate of 2.8 percent in calendar year 2021, the state's rate of unemployment is expected to be 2.6 percentage points below the U.S. average and be one of the lowest in the nation. For calendar years 2022 and 2023, Vermont's forecasted rate of unemployment is expected to track 1.4 percentage points below the expected 3.7 percent U.S. average, and 1.1 percentage points below the 3.5 percent U.S. average unemployment rate forecasted for calendar year 2023.

Vermont's housing market has reflected a shift in real estate preferences away from more densely populated areas (such as the New York and Boston metro areas) toward less densely populated and more rural areas, and particularly those areas with highly valued recreational amenities and where there is adequate access to broadband. With interest rates at historically low levels (at least for the near-term), plentiful amounts of cash for investment, and roughly a decade of underinvestment in new housing in the aftermath of the "Great Recession," the potential exists for significantly higher rates of home price increases for calendar years 2021, 2022, and 2023. As such, the consensus forecast reflects a near-term continuation of that dynamic with at or near double-digit rates of single-family home price appreciation over the period as measured by the Federal Housing Finance Agency's Home Price Index.

Vermont has had an enviable record in managing the public health aspects of the pandemic. The first wave of infections consistently tracked well below case rates in most other states, as state residents were quick to accept and take up measures designed to slow the spread of the virus. When the first vaccines became available, the State implemented a prioritized vaccination regime that reduced the incidence of severe disease, which helped to keep hospitalization rates and mortality levels low. Even with the recent increase in case levels tied to the Delta variant, the relatively high vaccination rates, where Vermont consistently ranks first or second highest among the 50 states for a range of vaccination metrics for its population, the state so far experienced significantly lower rates of hospitalization and mortality associated with the COVID-19 virus. To-date, since the onset of the pandemic, Vermont has experienced the second lowest case rate overall and has had the lowest death rate among the 50 states.

Since the mid-1990s, Vermont has employed a consensus revenue forecast made in January and updated in July. In July 2021, the consensus revenue forecast for fiscal year 2022 called for "Revenues Available to the General Fund" to total \$1,853.8 million, which is a \$190.2 million upgrade for fiscal year 2022 in comparison to the previous January's consensus revenue forecast of \$1,663.6 million. For fiscal year 2023, the consensus forecast of "Revenues Available to the General Fund" was for an upgrade to \$1,904.4 million, from the previous January's consensus revenue forecast of \$1,705.2 million. The July 2021 consensus revenue forecast for "Revenues Available to the Transportation Fund" for fiscal year 2022 was \$298.4 million, which was a 4.7 percent upgrade for fiscal year 2022 revenue expectations in comparison to the previous January's consensus revenue forecast of \$285.1 million. For fiscal year 2023, "Revenues Available to the Transportation Fund" were forecasted to be upgraded to \$305.2 million, from the previous January's consensus revenue forecast of \$290.5 million. The July 2021 consensus revenue forecast for "Revenues Available to the Education Fund" for fiscal year 2022 were estimated to be \$661.4 million, which corresponded to a 6.3 percent upgrade for fiscal year 2022 in comparison to last January's revenue forecast of \$622.4 million. For fiscal year 2023, the consensus forecast for "Revenues Available to the Education Fund" were upgraded to \$679.5 million, from the previous January's consensus revenue forecast of \$625.2 million. The assumptions used in the forecasts described above are subject to a

Management's Discussion and Analysis

State of Vermont

Unaudited

Fiscal Year Ended June 30, 2021

higher-than-normal level of uncertainty due to the dominant, largely temporary, recovery-supporting role of several trillion dollars of federal fiscal financial aid and the unprecedented monetary policy interventions by the Federal Reserve in response to the pandemic.

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



***GOVERNMENTAL-WIDE
FINANCIAL STATEMENTS***

STATE OF VERMONT
STATEMENT OF NET POSITION
June 30, 2021

	Primary Government			Discretely Presented
	Governmental	Business-type	Total	Component
	Activities	Activities		Units
ASSETS				
Current Assets				
Cash and cash equivalents.....	\$ 1,495,323,574	\$ 322,278,636	\$ 1,817,602,210	\$ 421,470,374
Cash and cash equivalents - restricted.....	-	-	-	73,687,455
Taxes receivable, net.....	141,594,268	23,035,845	164,630,113	-
Loans and notes receivable, net.....	27,793,449	432,766	28,226,215	180,001,868
Federal grants receivable.....	410,823,734	10,091,490	420,915,224	13,386,473
Other receivables, net.....	72,824,877	14,383,099	87,207,976	135,182,343
Investments.....	184,909,144	-	184,909,144	297,725,006
Inventories.....	3,042,238	9,194,491	12,236,729	2,492,056
Internal balances.....	4,882,914	(4,882,914)	-	-
Receivable from primary government.....	-	-	-	16,034,403
Receivable from component units.....	3,303,642	-	3,303,642	-
Other current assets.....	3,896,226	-	3,896,226	18,446,197
Total current assets.....	2,348,394,066	374,533,413	2,722,927,479	1,158,426,175
Noncurrent Assets				
Cash and equivalents.....	-	-	-	19,038,856
Cash and cash equivalents - restricted.....	-	-	-	74,560,229
Taxes receivable.....	165,573,682	-	165,573,682	-
Other receivables.....	47,480,215	-	47,480,215	-
Loans and notes receivable.....	269,317,318	811,180	270,128,498	1,738,605,343
Receivable from component units.....	5,500,000	-	5,500,000	-
Investments.....	-	644,105	644,105	989,700,256
Investments - restricted.....	-	-	-	85,071,019
Other noncurrent assets.....	-	-	-	24,704,868
Capital assets				
Land.....	165,082,919	-	165,082,919	53,254,818
Construction in progress.....	652,380,348	-	652,380,348	73,015,156
Works of art.....	136,003	-	136,003	-
Capital assets being depreciated:				
Infrastructure.....	3,165,392,066	-	3,165,392,066	42,330,013
Property, plant and equipment.....	1,381,544,752	6,093,746	1,387,638,498	1,577,774,579
Less accumulated depreciation.....	(2,125,375,061)	(2,327,208)	(2,127,702,269)	(852,365,755)
Total capital assets, net of depreciation.....	3,239,161,027	3,766,538	3,242,927,565	894,008,811
Total noncurrent assets.....	3,727,032,242	5,221,823	3,732,254,065	3,825,689,382
Total assets.....	6,075,426,308	379,755,236	6,455,181,544	4,984,115,557
DEFERRED OUTFLOW OF RESOURCES				
Loss on refunding of bonds payable.....	3,318,287	-	3,318,287	32,928,988
Interest rate swap.....	-	-	-	413,000
VHCB related deferred outflows.....	-	-	-	31,503,000
Pension related outflows.....	881,760,379	2,885,275	884,645,654	7,330,666
OPEB related outflows.....	487,096,647	5,100,780	492,197,427	147,308,977
Total deferred outflow of resources.....	1,372,175,313	7,986,055	1,380,161,368	219,484,631

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

	Primary Government			Discretely
	Governmental	Business-type	Total	Presented
	Activities	Activities		Component
				Units
LIABILITIES				
Current Liabilities				
Accounts payable and other current liabilities.....	467,300,259	30,755,193	498,055,452	215,529,237
Income tax refunds payable.....	102,096,344	-	102,096,344	-
Payable to primary government.....	-	-	-	3,303,642
Payable to component units.....	16,034,403	-	16,034,403	-
Intergovernmental payable - due to federal government...	5,615,767	-	5,615,767	-
Accrued interest payable.....	8,246,559	-	8,246,559	4,973,739
Current portion of long-term liabilities.....	147,436,427	7,734,602	155,171,029	124,032,423
Unearned revenue.....	302,883,351	52,720,087	355,603,438	86,029,448
Total current liabilities.....	1,049,613,110	91,209,882	1,140,822,992	433,868,489
Long-term Liabilities				
Lottery prize awards payable.....	-	378,342	378,342	-
Bonds, notes and leases payable.....	657,308,493	-	657,308,493	2,252,480,937
Payable to primary government.....	-	-	-	5,500,000
Compensated absences.....	5,273,373	84,759	5,358,132	-
Claims and judgments.....	37,537,613	-	37,537,613	-
Net pension liabilities.....	3,036,422,794	7,277,556	3,043,700,350	18,614,518
Net other postemployment benefits liabilities.....	2,635,300,807	9,414,132	2,644,714,939	736,410,619
Other long-term liabilities.....	15,299,308	5,436,143	20,735,451	28,396,634
Total long-term liabilities.....	6,387,142,388	22,590,932	6,409,733,320	3,041,402,708
Total liabilities.....	7,436,755,498	113,800,814	7,550,556,312	3,475,271,197
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue.....	1,632,489	-	1,632,489	2,002,000
Gain on refunding of bonds payable.....	64,453	-	64,453	12,457,000
Service concession arrangement.....	-	-	-	1,076,000
Split interest arrangements.....	-	-	-	3,623,000
Pension related inflows.....	12,130,009	403,543	12,533,552	527,752
OPEB related inflows.....	319,821,333	6,004,861	325,826,194	124,701,035
Total deferred inflow of resources.....	333,648,284	6,408,404	340,056,688	144,386,787
NET POSITION				
Net investment in capital assets.....	2,879,107,083	3,766,538	2,882,873,621	219,897,838
Restricted for				
Unemployment compensation.....	-	253,453,590	253,453,590	-
Funds held in permanent investments				
Expendable.....	155,644	-	155,644	562,810,013
Nonexpendable.....	7,416,453	-	7,416,453	341,124,281
General government.....	866,804	-	866,804	16,742,819
Protection to persons and property.....	1,316,937	6,955,431	8,272,368	-
Human services.....	84,748,905	-	84,748,905	2,042,139
Labor.....	4,412,577	-	4,412,577	-
General education.....	-	-	-	52,599,000
Natural resources.....	448,063,426	-	448,063,426	-
Commerce and community development.....	12,329,344	-	12,329,344	421,531,645
Debt service.....	3,214,255	-	3,214,255	-
Unrestricted (deficit).....	(3,764,433,589)	3,356,514	(3,761,077,075)	(32,805,531)
Total net position.....	\$ (322,802,161)	\$ 267,532,073	\$ (55,270,088)	\$ 1,583,942,204

**STATE OF VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities				
General government.....	\$ 454,772,741	\$ 62,015,419	\$ 1,067,701,330	\$ -
Protection to persons and property.....	512,381,219	169,160,430	161,404,175	-
Human services.....	3,053,817,421	36,297,776	1,742,671,579	-
Labor.....	132,790,867	4,601,579	82,280,630	-
General education.....	2,608,373,427	1,734,487	174,335,972	-
Natural resources.....	150,274,704	49,322,300	53,143,195	-
Commerce and community development.....	269,887,599	244,519	11,700,315	-
Transportation.....	478,845,913	125,124,735	142,178,213	200,229,503
Interest on long-term debt.....	17,563,424	-	509,102	-
Total governmental activities.....	7,678,707,315	448,501,245	3,435,924,511	200,229,503
Business-type activities				
State Lottery.....	129,684,509	161,540,486	-	-
Liquor Control.....	76,305,899	96,667,036	-	-
Unemployment Compensation.....	852,807,978	63,408,473	655,021,221	-
Other.....	62,050,991	69,462,956	-	-
Total business-type activities.....	1,120,849,377	391,078,951	655,021,221	-
Total primary government.....	\$ 8,799,556,692	\$ 839,580,196	\$ 4,090,945,732	\$ 200,229,503
Component Units				
Vermont Student Assistance Corporation.....	\$ 63,884,000	\$ 34,988,000	\$ 34,263,000	\$ -
University of Vermont and				
State Agricultural College.....	721,874,000	432,041,000	395,021,000	1,192,000
Vermont State Colleges.....	193,331,802	94,290,265	125,387,284	2,032,438
Vermont Housing Finance Agency.....	26,735,000	21,788,000	6,792,000	-
Other.....	119,307,121	53,115,180	59,627,390	6,645,792
Total component units.....	\$ 1,125,131,923	\$ 636,222,445	\$ 621,090,674	\$ 9,870,230

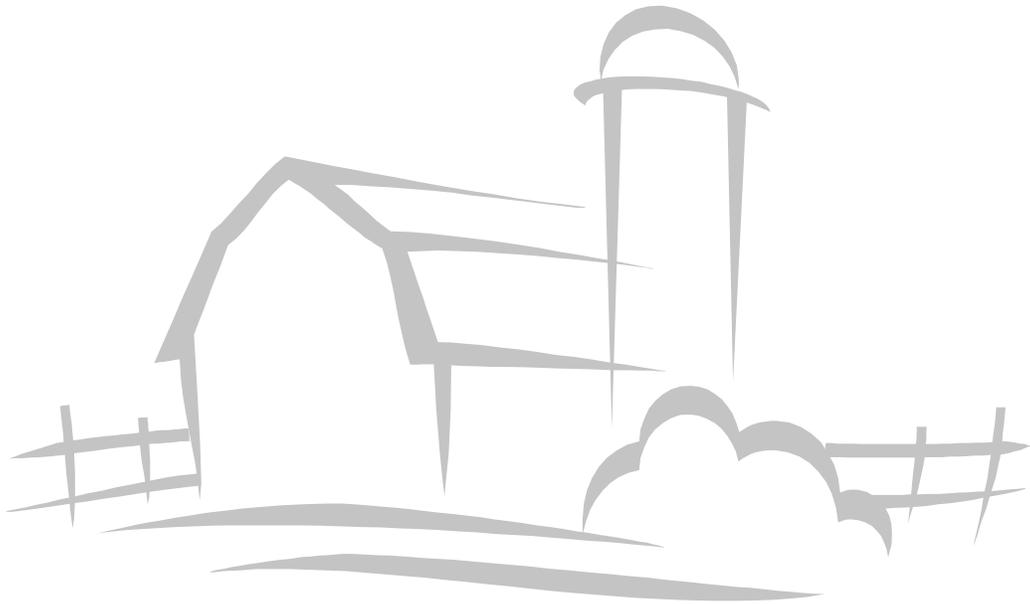
General Revenues	
Taxes	
Personal and corporate income.....	
Sales and use.....	
Meals and rooms.....	
Purchase and use.....	
Motor fuel.....	
Statewide education.....	
Other taxes.....	
Total taxes.....	
Investment earnings.....	
Tobacco litigation settlement.....	
Miscellaneous.....	
Additions to non-expendable endowments.....	
Transfers.....	
Total general revenues and transfers.....	
Changes in net position.....	
Net Position - Beginning.....	
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	
\$ 674,944,008	\$ -	\$ 674,944,008	\$ -
(181,816,614)	-	(181,816,614)	-
(1,274,848,066)	-	(1,274,848,066)	-
(45,908,658)	-	(45,908,658)	-
(2,432,302,968)	-	(2,432,302,968)	-
(47,809,209)	-	(47,809,209)	-
(257,942,765)	-	(257,942,765)	-
(11,313,462)	-	(11,313,462)	-
(17,054,322)	-	(17,054,322)	-
<u>(3,594,052,056)</u>	<u>-</u>	<u>(3,594,052,056)</u>	<u>-</u>
-	31,855,977	31,855,977	-
-	20,361,137	20,361,137	-
-	(134,378,284)	(134,378,284)	-
-	7,411,965	7,411,965	-
-	<u>(74,749,205)</u>	<u>(74,749,205)</u>	<u>-</u>
<u>(3,594,052,056)</u>	<u>(74,749,205)</u>	<u>(3,668,801,261)</u>	<u>-</u>
-	-	-	5,367,000
-	-	-	106,380,000
-	-	-	28,378,185
-	-	-	1,845,000
-	-	-	<u>81,241</u>
-	-	-	<u>142,051,426</u>
1,335,227,803	-	1,335,227,803	-
509,693,188	-	509,693,188	-
146,144,236	-	146,144,236	-
133,901,628	-	133,901,628	-
69,309,346	-	69,309,346	-
1,197,454,689	-	1,197,454,689	-
<u>507,811,758</u>	<u>-</u>	<u>507,811,758</u>	<u>10,580,695</u>
3,899,542,648	-	3,899,542,648	10,580,695
1,094,250	5,721,798	6,816,048	206,287,443
25,509,718	-	25,509,718	-
833,680	2,529	836,209	2,030,917
-	-	-	1,479,122
<u>55,413,855</u>	<u>(55,413,855)</u>	<u>-</u>	<u>-</u>
<u>3,982,394,151</u>	<u>(49,689,528)</u>	<u>3,932,704,623</u>	<u>220,378,177</u>
388,342,095	(124,438,733)	263,903,362	362,429,603
<u>(711,144,256)</u>	<u>391,970,806</u>	<u>(319,173,450)</u>	<u>1,221,512,601</u>
<u>\$ (322,802,161)</u>	<u>\$ 267,532,073</u>	<u>\$ (55,270,088)</u>	<u>\$ 1,583,942,204</u>

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Vermont



***GOVERNMENTAL FUNDS
FINANCIAL STATEMENTS***

**STATE OF VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021**

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Education Fund</u>	<u>Special Fund</u>
ASSETS				
Cash and cash equivalents.....	\$ 666,013,325	\$ 48,325,022	\$ 139,422,360	\$ 136,380,209
Investments.....	-	-	-	4,332,123
Receivables				
Taxes receivable, net.....	241,227,779	336,878	63,682,647	1,917,928
Accrued interest receivable.....	127,067	78,944	167	3,402
Notes and loans receivable.....	23,296,021	1,348,109	-	7,020,614
Other receivables, net.....	13,583,099	9,744,447	2,515,171	31,739,838
Intergovernmental receivables - federal government, net.....	-	56,923,922	-	-
Due from other funds.....	3,245,641	1,698	-	47,788,000
Due from component units.....	3,303,642	-	-	-
Interfund receivable.....	60,610,646	-	-	-
Advances to other funds.....	300,075	-	-	-
Advances to component units.....	5,500,000	-	-	-
Total assets.....	<u>\$ 1,017,207,295</u>	<u>\$ 116,759,020</u>	<u>\$ 205,620,345</u>	<u>\$ 229,182,114</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES				
Accounts payable.....	\$ 26,514,812	\$ 43,366,947	\$ 28,707,931	\$ 30,474,013
Accrued liabilities.....	26,333,518	7,467,984	-	7,719,019
Retainage payable.....	228,294	81,594	-	318,649
Due to other funds.....	76,357,541	3,700,737	222,664	11,269,540
Due to component units.....	10,300,500	-	-	-
Intergovernmental payable - federal government.....	-	-	-	-
Tax refunds payable.....	39,080,513	-	284,146	127,200
Unearned revenue.....	6,513,952	51,612	-	272,376
Total liabilities.....	<u>185,329,130</u>	<u>54,668,874</u>	<u>29,214,741</u>	<u>50,180,797</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue.....	179,293,863	9,341,448	10,515,644	22,022,880
Total deferred inflow of resources.....	<u>179,293,863</u>	<u>9,341,448</u>	<u>10,515,644</u>	<u>22,022,880</u>
FUND BALANCES				
Nonspendable				
Advances.....	5,800,075	-	-	-
Long-term receivables.....	44,204,796	-	-	-
Permanent fund principal.....	-	-	-	-
Restricted.....	-	-	-	16,760,674
Committed.....	-	52,748,698	165,889,960	139,562,137
Assigned.....	15,577,410	-	-	655,626
Unassigned.....	587,002,021	-	-	-
Total fund balances.....	<u>652,584,302</u>	<u>52,748,698</u>	<u>165,889,960</u>	<u>156,978,437</u>
Total liabilities, deferred inflows and fund balances.....	<u>\$ 1,017,207,295</u>	<u>\$ 116,759,020</u>	<u>\$ 205,620,345</u>	<u>\$ 229,182,114</u>

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

<u>Federal Revenue Fund</u>	<u>Global Commitment Fund</u>	<u>Non-major Governmental Funds</u>	<u>Eliminations</u>	<u>Total Governmental Funds</u>
\$ 312,643,452	\$ 120,515	\$ 81,206,805	\$ -	\$ 1,384,111,688
133,975,884	-	46,601,137	-	184,909,144
-	-	2,718	-	307,167,950
79,912	-	-	-	289,492
261,974,820	-	-	-	293,639,564
2,856,388	38,627,113	100,503	-	99,166,559
247,956,512	105,943,300	-	-	410,823,734
2,737,611	71,743,947	1,679	(124,741,872)	776,704
-	-	-	-	3,303,642
-	-	-	-	60,610,646
-	-	-	-	300,075
-	-	-	-	5,500,000
<u>\$ 962,224,579</u>	<u>\$ 216,434,875</u>	<u>\$ 127,912,842</u>	<u>\$ (124,741,872)</u>	<u>\$ 2,750,599,198</u>
\$ 91,053,662	\$ 173,947,571	\$ 3,774,560	\$ -	\$ 397,839,496
12,609,872	2,011,637	1,175,717	-	57,317,747
1,946,271	-	214,379	-	2,789,187
50,600,679	2,314,478	619,628	(124,741,872)	20,343,395
67,736	-	5,666,167	-	16,034,403
5,615,767	-	-	-	5,615,767
-	-	-	-	39,491,859
295,843,800	-	42,678	-	302,724,418
<u>457,737,787</u>	<u>178,273,686</u>	<u>11,493,129</u>	<u>(124,741,872)</u>	<u>842,156,272</u>
-	8,736,011	7,411	-	229,917,257
-	8,736,011	7,411	-	229,917,257
-	-	-	-	5,800,075
-	-	-	-	44,204,796
-	-	7,416,453	-	7,416,453
504,486,792	29,425,178	58,599,355	-	609,271,999
-	-	50,396,494	-	408,597,289
-	-	-	-	16,233,036
-	-	-	-	587,002,021
<u>504,486,792</u>	<u>29,425,178</u>	<u>116,412,302</u>	<u>-</u>	<u>1,678,525,669</u>
<u>\$ 962,224,579</u>	<u>\$ 216,434,875</u>	<u>\$ 127,912,842</u>	<u>\$ (124,741,872)</u>	<u>\$ 2,750,599,198</u>

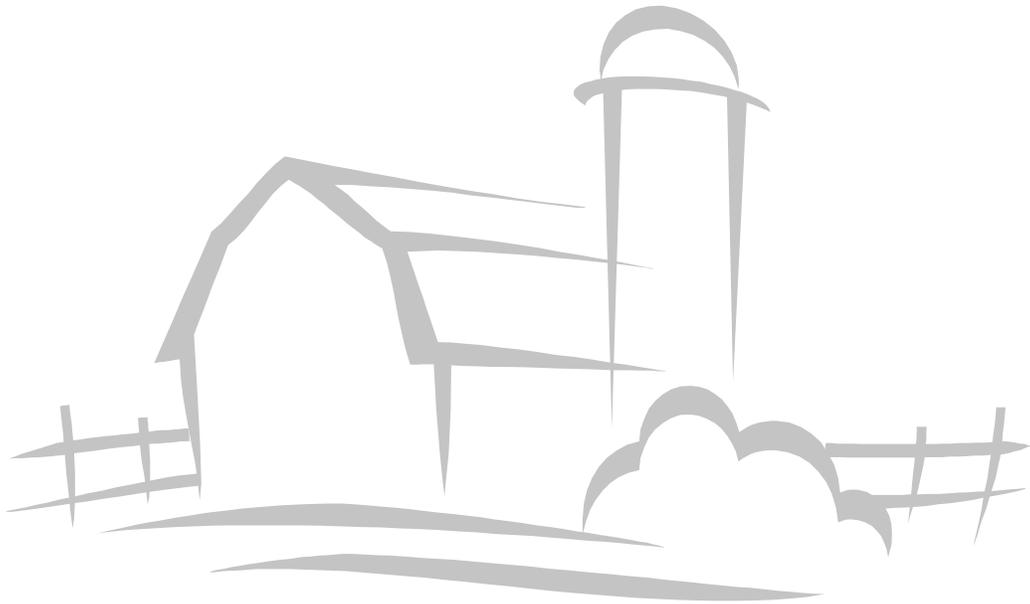
STATE OF VERMONT
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2021

Total fund balances from previous page	\$ 1,678,525,669
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⁾	3,184,834,637
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.....	73,617,695
Amounts presented in the statement of net position relating to, but not in fund balances due to a different basis of accounting ⁽¹⁾	1,268,444,286
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⁾	<u>(6,528,224,448)</u>
Net position of governmental activities	<u><u>\$ (322,802,161)</u></u>

⁽¹⁾ Additional information on these amounts can be found in Note II. A.

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

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Vermont

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	General Fund	Transportation Fund	Education Fund	Special Fund
REVENUES				
Taxes				
Personal income tax.....	\$ 1,132,807,469	\$ -	\$ -	\$ 1,424,969
Corporate income tax.....	145,233,446	-	-	368,906
Sales and use tax.....	-	-	511,340,951	-
Meals and rooms tax.....	102,683,327	-	37,104,121	8,844,625
Motor fuels tax.....	-	67,277,806	-	1,277,648
Purchase and use tax.....	-	89,252,953	44,649,557	-
Statewide education tax.....	-	-	1,197,454,689	-
Other taxes.....	437,040,508	18,601,928	2,791,605	43,437,049
Earnings of departments				
Fees.....	42,622,027	19,259,365	-	111,583,146
Rents and leases.....	-	1,910,090	-	4,143,754
Sales of services.....	2,948,038	17,295	-	12,177,117
Federal grants.....	-	342,315,359	-	-
Fines, forfeits and penalties.....	3,132,064	2,604,235	-	4,726,276
Investment income.....	876,774	83,558	107,931	861,370
Licenses				
Business.....	1,313,402	411,829	-	32,079,835
Non-business.....	60,615	95,899,486	-	3,216,779
Special assessments.....	18,438,984	141,679	-	12,920,191
Other revenues.....	7,022,504	2,105,173	-	78,104,697
Total revenues.....	1,894,179,158	639,880,756	1,793,448,854	315,166,362
EXPENDITURES				
General government.....	147,990,010	3,787,226	-	16,192,675
Protection to persons and property.....	138,572,394	9,752,931	-	86,919,539
Human services.....	412,308,342	-	-	131,406,715
Labor.....	3,519,159	-	-	2,971,442
General education.....	286,287,734	-	1,763,021,367	15,473,287
Natural resources.....	30,783,918	-	-	54,298,310
Commerce and community development.....	24,747,397	-	-	5,166,016
Transportation.....	-	573,113,879	-	2,195,689
Capital outlay.....	-	-	-	-
Debt service.....	1,268,958	-	-	-
Total expenditures.....	1,045,477,912	586,654,036	1,763,021,367	314,623,673
Excess of revenues over (under) expenditures.....	848,701,246	53,226,720	30,427,487	542,689
OTHER FINANCING SOURCES (USES)				
Issuance of bonds.....	-	-	-	-
Premium from the issuance of bonds.....	13,036,104	-	-	-
Issuance of refunding bonds.....	70,747,542	-	-	392,458
Payment to bond escrow agent.....	(82,515,000)	-	-	-
Transfers in.....	90,859,544	-	39,298,111	91,014,362
Transfers out.....	(552,714,117)	(6,038,722)	-	(101,575,211)
Total other financing sources (uses).....	(460,585,927)	(6,038,722)	39,298,111	(10,168,391)
Net change in fund balances.....	388,115,319	47,187,998	69,725,598	(9,625,702)
Fund balances, July 1,.....	264,468,983	5,560,700	96,164,362	166,604,139
Fund balances, June 30.....	\$ 652,584,302	\$ 52,748,698	\$ 165,889,960	\$ 156,978,437

The accompanying notes are an integral part of these statements.

<u>Federal Revenue Fund</u>	<u>Global Commitment Fund</u>	<u>Non-major Governmental Funds</u>	<u>Eliminations</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,134,232,438
-	-	-	-	145,602,352
-	-	-	-	511,340,951
-	-	-	-	148,632,073
-	-	774,744	-	69,330,198
-	-	-	-	133,902,510
-	-	-	-	1,197,454,689
-	-	-	-	501,871,090
4,620	-	155,999	-	173,625,157
-	-	63,964	-	6,117,808
-	-	11	-	15,142,461
2,191,615,442	1,063,701,710	7,352,120	-	3,604,984,631
-	-	14,625	-	10,477,200
725,263	-	6,112,137	-	8,767,033
-	-	365	-	33,805,431
-	-	8,584,925	-	107,761,805
-	-	-	-	31,500,854
799,274	13,682,250	6,457,816	-	108,171,714
<u>2,193,144,599</u>	<u>1,077,383,960</u>	<u>29,516,706</u>	<u>-</u>	<u>7,942,720,395</u>
258,584,358	-	-	-	426,554,269
260,480,619	-	-	-	495,725,483
900,499,464	1,558,889,152	25,000	-	3,003,128,673
116,538,293	-	-	-	123,028,894
282,667,311	1,324,923	2,148,990	-	2,350,923,612
41,041,142	-	18,180,563	-	144,303,933
231,152,319	-	-	-	261,065,732
9,277,598	-	-	-	584,587,166
-	-	44,439,960	-	44,439,960
-	-	79,377,263	-	80,646,221
<u>2,100,241,104</u>	<u>1,560,214,075</u>	<u>144,171,776</u>	<u>-</u>	<u>7,514,403,943</u>
<u>92,903,495</u>	<u>(482,830,115)</u>	<u>(114,655,070)</u>	<u>-</u>	<u>428,316,452</u>
-	-	82,185,000	-	82,185,000
-	-	16,740,163	-	29,776,267
-	-	-	-	71,140,000
-	-	-	-	(82,515,000)
8,260,553	505,290,643	79,834,282	(759,143,640)	55,413,855
(69,381,711)	(22,094,110)	(8,345,127)	759,143,640	(1,005,358)
<u>(61,121,158)</u>	<u>483,196,533</u>	<u>170,414,318</u>	<u>-</u>	<u>154,994,764</u>
31,782,337	366,418	55,759,248	-	583,311,216
<u>472,704,455</u>	<u>29,058,760</u>	<u>60,653,054</u>	<u>-</u>	<u>1,095,214,453</u>
<u>\$ 504,486,792</u>	<u>\$ 29,425,178</u>	<u>\$ 116,412,302</u>	<u>\$ -</u>	<u>\$ 1,678,525,669</u>

**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, 2021**

Total net change in fund balances from the previous page.....	\$	583,311,216
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⁾		82,120,660
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⁾		138,340,000
Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position ⁽¹⁾		(176,524,735)
Receivables in the governmental funds that are not available to provide current financial resources are not reported as revenues in the governmental funds.....		56,014,762
Estimated personal income tax refunds that are not due and payable are not reported as governmental fund liabilities.....		7,888,187
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⁾		(304,126,346)
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.....		<u>1,318,351</u>
Total changes in net position of governmental activities as reported on the statement of activities.....	\$	<u>388,342,095</u>

⁽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, 2021**

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	State Lottery Fund
ASSETS			
Current Assets			
Cash and cash equivalents.....	\$ 294,131,770	\$ -	\$ 6,201,742
Receivables			
Taxes receivable, net of allowance for uncollectibles.....	20,536,059	-	-
Accounts receivable, net of allowance for uncollectibles.....	-	2,176,739	2,794,486
Loans receivable.....	-	-	-
Accrued interest receivable.....	-	-	-
Due from other funds.....	-	44,025	222,484
Intergovernmental receivables - federal government.....	10,091,490	-	-
Inventories, at cost.....	-	8,733,941	460,550
Prepaid expenses.....	-	-	-
Total current assets.....	324,759,319	10,954,705	9,679,262
Noncurrent Assets			
Investments.....	-	-	644,105
Loans receivable.....	-	-	-
Imprest cash and change fund - advances.....	-	75	300,000
Total noncurrent assets.....	-	75	944,105
Capital Assets			
Land.....	-	-	-
Construction in progress.....	-	-	-
Works of art.....	-	-	-
Capital assets being depreciated/amortized:			
Machinery, equipment and buildings.....	-	5,850,354	243,392
Less accumulated depreciation.....	-	(2,120,401)	(206,807)
Total capital assets, net of depreciation.....	-	3,729,953	36,585
Total noncurrent and capital assets.....	-	3,730,028	980,690
Total assets.....	324,759,319	14,684,733	10,659,952
DEFERRED OUTFLOW OF RESOURCES			
Pension related outflows.....	-	2,051,126	834,149
OPEB related outflows.....	-	3,578,950	1,521,830
Total deferred outflow of resources.....	-	5,630,076	2,355,979

Business-type Activities-Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
\$ 21,645,049	\$ -	\$ 321,978,561	\$ 107,711,886
2,499,786	-	23,035,845	-
9,407,143	-	14,378,368	31,014,773
432,766	-	432,766	816,598
4,731	-	4,731	-
515,562	(342,854)	439,217	20,067,284
-	-	10,091,490	-
-	-	9,194,491	3,042,238
-	-	-	3,896,226
<u>34,505,037</u>	<u>(342,854)</u>	<u>379,555,469</u>	<u>166,549,005</u>
-	-	644,105	-
811,180	-	811,180	2,654,605
-	-	300,075	3,500,000
<u>811,180</u>	<u>-</u>	<u>1,755,360</u>	<u>6,154,605</u>
-	-	-	26,156
-	-	-	2,451,152
-	-	-	8,200
-	-	6,093,746	137,223,188
-	-	(2,327,208)	(85,382,303)
-	-	3,766,538	54,326,393
<u>811,180</u>	<u>-</u>	<u>5,521,898</u>	<u>60,480,998</u>
<u>35,316,217</u>	<u>(342,854)</u>	<u>385,077,367</u>	<u>227,030,003</u>
-	-	2,885,275	-
-	-	5,100,780	-
-	-	7,986,055	-

continued on next page

**STATE OF VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021**

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	State Lottery Fund
LIABILITIES			
Current Liabilities			
Accounts payable.....	-	6,090,034	1,046,844
Accrued salaries and benefits.....	-	481,654	165,388
Claims payable.....	11,905,968	-	-
Due to lottery winners.....	-	-	97,997
Due to agents.....	-	468,439	-
Due to other funds.....	342,854	107,295	32,144
Interfund payable.....	-	4,237,113	-
Future and unclaimed prizes payable.....	-	-	7,408,731
Unearned revenue.....	52,504,604	10,950	204,533
Capital leases payable.....	-	-	-
Other current liabilities.....	6,552,303	-	-
Total current liabilities.....	71,305,729	11,395,485	8,955,637
Long-term Liabilities			
Due to lottery winners.....	-	-	378,342
Claims payable.....	-	-	-
Advances from other funds.....	-	75	300,000
Capital leases payable.....	-	-	-
Net pension liabilities.....	-	5,327,300	1,950,256
Net other postemployment benefits liabilities.....	-	6,885,868	2,528,264
Other noncurrent liabilities.....	-	64,098	20,661
Total long-term liabilities.....	-	12,277,341	5,177,523
Total liabilities.....	71,305,729	23,672,826	14,133,160
DEFERRED INFLOW OF RESOURCES			
Pension related inflows.....	-	247,942	155,601
OPEB related inflows.....	-	4,262,899	1,741,962
Total deferred inflow of resources.....	-	4,510,841	1,897,563
NET POSITION			
Net investment in capital assets.....	-	3,729,953	36,585
Restricted for unemployment compensation benefits.....	253,453,590	-	-
Restricted for protection to persons and property.....	-	-	-
Unrestricted (deficit).....	-	(11,598,811)	(3,051,377)
Total net position.....	\$ 253,453,590	\$ (7,868,858)	\$ (3,014,792)

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
4,270,237	-	11,407,115	11,843,026
2,200	-	649,242	8,634,038
-	-	11,905,968	26,670,150
-	-	97,997	-
-	-	468,439	-
426,866	(342,854)	566,305	349,829
459,081	-	4,696,194	55,789,581
-	-	7,408,731	-
-	-	52,720,087	158,933
-	-	-	332,608
-	-	6,552,303	520,711
<u>5,158,384</u>	<u>(342,854)</u>	<u>96,472,381</u>	<u>104,298,876</u>
-	-	378,342	-
-	-	-	37,537,613
-	-	300,075	-
-	-	-	8,529,340
-	-	7,277,556	-
-	-	9,414,132	-
<u>5,436,143</u>	<u>-</u>	<u>5,520,902</u>	<u>2,806,036</u>
<u>5,436,143</u>	<u>-</u>	<u>22,891,007</u>	<u>48,872,989</u>
<u>10,594,527</u>	<u>(342,854)</u>	<u>119,363,388</u>	<u>153,171,865</u>
-	-	403,543	-
-	-	6,004,861	-
-	-	6,408,404	-
-	-	3,766,538	45,464,445
-	-	253,453,590	-
6,955,431	-	6,955,431	-
<u>17,766,259</u>	<u>-</u>	<u>3,116,071</u>	<u>28,393,693</u>
<u>\$ 24,721,690</u>	<u>\$ -</u>	<u>267,291,630</u>	<u>\$ 73,858,138</u>

Adjustment to reflect the consolidation of internal service activities related to enterprise funds..... 240,443

Net Position - Business-type Activities..... \$ 267,532,073

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	State Lottery Fund
OPERATING REVENUES			
Charges for sales and services.....	\$ 63,408,473	\$ 89,822,804	\$ -
Ticket sales.....	-	-	161,538,231
Rental income.....	-	-	-
License fees.....	-	1,966,429	-
Federal donated properties.....	-	-	-
Other operating revenues.....	-	4,877,803	2,255
Total operating revenues.....	63,408,473	96,667,036	161,540,486
OPERATING EXPENSES			
Cost of sales and services.....	-	58,125,730	126,311,641
Claims expenses.....	851,980,672	-	-
Salaries and benefits.....	-	4,888,817	1,909,276
Insurance premium expenses.....	-	59,976	310
Contractual services.....	-	759,769	192,405
Repairs and maintenance.....	-	80,648	12,262
Depreciation.....	-	564,047	9,470
Rental expenses.....	-	91,656	214,617
Utilities and property management.....	-	1,382,966	250,077
Non-capital equipment purchased.....	-	175,098	24,564
Promotions and advertising.....	-	59,070	552,460
Administration expenses.....	-	110,387	37,778
Supplies and parts.....	-	184,532	12,848
Distribution and postage.....	-	7,722	16,614
Travel.....	-	4,011	697
Other operating expenses.....	-	9,823,917	144,809
Total operating expenses.....	851,980,672	76,318,346	129,689,828
Operating income (loss).....	(788,572,199)	20,348,690	31,850,658
NONOPERATING REVENUES (EXPENSES)			
Federal grants.....	655,021,221	-	-
Gain on disposal of capital assets.....	-	2,529	-
Investment income.....	5,627,189	-	38,042
Interest expense.....	-	-	-
Other nonoperating expenses.....	(827,306)	-	-
Total nonoperating revenues (expenses).....	659,821,104	2,529	38,042
Income (loss) before other revenues, expenses, gains, losses, and transfers.....	(128,751,095)	20,351,219	31,888,700
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS			
Capital contributions.....	-	-	-
Transfers in.....	-	-	-
Transfers out.....	-	(22,763,156)	(31,888,699)
Total other revenues, expenses, gains, losses, and transfers.....	-	(22,763,156)	(31,888,699)
Changes in net position.....	(128,751,095)	(2,411,937)	1
Total net position, July 1,.....	382,204,685	(5,456,921)	(3,014,793)
Total net position June 30.....	\$ 253,453,590	\$ (7,868,858)	\$ (3,014,792)

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
\$ 68,656,966	\$ 221,888,243	\$ 411,919,926
-	161,538,231	-
-	-	20,656,416
-	1,966,429	-
805,990	805,990	-
-	4,880,058	9,468,255
<u>69,462,956</u>	<u>391,078,951</u>	<u>442,044,597</u>
53,473,854	237,911,225	50,679,494
-	851,980,672	215,122,096
33,895	6,831,988	76,561,544
-	60,286	7,953,335
2,352,748	3,304,922	37,569,996
-	92,910	8,145,721
-	573,517	11,033,024
-	306,273	3,288,320
40	1,633,083	13,320,187
-	199,662	965,572
-	611,530	17,661
5,433,808	5,581,973	10,999,592
-	197,380	2,462,704
-	24,336	63,411
-	4,708	38,297
<u>513,595</u>	<u>10,482,321</u>	<u>4,473,383</u>
<u>61,807,940</u>	<u>1,119,796,786</u>	<u>442,694,337</u>
<u>7,655,016</u>	<u>(728,717,835)</u>	<u>(649,740)</u>
-	655,021,221	-
-	2,529	696,788
56,567	5,721,798	194,316
-	-	(47,729)
<u>(242,819)</u>	<u>(1,070,125)</u>	<u>-</u>
<u>(186,252)</u>	<u>659,675,423</u>	<u>843,375</u>
<u>7,468,764</u>	<u>(69,042,412)</u>	<u>193,635</u>
-	-	136,892
-	-	1,005,358
<u>(762,000)</u>	<u>(55,413,855)</u>	<u>-</u>
<u>(762,000)</u>	<u>(55,413,855)</u>	<u>1,142,250</u>
6,706,764	(124,456,267)	1,335,885
<u>18,014,926</u>	<u>391,747,897</u>	<u>72,522,253</u>
<u>\$ 24,721,690</u>	<u>\$ 267,291,630</u>	<u>\$ 73,858,138</u>

Total change in net position reported above..... \$ (124,456,267)
Consolidation adjustment of internal
service activities related to enterprise funds..... 17,534
Change in net position - business type activities... \$ (124,438,733)

STATE OF VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

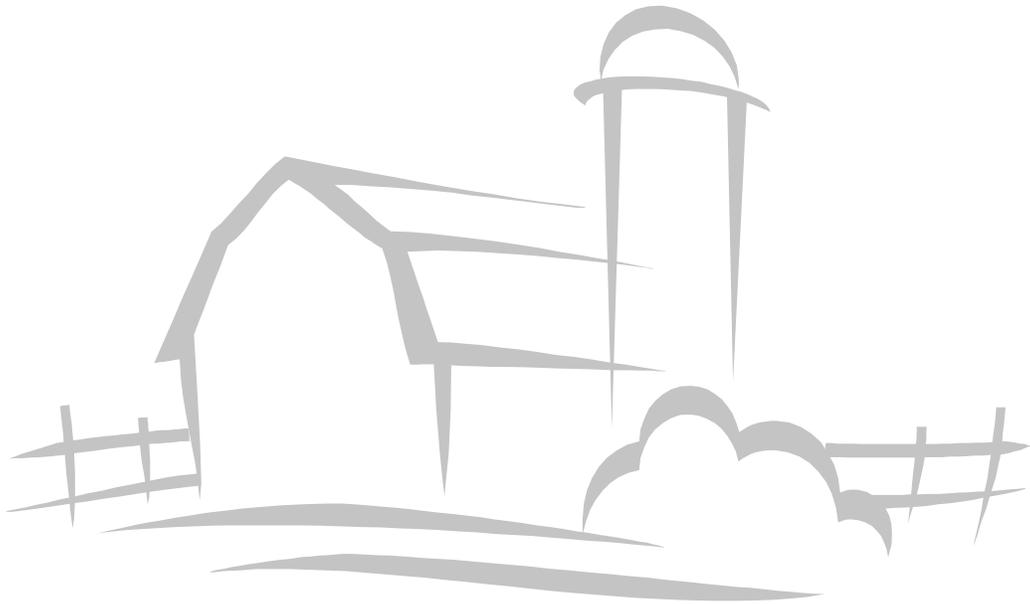
	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	State Lottery Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers.....	\$ 87,251,818	\$ 88,394,368	\$ 161,272,526
Cash paid to suppliers for goods and services.....	-	(60,640,078)	(9,353,519)
Cash paid to employees for services.....	-	(4,567,031)	(1,755,215)
Cash paid for prizes and commissions.....	-	-	(118,478,060)
Cash paid to claimants.....	(883,437,499)	-	-
Other operating revenues.....	-	6,844,232	2,255
Other operating expenses.....	(827,306)	(9,823,917)	(144,809)
Total cash provided (used) by operating activities.....	(797,012,987)	20,207,574	31,543,178
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in.....	-	-	-
Transfers out.....	-	(22,763,156)	(32,111,183)
Interfund loans and advances.....	-	2,786,062	-
Federal grants.....	582,717,492	-	-
Net cash provided (used) by noncapital financing activities.....	582,717,492	(19,977,094)	(32,111,183)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets.....	-	(233,009)	(36,224)
Payment of capital leases and loans.....	-	-	-
Interest paid on capital leases and loans.....	-	-	-
Proceeds from sale of capital assets.....	-	2,529	-
Net cash provided (used) by capital and related financing activities.....	-	(230,480)	(36,224)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments.....	5,627,189	-	66,979
Proceeds from sales/maturities of investments.....	-	-	103,827
Proceeds from loan repayments.....	-	-	-
Loans issued.....	-	-	-
Net cash provided (used) by investing activities.....	5,627,189	-	170,806
Net increase (decrease) in cash and cash equivalents.....	(208,668,306)	-	(433,423)
Cash and cash equivalents, July 1.....	502,800,076	75	6,935,165
Cash and cash equivalents, June 30.....	\$ 294,131,770	\$ 75	\$ 6,501,742
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss).....	\$ (788,572,199)	\$ 20,348,690	\$ 31,850,658
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization.....	-	564,047	9,470
Other nonoperating expenses.....	(827,306)	-	-
Effect of changes in assets, deferred outflows, liabilities and deferred inflows:			
Accounts/taxes receivable, net.....	23,584,793	(704,444)	(257,267)
Due from other funds.....	-	20,627	-
Inventories.....	-	266,277	129,729
Prepaid expenses.....	-	-	-
Deferred outflows.....	-	(4,046,921)	(1,617,051)
Accounts payable.....	-	52,846	(38,949)
Accrued salaries and benefits.....	-	5,154	13,008
Claims payable.....	(30,430,200)	-	-
Due to lottery winners.....	-	-	(103,828)
Due to agents.....	-	82,364	-
Future and unclaimed prizes payable.....	-	-	181,301
Due to other funds.....	258,552	(751,604)	(373,559)
Unearned revenues.....	-	6,985	(8,438)
Other liabilities.....	(1,026,627)	-	-
Other noncurrent liabilities.....	-	-	-
Net pension liabilities.....	-	1,287,383	545,923
Net OPEB liabilities.....	-	3,315,593	1,319,179
Deferred inflows.....	-	(239,423)	(106,998)
Total adjustments.....	(8,440,788)	(141,116)	(307,480)
Net cash provided (used) by operating activities.....	\$ (797,012,987)	\$ 20,207,574	\$ 31,543,178
Noncash investing, capital, and financing activities:			
Contributions of capital assets to/from other funds.....	-	-	-
Retirement of assets not fully depreciated.....	-	-	-
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.

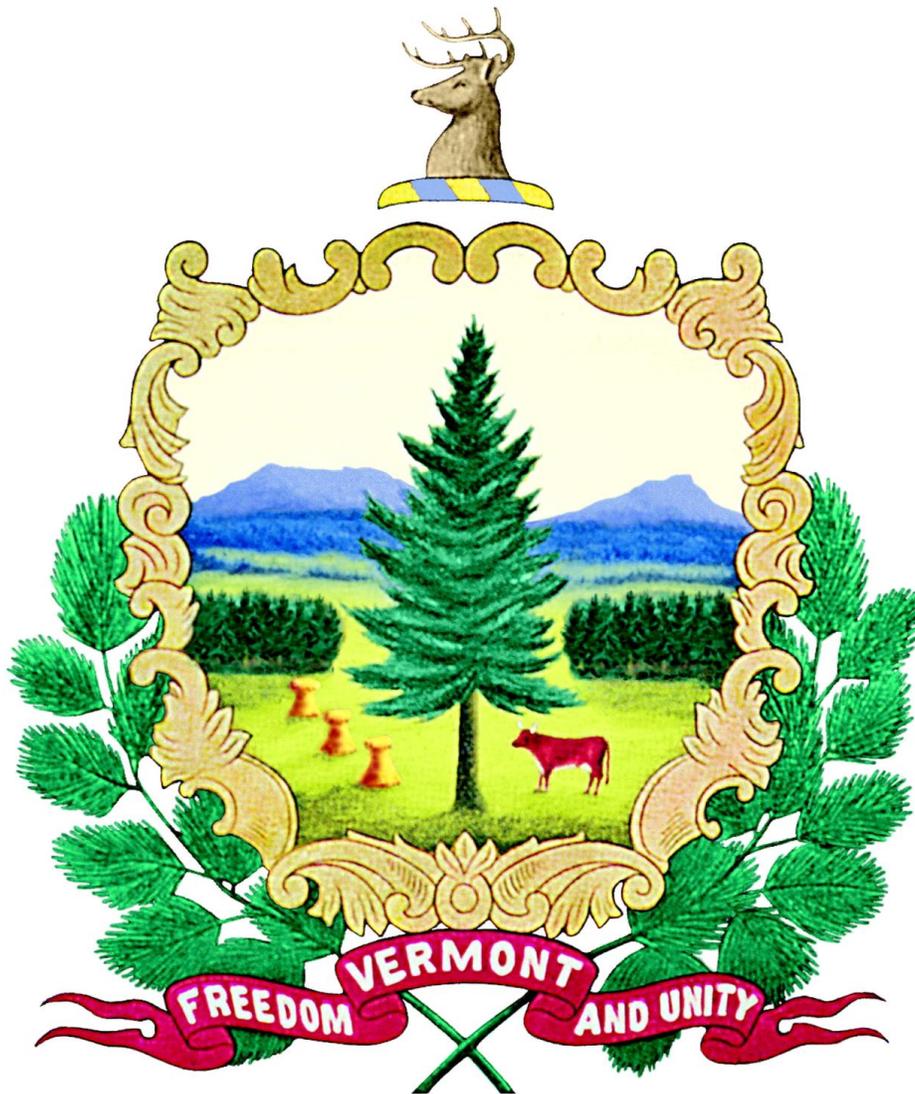
The accompanying notes are an integral part of these financial statements.

Business-type Activities-Enterprise Funds		Governmental Governmental Activities
Non-major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
\$ 71,980,425	\$ 408,899,137	\$ 430,990,781
(64,332,895)	(134,326,492)	(133,443,877)
(47,896)	(6,370,142)	(76,248,836)
-	(118,478,060)	-
-	(883,437,499)	(208,970,857)
-	6,846,487	8,399,753
(243,043)	(11,039,075)	(4,473,383)
<u>7,356,591</u>	<u>(737,905,644)</u>	<u>16,253,581</u>
-	-	1,005,358
(762,000)	(55,636,339)	-
203,973	2,990,035	(11,283,958)
-	<u>582,717,492</u>	-
<u>(558,027)</u>	<u>530,071,188</u>	<u>(10,278,600)</u>
-	(269,233)	(8,776,310)
-	-	(623,799)
-	-	(47,730)
-	<u>2,529</u>	<u>987,515</u>
-	<u>(266,704)</u>	<u>(8,460,324)</u>
30,870	5,725,038	194,316
-	103,827	-
542,824	542,824	680,200
(157,000)	(157,000)	(43,343)
<u>416,694</u>	<u>6,214,689</u>	<u>831,173</u>
7,215,258	(201,886,471)	(1,654,170)
<u>14,429,791</u>	<u>524,165,107</u>	<u>112,866,056</u>
<u>\$ 21,645,049</u>	<u>\$ 322,278,636</u>	<u>\$ 111,211,886</u>
\$ 7,655,016	\$ (728,717,835)	\$ (649,740)
-	573,517	11,033,024
(242,819)	(1,070,125)	-
1,120,173	23,743,255	(6,275,574)
(431,260)	(410,633)	5,411,824
-	396,006	(277,094)
-	-	(629,378)
-	(5,663,972)	-
(1,634,399)	(1,620,502)	1,888,698
(14,001)	4,161	312,212
-	(30,430,200)	6,160,198
-	(103,828)	-
-	82,364	-
-	181,301	-
(42,823)	(909,434)	(338,340)
-	(1,453)	(424,683)
-	(1,026,627)	42,434
946,704	946,704	-
-	1,833,306	-
-	4,634,772	-
-	<u>(346,421)</u>	-
<u>(298,425)</u>	<u>(9,187,809)</u>	<u>16,903,321</u>
<u>\$ 7,356,591</u>	<u>\$ (737,905,644)</u>	<u>\$ 16,253,581</u>
-	-	136,892
-	-	(353,375)
805,990	805,990	1,067,802

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Vermont



FIDUCIARY FUNDS
FINANCIAL STATEMENTS

**STATE OF VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2021**

	Pension and Other Postemployment Benefits Trust Funds	Private Purpose Trust Fund Unclaimed Property Fund	Custodial Funds
ASSETS			
Cash and cash equivalents.....	\$ 98,151,748	\$ 7,687,951	\$ 6,487,360
Investments			
Fixed income.....	263,094,465	-	-
Equities.....	598,737,104	4,141,472	-
Mutual and commingled funds.....	4,128,798,513	-	-
Real estate and private partnerships.....	963,512,165	-	-
Receivables:			
Taxes.....	-	-	2,479,064
Contributions - current.....	22,996,046	-	-
Contributions - non-current.....	6,052,280	-	-
Investments sold.....	21,432,781	-	-
Interest and dividends.....	2,506,606	-	-
Other.....	11,703,528	-	1,962,059
Prepaid expenses.....	255,332	-	-
Other assets.....	-	8,901,713	-
Capital assets:			
Capital assets being depreciated:			
Equipment.....	8,283,937	6,790	-
Less accumulated depreciation.....	(6,291,750)	(3,748)	-
Total capital assets, net of depreciation.....	1,992,187	3,042	-
Total assets.....	6,119,232,755	20,734,178	10,928,483
LIABILITIES			
Accounts payable.....	2,167,091	31,833	-
Accrued salaries and benefits.....	-	48,962	-
Claims payable.....	-	10,878,716	-
Investments purchased.....	37,321,913	-	-
Due to other funds.....	22,812	864	-
Interfund loans payable.....	124,640	231	-
Intergovernmental payable - other governments.....	-	-	7,413,663
Payable to individuals.....	-	-	171,832
Total liabilities.....	39,636,456	10,960,606	7,585,495
NET POSITION			
Restricted for employees' pension benefits.....	5,928,839,497	-	-
Restricted for employees' other postemployment benefits.....	150,756,802	-	-
Restricted for individuals, organizations and other governments.....	-	9,773,572	3,342,988
Net position restricted for benefits and other purposes.....	\$ 6,079,596,299	\$ 9,773,572	\$ 3,342,988

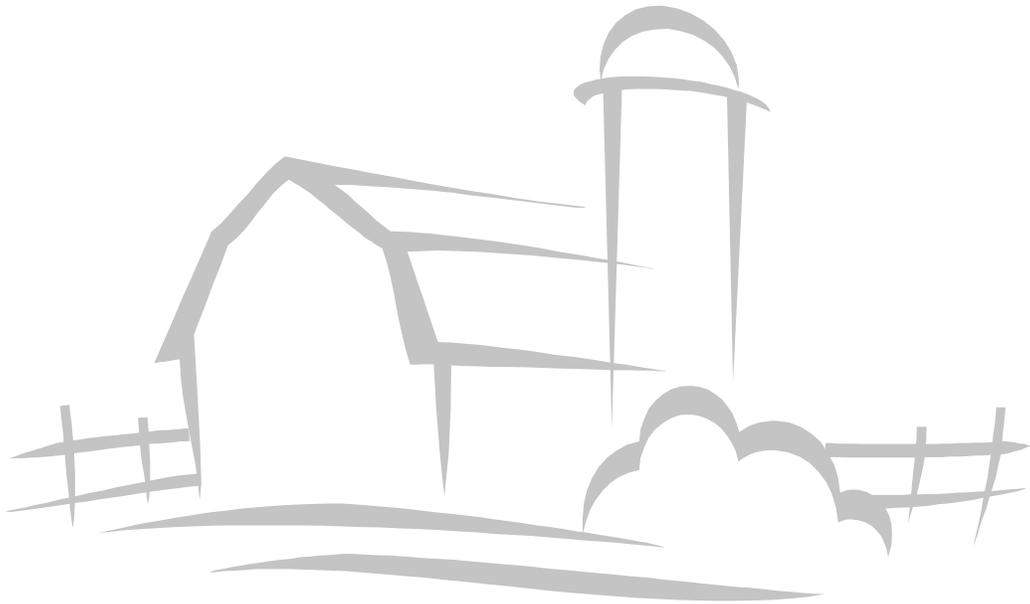
The accompanying notes are an integral part of these financial statements.

STATE OF VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

	Pension and Other Postemployment Benefits Trust Funds	Private Purpose Trust Fund Unclaimed Property Fund	Custodial Funds
ADDITIONS			
Contributions			
Employer - pension benefit.....	\$ 113,683,013	\$ -	\$ -
Employer - healthcare benefit.....	90,462,714	-	-
Non-employer - pension benefit.....	125,910,465	-	-
Non-employer - healthcare benefit.....	36,638,994	-	-
Plan member.....	108,620,180	-	-
Transfers from non-state systems.....	4,560	-	-
Other revenues.....	8,630,813	-	-
Total contributions.....	483,950,739	-	-
Investment Income			
Net appreciation in fair value of investments.....	1,193,353,932	-	-
Dividends.....	38,974,841	-	-
Interest income.....	6,472,656	87,948	262
Other income.....	210,460	-	-
Total investment income.....	1,239,011,889	87,948	262
Less Investment Expenses			
Investment managers and consultants.....	4,662,623	-	-
Total investment expenses.....	4,662,623	-	-
Net investment income.....	1,234,349,266	87,948	262
Escheat property remittances.....	-	4,758,575	-
Collection of local option taxes for other governments.....	-	-	24,187,286
Collection of fines and fees for other governments.....	-	-	4,379,053
Collection of child support for individuals.....	-	-	44,305,409
Collection for the benefit of individuals.....	-	-	7,932,314
Other custodial fund collections.....	-	-	724,659
Total additions.....	1,718,300,005	4,846,523	81,528,983
DEDUCTIONS			
Retirement benefits.....	411,458,450	-	-
Other postemployment benefits.....	66,916,701	-	-
Refunds of contributions.....	8,076,840	-	-
Death claims.....	1,579,765	-	-
Payment of local option taxes to other governments.....	-	-	24,187,286
Payment of fines and fees to other governments.....	-	-	4,140,381
Payments of child support to individuals.....	-	-	44,305,557
Payments for the benefit of individuals.....	-	-	7,069,798
Other custodial fund payments.....	-	-	724,659
Transfers to non-state systems.....	4,036,504	-	-
Depreciation.....	645,768	1,362	-
Operating expenses.....	5,891,368	1,169,694	-
Total deductions.....	498,605,396	1,171,056	80,427,681
Change in net position			
Restricted for employees' pension benefits.....	1,149,166,223	-	-
Restricted for employees' other postemployment benefits.....	70,528,386	-	-
Held in trust for individuals, organizations and other governments.....	-	3,675,467	1,101,302
Restricted Net position, July 1, as restated.....	4,859,901,690	6,098,105	2,241,686
Restricted Net position, June 30.....	\$ 6,079,596,299	\$ 9,773,572	\$ 3,342,988

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

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Vermont



DISCRETELY PRESENTED COMPONENT UNITS
FINANCIAL STATEMENTS

**STATE OF VERMONT
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2021**

	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.....	\$ 41,642,000	\$ 266,193,000	\$ 75,370,827	\$ 1,058,000	\$ 37,206,547	\$ 421,470,374
Cash and cash equivalents - restricted.....	-	-	4,655,455	58,866,000	10,166,000	73,687,455
Investments.....	-	261,934,000	1,068,825	8,119,000	26,603,181	297,725,006
Accounts receivable, net.....	-	95,355,000	12,887,694	-	2,979,789	111,222,483
Accrued interest receivable - loans.....	13,390,000	-	-	2,141,000	2,839,650	18,370,650
Accrued interest receivable - investments.....	1,000	-	-	564,000	-	565,000
Loans and notes receivable - current portion.....	89,064,000	1,789,000	-	17,946,000	71,202,868	180,001,868
Other receivables.....	2,784,000	-	-	512,000	1,728,210	5,024,210
Due from federal government.....	85,000	10,492,000	-	-	2,809,473	13,386,473
Due from primary government.....	-	-	-	-	16,034,403	16,034,403
Inventories, at cost.....	-	1,966,000	-	-	526,056	2,492,056
Other current assets.....	706,000	15,133,000	1,906,174	-	701,023	18,446,197
Total current assets.....	147,672,000	652,862,000	95,888,975	89,206,000	172,797,200	1,158,426,175
Noncurrent Assets						
Cash and cash equivalents.....	-	18,102,000	936,856	-	-	19,038,856
Cash and cash equivalents - restricted.....	72,571,000	-	-	-	1,989,229	74,560,229
Investments.....	9,695,000	734,204,000	54,904,256	184,942,000	5,955,000	989,700,256
Investments - restricted.....	-	-	-	-	85,071,019	85,071,019
Loans and notes receivable, net.....	494,144,000	39,039,000	3,279,122	209,288,000	992,855,221	1,738,605,343
Other assets.....	1,886,000	778,000	99,207	-	21,941,661	24,704,868
Total noncurrent assets.....	578,296,000	792,123,000	59,219,441	394,230,000	1,107,812,130	2,931,680,571
Capital Assets						
Land.....	3,150,000	40,782,000	8,670,348	50,000	602,470	53,254,818
Construction in progress.....	-	67,958,000	4,859,466	-	197,690	73,015,156
Capital assets, being depreciated						
Buildings and leasehold improvements.....	17,407,000	1,039,582,000	265,421,374	1,988,000	36,743,005	1,361,141,379
Equipment, furniture and fixtures.....	4,610,000	166,042,000	38,043,564	885,000	7,052,636	216,633,200
Infrastructure.....	-	-	42,330,013	-	-	42,330,013
Less accumulated depreciation.....	(13,238,000)	(592,457,000)	(214,581,094)	(2,350,000)	(29,739,661)	(852,365,755)
Total capital assets, net of depreciation...	11,929,000	721,907,000	144,743,671	573,000	14,856,140	894,008,811
Total assets.....	737,897,000	2,166,892,000	299,852,087	484,009,000	1,295,465,470	4,984,115,557
DEFERRED OUTFLOWS OF RESOURCES						
Loss on refunding of bonds payable.....	-	5,513,000	7,525,847	-	19,890,141	32,928,988
Interest rate swaps.....	-	-	-	413,000	-	413,000
VHCB related deferred outflows.....	-	-	-	31,503,000	-	31,503,000
Pension related outflows.....	-	-	-	-	7,330,666	7,330,666
OPEB related outflows.....	-	84,473,000	50,006,413	-	12,829,564	147,308,977
Total deferred outflows of resources.....	-	89,986,000	57,532,260	31,916,000	40,050,371	219,484,631

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.....	2,374,000	93,239,000	16,251,717	930,000	4,119,520	116,914,237
Accrued interest payable.....	-	-	-	2,248,000	109,000	2,357,000
Bond interest payable.....	460,000	-	-	-	2,156,739	2,616,739
Unearned revenue.....	9,130,000	64,043,000	12,856,448	-	-	86,029,448
Other current liabilities.....	-	-	-	-	90,000,000	90,000,000
Current portion of long-term liabilities.....	10,800,000	16,807,000	4,258,454	16,766,000	75,400,969	124,032,423
Due to primary government.....	-	-	-	-	3,303,642	3,303,642
Escrowed cash deposits.....	-	-	-	7,680,000	935,000	8,615,000
Total current liabilities.....	22,764,000	174,089,000	33,366,619	27,624,000	176,024,870	433,868,489
Noncurrent Liabilities						
Bonds, notes and leases payable.....	490,294,000	559,841,000	113,702,457	372,330,000	716,313,480	2,252,480,937
Accounts payable and accrued liabilities.....	-	19,048,000	-	-	-	19,048,000
Accrued arbitrage rebate.....	4,565,000	-	-	-	153,256	4,718,256
Advances from primary government.....	-	-	-	-	5,500,000	5,500,000
Net pension liabilities.....	-	-	-	-	18,614,518	18,614,518
Net other postemployment benefits liabilities.....	-	474,485,000	238,004,492	-	23,921,127	736,410,619
Other liabilities.....	-	-	4,171,829	413,000	45,549	4,630,378
Total noncurrent liabilities.....	494,859,000	1,053,374,000	355,878,778	372,743,000	764,547,930	3,041,402,708
Total liabilities.....	517,623,000	1,227,463,000	389,245,397	400,367,000	940,572,800	3,475,271,197
DEFERRED INFLOWS OF RESOURCES						
Deferred lease revenue.....	2,002,000	-	-	-	-	2,002,000
Gain on refunding of bonds payable.....	12,457,000	-	-	-	-	12,457,000
Service concession arrangement.....	-	1,076,000	-	-	-	1,076,000
Split interest arrangements.....	-	3,623,000	-	-	-	3,623,000
Pension related inflows.....	-	-	-	-	527,752	527,752
OPEB related inflows.....	-	106,838,000	3,876,310	-	13,986,725	124,701,035
Total deferred inflows of resources.....	14,459,000	111,537,000	3,876,310	-	14,514,477	144,386,787
NET POSITION						
Net investment in capital assets.....	11,929,000	151,348,000	41,191,698	573,000	14,856,140	219,897,838
Restricted						
Endowments - expendable.....	858,000	541,830,000	20,122,013	-	-	562,810,013
Endowments - nonexpendable.....	8,877,000	311,465,000	20,782,281	-	-	341,124,281
Grants and scholarships.....	1,435,000	-	-	-	-	1,435,000
Bond resolution.....	51,164,000	-	-	99,802,000	-	150,966,000
Investment in limited partnerships.....	-	-	-	-	3,317,000	3,317,000
Collateral for commercial paper program.....	-	-	-	-	21,676,000	21,676,000
Project and program commitments.....	-	-	-	5,281,000	56,847,029	62,128,029
Loans receivable.....	-	-	-	-	253,393,574	253,393,574
Unrestricted (deficit).....	131,552,000	(86,765,000)	(117,833,352)	9,902,000	30,338,821	(32,805,531)
Total net position.....	\$ 205,815,000	\$ 917,878,000	\$ (35,737,360)	\$ 115,558,000	\$ 380,428,564	\$ 1,583,942,204

**STATE OF VERMONT
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2021**

	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.....	\$ 16,088,000	\$ 448,170,000	\$ 119,310,893	\$ 3,968,000	\$ 25,603,027	\$ 613,139,920
Other expenses.....	10,030,000	188,634,000	46,476,309	9,023,000	66,273,200	320,436,509
Scholarship, grants and fellowships.....	28,978,000	29,954,000	12,688,211	-	-	71,620,211
Depreciation.....	885,000	33,512,000	9,973,768	77,000	1,451,221	45,898,989
Interest on debt.....	7,903,000	21,604,000	4,882,621	13,667,000	25,979,673	74,036,294
Total expenses.....	63,884,000	721,874,000	193,331,802	26,735,000	119,307,121	1,125,131,923
Program Revenues						
Charges for services.....	34,988,000	432,041,000	94,290,265	21,788,000	53,115,180	636,222,445
Operating grants and contributions.....	34,263,000	395,021,000	125,387,284	6,792,000	59,627,390	621,090,674
Capital grants and contributions.....	-	1,192,000	2,032,438	-	6,645,792	9,870,230
Total program revenues.....	69,251,000	828,254,000	221,709,987	28,580,000	119,388,362	1,267,183,349
Net revenue (expense).....	5,367,000	106,380,000	28,378,185	1,845,000	81,241	142,051,426
General Revenues						
Property transfer tax.....	-	-	-	-	10,580,695	10,580,695
Investment income.....	402,000	191,298,000	6,915,624	515,000	7,156,819	206,287,443
Additions to non-expendable endowments.....	118,000	-	1,361,122	-	-	1,479,122
Miscellaneous.....	-	301,000	-	-	1,729,917	2,030,917
Total general revenues.....	520,000	191,599,000	8,276,746	515,000	19,467,431	220,378,177
Changes in net position.....	5,887,000	297,979,000	36,654,931	2,360,000	19,548,672	362,429,603
Net position - beginning,	199,928,000	619,899,000	(72,392,291)	113,198,000	360,879,892	1,221,512,601
Net position - ending.....	\$ 205,815,000	\$ 917,878,000	\$ (35,737,360)	\$ 115,558,000	\$ 380,428,564	\$ 1,583,942,204

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

**STATE OF VERMONT
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

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**STATE OF VERMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021.

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.

Discretely Presented Major Component Units

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 ACFR. 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.

Custodial Funds – These funds report fiduciary activities that are not required to be reported in another fiduciary fund type. This includes funds that are held for the benefit of individuals, organizations, or other governments that are not part of the State's reporting entity, such as local option taxes, fines, and fees collected on behalf of other governments, and child support collections for individuals

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. 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, net 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 five 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. 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. The fifth item is property taxes collected in advance of levy date.

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, 2021 in the governmental funds statements is comprised of tax refunds for filed tax returns due and payable at June 30, 2021. The amount reported as tax refunds payable at June 30, 2021 in the government-wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar quarters of year 2021's tax liability that will be paid out in calendar year 2022.

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, 2021, 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 accumulate 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:

<u>Governmental Funds</u>	<u>Encumbrances</u>
General Fund	\$ 15,577,410
Transportation Fund	141,483
Education Fund	480,885
Special Fund	21,029,467
Federal Revenue Fund	54,060,152
Global Commitment Fund	3,007,715
Non-major Governmental Funds	11,572,325
Total	<u>\$ 105,869,437</u>

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 2021, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities and how those activities should be reported. This statement generally focuses on whether a government is controlling the assets of the fiduciary activity, and the beneficiaries with whom the fiduciary relationship exists. Fiduciary Fund statements should include pension trusts, investment trusts, private purpose trusts, and custodial funds. The adoption of GASBS 84 resulted in reporting of custodial funds in the Statement of Fiduciary Net Position, and the Statement of Changes in Fiduciary Net Position. See Note V.G. for the cumulative effect of change in accounting principles.

In fiscal year 2021, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. GASB 90 defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as

an investment if a government's holding of the equity interest meets the definition of an investment. This statement did not have an impact on the financial statements.

In fiscal year 2021, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 98, *The Annual Comprehensive Financial Report*, which establishes the term *annual comprehensive financial report* and its acronym *ACFR*. This new term and its acronym replaces instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments.

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	\$ 165,056,763
Works of art	127,803
Construction in progress	649,929,196
Depreciable capital assets and infrastructure, net of \$2,039,922,755 of accumulated depreciation	<u>2,369,720,875</u>
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 3,184,834,637</u>

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	\$ 228,284,768
Deferred outflow for unamortized loss on sale of refunding bonds	3,318,287
Deferred inflow for unamortized gain on sale of refunding bonds	(64,453)
Deferred outflow for pension related items	881,760,379
Deferred inflow for pension related items	(12,130,009)
Deferred outflow for OPEB related items	487,096,647
Deferred inflow for OPEB related items	<u>(319,821,333)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 1,268,444,286</u>

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	\$ (711,491,377)
Accrued interest payable on bonds	(8,246,559)
Compensated absences (net of internal service funds' liability)	(40,430,681)
Tax refunds payable	(62,604,485)
Net pension liabilities	(3,036,422,794)
Net other postemployment benefits liabilities	(2,651,442,699)
Other long-term liabilities	<u>(17,585,853)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (6,528,224,448)</u>

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	\$ 573,418,166
Expensed net book value of disposed assets	(294,592,789)
Depreciation expense	<u>(196,704,717)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 82,120,660</u>

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	\$ 55,825,000
Payment to refunding bond escrow agent	<u>82,515,000</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 138,340,000</u>

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	\$ (82,185,000)
Refunding bonds issued increases long-term debt in the statement of net position	(71,140,000)
Premium from the issuance of bonds increases long-term debt in the statement of net position	(29,776,267)
Bond premium is amortized to interest expense in the statement of activities	7,662,254
Refunding bonds deferred amounts are amortized to interest expense in the statement of activities	<u>(1,085,722)</u>
Net adjustment to decrease <i>changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (176,524,735)</u>

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:

Decrease in accrued interest payable	\$ 681,265
Increase in compensated absences	(2,606,381)
Increase in employer pension and other postemployment benefit related costs	(300,770,047)
Increase in pollution remediation related costs	<u>(1,431,183)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (304,126,346)</u>

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, 2021:

Proprietary Funds

Major Enterprise Funds:

Liquor Control Fund.....	\$	(7,868,858)
State Lottery Fund.....		(3,014,792)

Non-major Enterprise Funds:

Federal Surplus Property Fund.....		(177,160)
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Internal Service Funds:

Offender Work Programs.....		(1,074,074)
Copy Center.....		(1,044,391)
Postage.....		(3,513,459)
Property Management.....		(21,684,058)
State Liability Insurance.....		(982,772)
Risk Management - All Other Insurance.....		(112,198)
Workers' Compensation.....		(5,910,419)
Human Resources.....		(354,229)

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. This deficit will be funded over time by the Pension and OPEB actuarially determined contributions which includes payments for the amortization of the unfunded actuarial accrued liability.

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. This deficit will be funded over time by the Pension and OPEB actuarially determined contributions which includes payments for the amortization of the unfunded actuarial accrued liability.

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. At the start of fiscal year 2021, the program model shifted 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. Additionally, the pandemic effectively shut down operations for VCI and the Work Crews/Camps through fiscal year 2021. Structural program changes are being planned and implemented with the assistance of federal grant funding. Work has already begun with statewide partners to ensure the continuation of these vocational programs that are successful in mitigating recidivism.

The Copy Center Fund 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 Copy Center ended the fiscal year with a surplus change in net position because of these actions.

The Postage Fund deficit is due in part to cumulative underbilling using a marginal rate formula aimed to reduce the cost of postal services. 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. The fund ended the fiscal year with a surplus change in net position due to a modest marginal rate increase which was implemented in fiscal year 2020.

The Property Management Fund deficit is due to cost recovery assumptions which will be mitigated going forward as follows. First, there are 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. Second, the administration has added a surcharge to existing leases –and the level of surcharge will be monitored during budgeting each year to ensure recovery of operating costs. Lastly, 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 continue to monitor for subsidized leases and collect all recoverable expenses,

The State Liability Fund 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. 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.

Risk Management All Other Insurance Fund deficit is a result of higher program costs and the revenues approved during fiscal year 2021 rate setting proved insufficient. In fiscal year 2021, the new Cyber Security program incurred claims, though no revenue source had been identified for deductible coverage. Increased premium pressure will likely be much worse in fiscal year 2022 as statewide policy premiums (specifically for the Property and Cyber Security programs) are far outpacing the approved revenue/statewide billings. The Office of Risk Management will continue to work with AOA Financial Services Division, the Finance & Management budget office, and Administration leadership to monitor this program and seek solutions to steer away from unsustainable operating deficits.

The Workers' Compensation Fund deficit momentum has slowed relative to the prior two years now that revenues are back to a break-even model. Due to an excess fund surplus in fiscal year 2017, discounted premiums were charged to customers between fiscal year 2018 and 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 both fiscal year 2018 and fiscal year 2019. Program management has removed the premium discount and returned rate to a break-even level for fiscal year 2021.

The Human Resources Services fund ended fiscal year 2021 with an operating income surplus which helped improve the deficit net position. Program management will continue to review the rate setting process to ensure that all anticipated expenses are considered while also considering opportunities for efficiencies where appropriate.

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, 2021, were \$860,532,309. Of these, \$15,318,252 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 \$292,894,629 on deposit with the U.S. Treasury at June 30, 2021. 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, 2021, totaled \$77,733,964 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, 2021 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)

<u>Investments by fair value level</u>	<u>Fair Value Measurement Level</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt investments:				
US Treasuries.....	\$ 132,229	\$ 132,229	\$ -	\$ -
US Agencies Securities.....	2,391	-	2,391	-
Commercial Paper.....	6,109	-	6,109	-
Total debt investments.....	<u>140,729</u>	<u>132,229</u>	<u>8,500</u>	<u>-</u>
Equities:				
Equity Securities.....	4,141	4,141	-	-
Total investments by fair value level.....	<u>144,870</u>	<u>\$ 136,370</u>	<u>\$ 8,500</u>	<u>\$ -</u>
Investments measured by net asset value (NAV)				
		Unfunded	Redemption	Redemption
		Commitments	Frequency	Notice Period
Money Market Mutual Funds.....	727,621	-	Daily	-
Fixed Income Mutual Funds.....	24,862	-	Daily, monthly	1-30 days
Equity Mutual Funds.....	26,072	-	Daily, monthly	1-60 days
Total investments by NAV.....	<u>778,555</u>			
Total investments.....	<u>\$ 923,425</u>			

\$727,621 (in thousands) of the above money market mutual funds and \$6,109 (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, 2021 are presented as follows:

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

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to <6	6 to 10	More Than 10
Debt Investments:					
US Treasuries.....	\$ 132,229	\$ 131,705	\$ 277	\$ 181	\$ 66
US Agencies Securities.....	2,391	2,391	-	-	-
Money Market Mutual Funds.....	727,621	727,621	-	-	-
Fixed Income Mutual Funds.....	24,862	24,862	-	-	-
Commercial Paper.....	6,109	6,109	-	-	-
Total Debt Investments.....	<u>893,212</u>	<u>\$ 892,688</u>	<u>\$ 277</u>	<u>\$ 181</u>	<u>\$ 66</u>
Other Investments:					
Equity Securities.....	4,141				
Equity Mutual Funds.....	<u>26,072</u>				
Total Investments.....	<u>\$ 923,425</u>				

Investments per maturity schedule.....	\$ 923,425
Included in cash & cash equivalents:	
Money market mutual fund.....	(727,621)
Commercial paper.....	(6,109)
Financial statement investments total.....	<u>\$ 189,695</u>

(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, 2021, 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, 2021, 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 \$132,229 (in thousands), and pension fund investments are as follows: as of June 30, 2021, 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)

<u>Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>		
		<u>Aaa</u>	<u>Aa2</u>	<u>Unrated</u>
US Agencies Securities.....	\$ 2,391	\$ -	\$ 2,391	\$ -
Money Market Mutual Funds.....	727,621	727,621	-	-
Fixed Income Mutual Funds.....	24,862	-	-	24,862
Commercial Paper.....	6,109	-	6,109	-
Totals.....	<u>\$ 760,983</u>	<u>\$ 727,621</u>	<u>\$ 8,500</u>	<u>\$ 24,862</u>

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, 2021, 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 Commission (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. Real estate and private partnerships include investments in limited partnerships that invest in private equity, private credit, and real estate. These investments can never be redeemed with the funds. Instead, fund distributions are generated by operation and liquidation of the underlying assets. We expect such distributions to accelerate over the lives of these funds and to be initiated at the general partners' discretion. As of June 30, 2021, it is our expectation that all of the investments will be sold over the next 15 years at amounts that differ from the NAV.

(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, 2021, for the Pension and OPEB trust funds.

(Table on next page.)

Pension and Other Postemployment Benefits

Trust Funds' Investments

(Expressed in Thousands)

Investments by fair value level	Fair Value	Fair Value Measurement Level		
		Level 1	Level 2	Level 3
Debt securities:				
US Treasuries.....	\$ 137,009	\$ -	\$ 137,009	\$ -
Corporate Debt.....	82,316	-	82,316	-
Municipals.....	4,843	-	4,843	-
Asset Backed Securities.....	2,091	-	2,091	-
Mortgage Backed Securities.....	35,070	-	35,070	-
Sovereign Debt.....	1,765	-	1,765	-
Total debt securities.....	263,094	-	263,094	-
Equity investments:				
Stock Securities.....	598,737	598,493	244	-
Total equity securities.....	598,737	598,493	244	-
Total investments by fair value level.....	861,831	\$ 598,493	\$ 263,338	\$ -
Investments measured at the net asset value (NAV)				
		Unfunded	Redemption	Redemption
		Commitments	Frequency	Notice Period
			(if currently eligible)	
Commingled Fixed Income Mutual Funds.....	1,432,137	-	Daily, monthly	1-30 days
Commingled Equity Mutual Funds.....	381,485	-	Daily, monthly	1-60 days
Mutual Funds.....	2,315,177	-	Monthly, quarterly	90 days
Money Market Mutual Fund.....	19,227	-	Daily	-
Real Estate Funds.....	208,984	62,993	N/A	N/A
Private Partnerships.....	754,528	828,812	N/A	N/A
Total investments measured at NAV.....	5,111,538			
Total investments.....	\$ 5,973,369			
Investments per maturity schedule.....	\$ 5,973,369			
Included in cash & cash equivalents:				
Money market mutual funds.....	(19,227)			
Financial statement investments total.....	\$ 5,954,142			

(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 Treasuries.....	\$ 137,009	\$ 45,995	\$ 59,312	\$ 15,346	\$ 16,356
Corporate Debt.....	82,316	4,731	30,859	29,565	17,161
Money Market Mutual Fund.....	19,227	19,227	-	-	-
Municipals.....	4,843	-	404	453	3,986
Asset Backed Securities.....	2,091	5	-	666	1,420
Mortgage Backed Securities.....	35,070	-	143	37	34,890
Sovereign Debt.....	1,765	-	-	191	1,574
Fixed Income Mutual Funds.....	1,432,137	1,432,137	-	-	-
Total Debt Investments.....	1,714,458	\$ 1,502,095	\$ 90,718	\$ 46,258	\$ 75,387
Other Investments:					
Equity Mutual Funds.....	381,485				
Equity Securities.....	598,737				
Mutual Funds.....	2,315,177				
Real Estate.....	208,984				
Private Partnerships.....	754,528				
Total.....	\$ 5,973,369				

(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, 2021, 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, 2021, 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 \$137,009 (in thousands) are as follows:

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

<u>Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>		
		<u>Aaa</u>	<u>Aa</u>	<u>A</u>
Corporate Debt.....	\$ 82,316	\$ -	\$ 345	\$ 29,551
Money Market Mutual Funds.....	19,227	-	-	-
Municipals.....	4,843	-	3,629	357
Asset Backed Securities.....	2,091	542	-	578
Mortgage Backed Securities.....	35,070	2,166	655	-
Sovereign Debt.....	1,765	-	-	462
Fixed Income Mutual Funds.....	1,432,137	-	-	-
Totals.....	<u>\$ 1,577,449</u>	<u>\$ 2,708</u>	<u>\$ 4,629</u>	<u>\$ 30,948</u>

<u>Debt Investments</u>	<u>Quality Ratings</u>			
	<u>Baa</u>	<u>Ba</u>	<u>B and below</u>	<u>Unrated</u>
Corporate Debt.....	\$ 51,744	\$ -	\$ -	\$ 676
Money Market Mutual Funds.....	-	-	-	19,227
Municipals.....	453	-	-	404
Asset Backed Securities.....	271	-	-	700
Mortgage Backed Securities.....	-	-	-	32,249
Sovereign Debt.....	1,303	-	-	-
Fixed Income Mutual Funds.....	-	-	-	1,432,137
Totals.....	<u>\$ 53,771</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,485,393</u>

(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)

<u>Currency</u>	<u>Total</u>	<u>Short Term</u>	<u>Equity</u>
Australian Dollar.....	\$ 16,348	\$ (1)	\$ 16,349
Canadian Dollar.....	12,062	42	12,020
Danish Krone.....	15,307	-	15,307
Euro.....	104,477	1	104,476
Hong Kong Dollar.....	11,445	35	11,410
Hungarian Forint.....	23	23	-
Israeli Shekel.....	3,061	-	3,061
Japanese Yen.....	93,221	497	92,724
Malaysian Ringgit.....	56	6	50
Mexican Peso.....	11	11	-
New Zealand Dollar.....	1,854	3	1,851
Norwegian Krone.....	2,233	-	2,233
Philippine Peso.....	1	1	-
Polish Zloty.....	15	15	-
Singapore Dollar.....	5,908	1	5,907
South African Rand.....	1,429	3	1,426
South Korean Won.....	9,446	97	9,349
Swedish Krona.....	25,017	1	25,016
Swiss Franc.....	37,649	22	37,627
United Kingdom Pound.....	49,390	17	49,373
Yuan Renminbi.....	2,458	32	2,426
Total.....	\$ 391,411	\$ 806	\$ 390,605

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.

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 through 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 prepayment 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, 2021 are summarized as follows:

	<u>Enterprise Funds</u>		<u>Total Business-type Activities</u>
	<u>Major</u>	<u>Non-major</u>	
Business-type activities			
Taxes			
Unemployment.....	\$ 34,304,539	\$ 4,011,526	\$ 38,316,065
Allowance for uncollectibles.....	(13,768,480)	(1,511,740)	(15,280,220)
Taxes receivable, net.....	<u>\$ 20,536,059</u>	<u>\$ 2,499,786</u>	<u>\$ 23,035,845</u>
Loans and notes receivable.....	<u>\$ -</u>	<u>\$ 1,243,946</u>	<u>\$ 1,243,946</u>
Current receivable.....			\$ 432,766
Non-current receivable.....			811,180
Total loans and notes receivable, net.....			<u>\$ 1,243,946</u>
Federal grants.....	<u>\$ 10,091,490</u>	<u>\$ -</u>	<u>\$ 10,091,490</u>
Other			
Accrued interest and other receivables....	\$ 5,061,834	\$ 9,411,874	\$ 14,473,708
Allowance for uncollectibles.....	(90,609)	-	(90,609)
Other receivables, net	<u>\$ 4,971,225</u>	<u>\$ 9,411,874</u>	<u>\$ 14,383,099</u>
Current receivable.....			\$ 14,383,099
Non-current receivable.....			-
Total other receivable, net.....			<u>\$ 14,383,099</u>

continued on following page

	Governmental Funds		Internal Service Funds	Total Governmental Activities
	Major	Non-major		
Governmental activities				
Taxes				
Personal and corporate income.....	\$ 273,719,617	\$ -	\$ -	\$ 273,719,617
Sales and use.....	83,577,158	-	-	83,577,158
Meals and rooms.....	40,012,843	-	-	40,012,843
Purchase and use.....	318	-	-	318
Motor Fuel.....	113,525	2,738	-	116,263
Other taxes.....	37,414,597	-	-	37,414,597
Subtotal.....	434,838,058	2,738	-	434,840,796
Allowance for uncollectibles.....	(127,672,826)	(20)	-	(127,672,846)
Taxes receivable, net.....	\$ 307,165,232	\$ 2,718	\$ -	\$ 307,167,950
				Current receivable..... \$ 141,594,268
				Non-current receivable..... 165,573,682
				Total taxes receivable, net..... \$ 307,167,950
Loans and notes				
Loans and notes receivable.....	\$ 294,399,742	\$ -	\$ 3,471,203	\$ 297,870,945
Allowance for uncollectibles.....	(760,178)	-	-	(760,178)
Loans and notes receivable, net...	\$ 293,639,564	\$ -	\$ 3,471,203	\$ 297,110,767
				Current receivable..... \$ 27,793,449
				Non-current receivable..... 269,317,318
				Total loans and notes receivable, net.... \$ 297,110,767
Federal grants				
Human services.....	\$ 258,762,595	\$ -	\$ -	\$ 258,762,595
Protection to persons & property.....	42,527,605	-	-	42,527,605
Transportation.....	56,923,922	-	-	56,923,922
Other.....	52,609,612	-	-	52,609,612
Federal grants.....	\$ 410,823,734	\$ -	\$ -	\$ 410,823,734
Other				
Accrued interest and other receivables....	\$ 155,847,254	\$ 107,221	\$ 31,014,773	\$ 186,969,248
Allowance for uncollectibles.....	(56,491,706)	(6,718)	-	(56,498,424)
Other receivables, net.....	\$ 99,355,548	\$ 100,503	\$ 31,014,773	130,470,824
				Interfund loans receivable and due from other funds from Fiduciary Funds..... 148,547
				Less Internal Service Funds' receivables from Governmental Funds..... (10,314,279)
Other receivables, net.....				\$ 120,305,092
				Current receivable..... \$ 72,824,877
				Non-current receivable..... 47,480,215
				Total other receivable, net..... \$ 120,305,092

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, 2021, are as follows:

Due From Other Funds	Due to Other Funds			
	Governmental Funds			
	General Fund	Transportation Fund	Education Fund	Special Fund
General Fund	\$ -	\$ 155,123	\$ -	\$ 148,213
Transportation Fund	-	-	180	237
Special Fund	2,099,229	452,318	-	-
Federal Revenue Fund	189,280	36,901	-	2,323,874
Global Commitment Fund	70,739,217	-	-	1,004,614
Non-major Governmental Funds	-	-	-	1,679
Liquor Control Fund	-	-	-	44,025
State Lottery Fund	-	-	222,484	-
Non-major Enterprise Funds	500	-	-	172,208
Internal Service Funds	3,329,315	3,056,395	-	7,574,690
Total	\$ 76,357,541	\$ 3,700,737	\$ 222,664	\$ 11,269,540

continued below

Due From Other Funds	Due to Other Funds				
	Governmental Funds			Proprietary Funds	
	Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Internal Service Funds	Unemployment Compensation Trust Fund
General Fund	\$ 956,343	\$ 1,925,243	\$ 1,996	\$ 58,723	\$ -
Transportation Fund	-	-	600	681	-
Education Fund	-	-	-	-	-
Special Fund	43,961,339	217,828	527,453	102,958	-
Federal Revenue Fund	-	89	-	187,467	-
Global Commitment Fund	116	-	-	-	-
Non-major Enterprise Funds	-	-	-	-	342,854
Internal Service Funds	5,682,881	171,318	89,579	-	-
Total	\$ 50,600,679	\$ 2,314,478	\$ 619,628	\$ 349,829	\$ 342,854

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Due From Other Funds	Due to Other Funds				Total
	Proprietary Funds				
	Liquor Control Fund	State Lottery Fund	Non-major Enterprise Funds	Fiduciary Funds	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 3,245,641
Transportation Fund	-	-	-	-	1,698
Special Fund	-	-	426,866	9	47,788,000
Federal Revenue Fund	-	-	-	-	2,737,611
Global Commitment Fund	-	-	-	-	71,743,947
Non-major Governmental Funds	-	-	-	-	1,679
Liquor Control Fund	-	-	-	-	44,025
State Lottery Fund	-	-	-	-	222,484
Non-major Enterprise Funds	-	-	-	-	515,562
Internal Service Funds	107,295	32,144	-	23,667	20,067,284
Total	\$ 107,295	\$ 32,144	\$ 426,866	\$ 23,676	\$ 146,367,931

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, 2021, 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 General Fund reports the corresponding interfund receivable for the cash borrowed from the rest of the pool. It is expected that certain amounts due the General 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, 2021, are as follows:

(Table on next page.)

<u>Interfund Payable</u>	<u>Interfund Receivable</u> <u>General Fund</u>
Proprietary Funds	
Liquor Control Fund	4,237,113
Non-major Enterprise Funds	459,081
Internal Service Funds	55,789,581
Fiduciary Funds	
Pension and Other Postemployment Benefits Trust Funds	124,640
Unclaimed Property Fund	231
Total	<u>\$ 60,610,646</u>

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, 2021, 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, 2021, these account balances are as follows:

	<u>Vermont Housing & Conservation Board</u>	<u>Vermont Veterans' Home</u>	<u>Total</u>
Due from Component Units			
General Fund	\$ 2,336,945	\$ 966,697	\$ 3,303,642
Due to Component Units			
General Fund	(10,300,500)	-	(10,300,500)
Federal Fund	(67,736)	-	(67,736)
Non-major Governmental Funds	(5,666,167)	-	(5,666,167)
Total	<u>\$ (13,697,458)</u>	<u>\$ 966,697</u>	<u>\$ (12,730,761)</u>

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, 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.

Interfund transfers for the fiscal year ended June 30, 2021, are as follows:

(Table on next page.)

Transfers in	Transfers Out			
	Governmental Funds			
	General Fund	Transportation Fund	Special Fund	Federal Revenue Fund
General Fund	\$ -	\$ -	\$ 61,621,920	\$ 6,497,624
Education Fund	-	-	7,409,412	-
Special Fund	4,065,640	1,564,436	-	62,379,349
Federal Revenue Fund	-	-	41,097	-
Global Commitment Fund	472,819,482	-	32,471,161	-
Non-major Governmental Funds	75,828,995	3,468,928	31,621	504,738
Internal Service Funds	-	1,005,358	-	-
Total	\$ 552,714,117	\$ 6,038,722	\$ 101,575,211	\$ 69,381,711

continued below

Transfers in	Transfers Out			
	Governmental Funds		Proprietary Funds	
	Global Commitment Funds	Non-major Governmental Funds	Liquor Control Fund	State Lottery Fund
General Fund	\$ -	\$ -	\$ 22,740,000	\$ -
Education Fund	-	-	-	31,888,699
Special Fund	22,094,110	125,671	23,156	-
Federal Revenue Fund	-	8,219,456	-	-
Total	\$ 22,094,110	\$ 8,345,127	\$ 22,763,156	\$ 31,888,699

continued below

Transfers in	Transfers Out	
	Proprietary Funds	
	Non-major Enterprise Funds	Total
General Fund	\$ -	\$ 90,859,544
Education Fund	-	39,298,111
Special Fund	762,000	91,014,362
Federal Revenue Fund	-	8,260,553
Global Commitment Fund	-	505,290,643
Non-major Governmental Funds	-	79,834,282
Internal Service Funds	-	1,005,358
Total	\$ 762,000	\$ 815,562,853

E. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021, was as follows:

Primary Government

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital assets, not being depreciated					
Land, land use rights, and land improvements	\$ 161,052,475	\$ 4,030,444	\$ -	\$ -	\$ 165,082,919
Construction in process	675,570,981	277,890,532	(278,079,626)	(23,001,539)	652,380,348
Works of art	136,003	-	-	-	136,003
Total capital assets, not being depreciated	<u>836,759,459</u>	<u>281,920,976</u>	<u>(278,079,626)</u>	<u>(23,001,539)</u>	<u>817,599,270</u>
Capital assets, being depreciated					
Buildings and improvements	754,196,984	18,794,801	(2,913,671)	-	770,078,114
Machinery and equipment	585,557,280	34,768,612	(8,859,254)	-	611,466,638
Infrastructure	<u>2,945,113,962</u>	<u>254,570,135</u>	<u>(34,292,031)</u>	<u>-</u>	<u>3,165,392,066</u>
Total capital assets, being depreciated	<u>4,284,868,226</u>	<u>308,133,548</u>	<u>(46,064,956)</u>	<u>-</u>	<u>4,546,936,818</u>
Less accumulated depreciation for					
Buildings and improvements	(323,451,995)	(23,773,920)	1,919,702	-	(345,306,213)
Machinery and equipment	(377,962,002)	(63,419,236)	8,269,909	-	(433,111,329)
Infrastructure	<u>(1,260,700,122)</u>	<u>(120,544,585)</u>	<u>34,287,188</u>	<u>-</u>	<u>(1,346,957,519)</u>
Total accumulated depreciation	<u>(1,962,114,119)</u>	<u>(207,737,741)</u>	<u>44,476,799</u>	<u>-</u>	<u>(2,125,375,061)</u>
Capital assets, being depreciated, net	<u>2,322,754,107</u>	<u>100,395,807</u>	<u>(1,588,157)</u>	<u>-</u>	<u>2,421,561,757</u>
Governmental activities capital assets, net	<u>\$ 3,159,513,566</u>	<u>\$ 382,316,783</u>	<u>\$ (279,667,783)</u>	<u>\$ (23,001,539)</u>	<u>\$ 3,239,161,027</u>
<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital assets, being depreciated					
Buildings and improvements	\$ 59,935	\$ -	\$ -	\$ -	\$ 59,935
Machinery and equipment	<u>5,772,306</u>	<u>269,233</u>	<u>(7,728)</u>	<u>-</u>	<u>6,033,811</u>
Total capital assets, being depreciated	<u>5,832,241</u>	<u>269,233</u>	<u>(7,728)</u>	<u>-</u>	<u>6,093,746</u>
Less accumulated depreciation for					
Buildings and improvements	(59,935)	-	-	-	(59,935)
Machinery and equipment	<u>(1,701,484)</u>	<u>(573,517)</u>	<u>7,728</u>	<u>-</u>	<u>(2,267,273)</u>
Total accumulated depreciation	<u>(1,761,419)</u>	<u>(573,517)</u>	<u>7,728</u>	<u>-</u>	<u>(2,327,208)</u>
Capital assets, being depreciated, net	<u>4,070,822</u>	<u>(304,284)</u>	<u>-</u>	<u>-</u>	<u>3,766,538</u>
Business-type activities capital assets, net	<u>\$ 4,070,822</u>	<u>\$ (304,284)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,766,538</u>

<u>Fiduciary Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital assets, being depreciated					
Machinery and equipment	\$ 8,475,411	\$ 45,510	\$ (230,194)	\$ -	\$ 8,290,727
Total capital assets, being depreciated	<u>8,475,411</u>	<u>45,510</u>	<u>(230,194)</u>	<u>-</u>	<u>8,290,727</u>
Less accumulated depreciation for					
Machinery and equipment	(5,873,440)	(647,130)	225,072	-	(6,295,498)
Total accumulated depreciation	<u>(5,873,440)</u>	<u>(647,130)</u>	<u>225,072</u>	<u>-</u>	<u>(6,295,498)</u>
Fiduciary activities capital assets, net	<u>\$ 2,601,971</u>	<u>\$ (601,620)</u>	<u>\$ (5,122)</u>	<u>\$ -</u>	<u>\$ 1,995,229</u>

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

Governmental Activities

General Government	\$ 26,902,954
Protection to Persons and Property	8,777,195
Human Services	37,002,384
Labor	36,838
General Education	1,123,213
Natural Resources	3,004,148
Commerce & Community Development	264,179
Transportation	119,593,806
Depreciation on capital assets held by Internal Service Funds	<u>11,033,024</u>
Total	<u>\$ 207,737,741</u>

Business-type Activities

Liquor Control Fund	\$ 564,047
State Lottery Fund	<u>9,470</u>
Total	<u>\$ 573,517</u>

Fiduciary Activities

Pension Trust Funds	\$ 645,768
Private Purpose Trust Fund	<u>1,362</u>
Total	<u>\$ 647,130</u>

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, 2020	\$ 5,121,630
Reduction of unamortized deferral due to refunding	(923,747)
Deferred amount on new refunding	211,454
Current year amortization	<u>(1,091,050)</u>
Balance, June 30, 2021	<u>\$ 3,318,287</u>

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

	Deferred Inflows
Balance, July 1, 2020	\$ 28,376
Deferred amount on new refundings	41,405
Current year amortization	<u>(5,328)</u>
Balance, June 30, 2021	<u>\$ 64,453</u>

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 2021 are summarized in the following schedule:

(Table on next page.)

	<u>General Obligation Bonds</u>	<u>Special Obligation Bonds</u>	<u>Total Obligation Bonds</u>
Balance, July 1, 2020	\$ 612,995,000	\$ 23,440,000	\$ 636,435,000
Additions:			
Issuances	<u>153,325,000</u>	-	<u>153,325,000</u>
Total	<u>153,325,000</u>	-	<u>153,325,000</u>
Deductions:			
Redemptions	(54,095,000)	(1,730,000)	(55,825,000)
Defeasance	<u>(82,515,000)</u>	-	<u>(82,515,000)</u>
Total	<u>(136,610,000)</u>	<u>(1,730,000)</u>	<u>(138,340,000)</u>
Balance, June 30, 2021	<u>\$ 629,710,000</u>	<u>\$ 21,710,000</u>	<u>\$ 651,420,000</u>

General obligation and special obligation transportation infrastructure bonds outstanding at June 30, 2021, are shown on the following page:

General Obligation and Special Obligation Transportation Infrastructure Bonds Outstanding at June 30, 2021

Date Issued	Date Series Matures	Interest Rates %	Amount of Original Issue	Maturity Value Sources of Payments		Maturity Value
				General Fund	Transportation Fund	of Bonds Outstanding Total
General Obligation Current Interest Bonds:						
3/21/2012	8/15/2022	0.6 to 3.0	\$ 25,000,000	\$ 3,150,000	\$ -	\$ 3,150,000
3/21/2012	8/15/2025	0.6 to 5.0	69,060,000	8,597,180	157,820	8,755,000
10/11/2012	8/15/2024	2.0 to 5.0	26,765,000	9,730,000	-	9,730,000
10/11/2012	8/15/2032	2.0 to 5.0	66,420,000	46,175,000	-	46,175,000
11/14/2013	8/15/2028	2.0 to 5.0	25,000,000	7,415,000	-	7,415,000
11/14/2013	8/15/2033	2.0 to 5.0	42,810,000	36,655,000	-	36,655,000
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	9,640,000	-	9,640,000
12/9/2014	8/15/2034	5	53,245,000	41,835,000	-	41,835,000
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	19,340,000	-	19,340,000
10/22/2015	8/15/2035	2.625 to 5.0	61,345,000	48,045,000	-	48,045,000
10/22/2015	8/15/2028	2.0 to 4.0	25,720,000	18,165,000	2,080,000	20,245,000
9/13/2017	8/15/2037	2.0 to 5.0	34,700,000	26,345,000	-	26,345,000
9/13/2017	8/15/2037	2.25 to 5.0	71,395,000	63,835,000	-	63,835,000
8/15/2019	2/15/2039	3.0 to 5.0	88,255,000	79,425,000	-	79,425,000
8/15/2019	8/15/2029	2.0 to 5.0	39,525,000	31,940,000	-	31,940,000
5/18/2021	8/15/2040	2.0 to 5.0	82,185,000	82,185,000	-	82,185,000
5/18/2021	8/15/2030	5	31,560,000	31,560,000	-	31,560,000
5/18/2021	8/15/2030	4.0 to 5.0	39,580,000	39,422,180	157,820	39,580,000
Total General Obligation Current Interest Bonds				627,314,360	2,395,640	629,710,000
Special Obligation Transportation Infrastructure Bonds:						
8/3/2010	6/15/2030	2.0 to 4.0	14,400,000	-	7,495,000	7,495,000
8/9/2012	6/15/2032	2.0 to 3.0	10,820,000	-	6,540,000	6,540,000
8/8/2013	6/15/2033	3.0 to 4.25	11,165,000	-	7,675,000	7,675,000
Total Special Obligation Transportation Bonds				-	21,710,000	21,710,000
Total General Obligation and Special Obligation Bonds				\$ 627,314,360	\$ 24,105,640	\$ 651,420,000

At June 30, 2021, there remains \$185,243,255 of authorized but unissued general obligation bonds.

Future general and special obligation debt service requirements at June 30, 2021 are as follows:

Fiscal Year	General Obligation Current Interest Bonds		Special Obligation Current Interest Bonds		Total
	Principal	Interest	Principal	Interest	
2022	\$ 50,710,000	\$ 22,765,474	\$ 1,785,000	\$ 720,863	\$ 75,981,337
2023	51,245,000	22,313,513	1,835,000	667,363	76,060,876
2024	49,685,000	20,017,481	1,885,000	617,713	72,205,194
2025	49,730,000	17,854,763	1,945,000	561,275	70,091,038
2026	47,815,000	15,722,219	1,995,000	501,713	66,033,932
2027-2031	208,235,000	50,391,375	10,060,000	1,451,050	270,137,425
2032-2036	126,830,000	16,852,459	2,205,000	117,486	146,004,945
2037-2041	45,460,000	2,285,806	-	-	47,745,806
Totals	<u>\$ 629,710,000</u>	<u>\$ 168,203,090</u>	<u>\$ 21,710,000</u>	<u>\$ 4,637,463</u>	<u>\$ 824,260,553</u>

2. Bond Refundings

During the 2021 fiscal year, the State issued general obligation refunding bonds 2021 Series B in the amount of \$31,560,000 and 2021 Series C in the amount of \$39,580,000 to be used solely to refund portions of the State's general obligation bonds.

Through a current refunding, \$37,500,000 outstanding principal of the 2010 Series D-2 - General Obligation Bonds (Federally Taxable – Build America Bonds) were refunded by the 2021 Series B issuance. The 2010 Series D-2 bonds were called and refunded on June 17, 2021, and the liabilities have been removed from the State's financial statements. The net carrying value of the refunded debt was \$37,541,405. Total proceeds inclusive of premium for the 2021 Series B is \$38,149,295; \$133,649 was paid in refunding bond issuance costs, and \$37,500,000 was paid to the bond escrow agent to call and refund the bond the principal. Accrued interest of \$515,958 was paid on the refunded bonds at the time they were called and refunded. The funds being held by the escrow agent earned \$312 of interest income during the holding period until the bonds were refunded.

Through a current refunding, \$350,000 outstanding principal of the 2012 Series A - General Obligation Bonds, \$28,000,000 outstanding principal of the 2012 Series B – General Obligation Bonds, and \$16,665,000 outstanding principal of the 2012 Series D – General Obligation Refunding Bonds for a total of \$45,015,000 were refunded by the 2021 Series C issuance. The 2012 Series A, 2012 Series B, and 2012 Series D bonds are to be called and refunded on August 15, 2021. The proceeds of the 2021 Series C issuance were placed in an irrevocable trust held by an escrow agent and are sufficient to satisfy the principal and interest payments of the refunded bonds; resulting in an in-substance defeasance and the liabilities have been removed from the State's financial statements. The net carrying value of the refunded debt was \$44,803,546. Total proceeds inclusive of premium for the 2021 Series C is \$46,026,809; \$258,809 was paid in refunding bond issuance costs, and \$45,015,000 was paid to the bond escrow agent to call and refund the bond the principal. Accrued interest of \$753,000 is to be paid on the refunded bonds at the time they are called and refunded.

The State has taken advantage of lower interest rates; and has decreased its aggregate debt service payments by \$3,660,474 for the 2021 Series B bonds and \$4,277,953 for the 2021 Series C bonds for a total savings of \$7,938,427 over the ten years ending August 2030. The economic gain (the present value of the debt service savings) for the State through this transaction is \$3,501,539 for the 2021 Series B bonds and \$4,116,271 for the 2021 Series C bonds for a total savings of \$7,617,810 using a discount rate of 1.0256134%.

The total amount of defeased bonds remaining outstanding on June 30, 2021, is \$44,015,000.

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 2021 was \$15,806,034 for operating leases of which \$15,564,572 was paid for property leases, \$196,690 for equipment leases, \$35,081 for non-cancellable land leases and \$9,691 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, 2021:

<u>Fiscal Year</u>	<u>Primary Government</u>		<u>Total</u>
	<u>Non-Cancelable Leases</u>	<u>Cancelable Leases</u>	
2022.....	\$ 14,429,007	\$ 9,066	\$ 14,438,073
2023.....	12,586,453	8,750	12,595,203
2024.....	10,471,152	1,550	10,472,702
2025.....	7,680,150	1,550	7,681,700
2026.....	6,455,068	1,550	6,456,618
2027 - 2031....	26,797,475	5,550	26,803,025
2032 - 2036....	2,193,595	5,000	2,198,595
2037 - 2041....	-	1,000	1,000
Totals	<u>\$ 80,612,900</u>	<u>\$ 34,016</u>	<u>\$ 80,646,916</u>

B. Capital Leases

As of June 30, 2021, 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 \$6,120,073 results in a net amount of \$6,908,759 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 2021 was \$853,868.

The future minimum lease obligation and the net present value of the minimum lease payments at June 30, 2021 are as follows:

(Table on next page.)

<u>Fiscal Year</u>	<u>Primary Government</u>
2022.....	\$ 873,080
2023.....	892,724
2024.....	912,810
2025.....	933,349
2026.....	954,349
2027 - 2031.....	5,103,666
2032 - 2036.....	<u>3,825,650</u>
Total minimum lease payments.....	13,495,628
Less interest.....	<u>(4,633,680)</u>
Present value of minimum lease payments....	<u>\$ 8,861,948</u>

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, 2021. 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 2021 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 \$88.9 million and \$90.5 million, respectively, for the fiscal year ended June 30, 2021. In fiscal year 2021, the State made an additional contribution of \$52.4 million to the VSPB from the General Fund that was not based on the employer established contribution rate.

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, 2021, 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, 2021.

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, 2021, the retirement system consisted of 132 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, 2021, 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, 2021, 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	8,192	9,955	7,879
Retirees and beneficiaries currently receiving benefits	7,716	10,106	3,938
Terminated employees entitled to benefits but not yet receiving them (vested)	771	911	998
Inactive members	1,716	2,915	3,343
Total Members	<u>18,395</u>	<u>23,887</u>	<u>16,158</u>

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, 2021, 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			

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, 2021, 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 2019 actuarial recommendation of amount needed to fund benefits earned during the year (1.07% of projected payroll), plus amount needed to liquidate the accrued liability over the remaining amortization period (\$128,436,157).		

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, 2021, for the various groups are as follows:

Vermont Municipal Employees Retirement System	Group A	Group B	Group C	Group D
Employee Contributions	3.000% of gross salary	5.375% of gross salary	10.500% of gross salary	11.850% of gross salary
Employer Contributions	4.500% of gross salary	6.000% of gross salary	7.750% of gross salary	10.350% 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	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, up to a maximum of 5%, after 12 months of retirement	Full CPI, up to a maximum of 5%, after 12 months of retirement	Full CPI, 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

* Annual post-retirement Cost of Living Adjustment (COLA) applies beginning the first January after receiving at least 12 pension payments and for those under early retirement will receive COLA only after reaching normal retirement age.

** Service connected disability has no minimum service requirement, ordinary disability requires 5 years of service.

(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	50% CPI, up to a maximum of 5% after 12 months of normal retirement or with 30 years, or age 62; 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.

***Member who retire under an early retirement allowance receive a COLA the January after attaining the age of 62 for Group #1, and 65 for Group #2.

**** Must have 5 or more years of creditable service, and served as a teacher in the state during the 5 years immediately preceding the date of separation from service.

(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 98.3248% of the VSRS net pension liability. The Vermont Veterans' Home (a discrete component unit) is responsible for 1.6752% 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, 2021). 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, 2021, the State has chosen to use the end of the prior fiscal year (June 30, 2020) as the measurement date, and the year ended June 30, 2020, 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, 2019, to the measurement date of June 30, 2020. 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, 2019	\$ 2,750,811	\$ 1,909,470	\$ 841,341	\$ 3,465,113	\$ 1,904,488	\$ 1,560,625
Changes for the year:						
Service cost	53,010	-	53,010	40,744	-	40,744
Interest	204,548	-	204,548	255,393	-	255,393
Difference between expected and actual experience	5,123	-	5,123	31,637	-	31,637
Changes of assumptions	209,787	-	209,787	310,968	-	310,968
Contributions - employer	-	84,430	(84,430)	-	-	-
Contributions - non-employer	-	-	-	-	120,247	(120,247)
Contributions - employee	-	40,902	(40,902)	-	40,599	(40,599)
Net investment income	-	78,965	(78,965)	-	83,105	(83,105)
Benefit payments, including refunds of contributions	(153,026)	(153,026)	-	(201,237)	(201,237)	-
Administrative expenses	-	(2,268)	2,268	-	(2,815)	2,815
Other changes	-	594	(594)	-	7,103	(7,103)
Net changes	319,442	49,597	269,845	437,505	47,002	390,503
Balances - June 30, 2020	\$ 3,070,253	\$ 1,959,067	\$ 1,111,186	\$ 3,902,618	\$ 1,951,490	\$ 1,951,128
Fiduciary net position as a percentage of total pension liability			63.81%			50.00%

Proportionate Share of Net Pension Liability

Vermont State Retirement System				
Proportionate Share				
	Amount	2020	2019	Change
Governmental activities	\$ 1,085,295	97.6699%	97.6666%	0.0033%
Business type activities	7,277	0.6549%	0.6471%	0.0078%
Discrete component unit	18,614	1.6752%	1.6863%	-0.0111%
Total net pension liability	<u>1,111,186</u>	<u>100.0000%</u>	<u>100.0000%</u>	

State Teachers' Retirement System				
Proportionate Share				
	Amount	2020	2019	Change
Governmental activities	<u>1,951,128</u>	100.0000%	100.0000%	0.0000%
Total governmental activities net pension liability	<u>\$ 3,036,423</u>			

Additional information regarding the changes in the net pension liability for the year ended June 30, 2021, 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, 2022. As of June 30, 2021, the State reported the following deferred pension outflows of resources and deferred pension inflows of resources (amounts are in thousands):

Source	Vermont State Retirement System			
	Primary Government		Discrete Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 82,090	\$ -	\$ 1,399	\$ -
Changes of assumptions	185,898	3,582	3,167	61
Net differences between projected and actual earnings on plan investments	61,213	-	1,043	-
Change in proportion and the effect of certain employer contributions on the employer's net pension liability	878	713	302	467
Employer contributions made subsequent to the measurement date	87,524	-	1,420	-
Total	\$ 417,603	\$ 4,295	\$ 7,331	\$ 528

Source	State Teachers' Retirement System	
	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,094	\$ -
Changes of assumptions	233,226	8,239
Net differences between projected and actual earnings on plan investments	54,813	-
Employer contributions made subsequent to the measurement date	125,910	-
Total	\$ 467,043	\$ 8,239

Source	Primary Government	
	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 135,184	\$ -
Changes of assumptions	419,124	11,821
Net differences between projected and actual earnings on plan investments	116,026	-
Change in proportion and the effect of certain employer contributions on the employer's net pension liability	878	713
Employer contributions made subsequent to the measurement date	213,434	-
Total	\$ 884,646	\$ 12,534

The amounts reported as deferred pension outflows of resources resulting from employer contributions made subsequent to the measurement date (VSRS - \$87.524 million Primary Government and \$1.420 million Component Units; and STRS - \$125.910 million Primary Government), will be recognized as a reduction of the net pension liability at June 30, 2022. 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):

Year Ended June 30	State Teachers' Retirement System	Vermont State Retirement System	Total	Vermont State Retirement System
	Primary Government	Primary Government	Primary Government	Discrete Component Units
2022	\$ 107,949	\$ 77,161	\$ 185,110	\$ 1,296
2023	110,623	85,184	195,807	1,469
2024	102,647	73,836	176,483	1,211
2025	11,675	54,373	66,048	820
2026	-	35,230	35,230	587
Total	<u>\$ 332,894</u>	<u>\$ 325,784</u>	<u>\$ 658,678</u>	<u>\$ 5,383</u>

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, 2021, is as follows (amounts are in thousands):

(Table on next page.)

	<u>State Teachers'</u> <u>Retirement System</u>	<u>Vermont State</u> <u>Retirement System</u>	<u>Total</u>	<u>Vermont State</u> <u>Retirement System</u>
	<u>Primary</u> <u>Government</u>	<u>Primary</u> <u>Government</u>	<u>Primary</u> <u>Government</u>	<u>Discrete</u> <u>Component Units</u>
Service cost.....	\$ 40,745	\$ 52,122	\$ 92,867	\$ 888
Interest on total pension liability.....	255,393	201,121	456,514	3,427
Employee contributions.....	(40,598)	(40,217)	(80,815)	(685)
Plan administrative costs.....	2,815	2,230	5,045	38
Other changes.....	(7,102)	(584)	(7,686)	(10)
Projected earnings on plan investments.....	(141,483)	(139,728)	(281,211)	(2,381)
Recognition (amortization) of deferred pension outflows of resources:				
Difference between expected and actual experience.....	7,909	840	8,749	14
Change in assumptions.....	77,742	34,379	112,121	585
Net difference between projected and actual investment earnings...	11,675	12,417	24,092	212
Recognition of deferred outflows from prior periods.....	90,357	65,556	155,913	1,117
Changes in proportional share of contributions.....	-	333	333	122
Recognition (amortization) of deferred pension inflows of resources:				
Recognition of deferred inflows from prior periods.....	(8,239)	(3,581)	(11,820)	(61)
Changes in proportional share of contributions.....	-	(260)	(260)	(195)
Total Pension Expense.....	\$ 289,214	\$ 184,628	\$ 473,842	\$ 3,071

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, 2019, for VSRS and STRS.

(Table on next page.)

	VSRS	STRS
Valuation date	6/30/2019*	6/30/2019*
Inflation assumptions	2.30%	2.30%
Investment rate of return	7.00%	7.00%
Projected salary increases	3.40% - 5.55%	3.30% - 10.50%
Cost of living adjustments	Groups A, C & D: 2.40%; Group F: 1.35% and Group F retiring after 7/1/08: 2.40%	Group A: 2.40%; Group C: 1.35%
<u>Post Retirement Adjustments</u>		
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 - 2.40%	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%
<u>Census Data for 2019 Valuation</u>		
Retired members or beneficiaries currently receiving benefits	7,268	9,514
Inactive members	1,443	2,756
Active members	8,443	9,862
Terminated vested members	747	819
Total membership	17,901	22,951
*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 Post-retirement 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 PubT-2010 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 Post-retirement Mortality:* All Groups were based on the PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table 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. Actuarial valuations attempt to estimate costs associated with the pension system based on a number of demographics, 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, 2020, measurement date are summarized in the following table:

(Table on next page.)

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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	<u>100.00%</u>	

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 2.3%.

Discount Rate (Employer Reporting)

The discount rate used to measure the total pension liability as of June 30, 2020, measurement date was 7.0% 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, 2020, measurement date was 3.90% for VSRS, and 4.10% for STRS. Amounts for the prior year were 5.90%, and 6.10% 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, 2020, 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):

	<u>VSRS</u>	<u>STRS</u>
One-percent decrease		
Discount rate	6.00%	6.00%
Net pension liability	\$ 1,511,458	\$ 2,430,339
Net pension liability, as reported		
Discount rate	7.00%	7.00%
Net pension liability	\$ 1,111,186	\$ 1,951,128
One-percent increase		
Discount rate	8.00%	8.00%
Net pension liability	\$ 781,521	\$ 1,552,656

Payable to the Defined Benefit Pension Plan (Employer Reporting)

At June 30, 2021, the State reported a payable of \$8,070,104 for the outstanding amount of contributions to the VSRS pension plan required for the year ended June 30, 2021.

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, 2021. 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, 2020, were rolled forward to the pension plans' fiscal year end of June 30, 2021. 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, 2021, are shown as follows with amounts in thousands:

	<u>Vermont State Retirement System</u>	<u>Vermont State Teachers' Retirement System</u>	<u>Vermont Municipal Employees Retirement System</u>
Total pension liability	\$ 3,255,050	\$ 4,118,283	\$ 1,073,218
Fiduciary net position	<u>(2,425,222)</u>	<u>(2,422,793)</u>	<u>(926,034)</u>
Net pension liability	<u>\$ 829,828</u>	<u>\$ 1,695,490</u>	<u>\$ 147,184</u>
Fiduciary net position as a percentage of total pension liability	74.51%	58.83%	86.29%

Additional information regarding changes in the net pension liability for the year ended June 30, 2021, can be found in the Required Supplementary Information section immediately following these notes to the financial statements.

Actuarial Assumptions (Plan Reporting)

The June 30, 2021, total pension liability was determined by rolling forward the total pension liability as of June 30, 2020, to June 30, 2021, using the actuarial assumptions and methods used in the June 30, 2020 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	6/30/2020*	6/30/2020*	6/30/2020*
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%
<u>Post Retirement Adjustments</u> 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%	Group A - 1.10%, Groups B,C & D - 1.20%
	For those eligible for increases of 50% of CPI change - 1.35%	For those eligible for increases of 50% of CPI change - 1.35%	
<u>Census Data for 2020 Valuation</u> Retired members or beneficiaries currently receiving benefits	7,424	9,843	3,693
Inactive members	1,482	2,710	2,941
Active members	8,539	9,996	7,987
Terminated vested members	768	887	927
Total membership	18,213	23,436	15,548
*Valuation date is rolled forward to the measurement date of June 30, 2021 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 Post-retirement 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 PubT-2010 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 Post-retirement 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 Healthy Retiree amount-weighted, with generational projection using scale MP-2019. Group D: PubG-2010 General Healthy Retiree amount-weighted, with generational projection using scale MP-2019.
- *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 Post-retirement Mortality:* All Groups were based on the PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2019.

The actuarial assumptions used in the June 30, 2020; 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, 2021, are summarized in the following table:

(Table on next page.)

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Passive Global Equity	24.00%	5.05%
Active Global Equity	5.00%	5.05%
US Equity – Large Cap	4.00%	4.00%
US Equity – Small/Mid Cap	3.00%	4.50%
Non-US Developed Market Equities	7.00%	5.50%
Private Equity	10.00%	6.75%
Emerging Market Debt	4.00%	3.00%
Private & Alternate Credit	10.00%	4.75%
Non-Core Real Estate	4.00%	5.75%
Core Fixed Income	19.00%	0.00%
Core Real Estate	4.00%	3.75%
US TIPS	3.00%	-0.50%
Infrastructure/Farmland	3.00%	4.25%
Total	<u>100.00%</u>	

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, 2021, was 24.59% for VSRS, 24.75% for STRS, and 24.32% for MERS. Amounts for the prior year were 3.90%, 4.10% and 3.90% 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.)

	<u>VSRS</u>	<u>STRS</u>	<u>MERS</u>
One-percent decrease			
Discount rate	6.00%	6.00%	6.00%
Net pension liability	\$ 1,254,767	\$ 2,220,769	\$ 290,918
Net pension liability, as reported			
Discount rate	7.00%	7.00%	7.00%
Net pension liability	\$ 829,828	\$ 1,695,490	\$ 147,184
One-percent increase			
Discount rate	8.00%	8.00%	8.00%
Net pension liability	\$ 480,073	\$ 1,261,020	\$ 28,993

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, 2021

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Assets			
Cash and short term investments.....	\$ 11,604,916	\$ 11,797,678	\$ 3,845,509
Receivables			
Contributions - current.....	11,301,515	5,930,899	5,492,455
Contributions - non-current.....	-	-	6,052,280
Investments sold.....	10,204,522	7,876,782	3,351,477
Interest and dividends.....	912,097	918,063	676,446
Due from other funds.....	67,031	6,458	221,094
Other.....	244	4,668,398	765,917
Investments			
Fixed income.....	110,059,937	110,930,797	42,103,731
Equities.....	249,360,731	255,489,651	93,886,722
Mutual and commingled funds.....	1,643,304,253	1,625,049,631	632,022,316
Real estate and private partnerships.....	404,646,859	415,531,154	143,334,152
Prepaid expenses.....	66,741	76,010	42,795
Capital assets, net of depreciation.....	<u>760,461</u>	<u>897,908</u>	<u>333,818</u>
Total assets.....	<u>2,442,289,307</u>	<u>2,439,173,429</u>	<u>932,128,712</u>
Liabilities			
Accounts payable.....	1,439,214	448,640	174,246
Investments purchased.....	15,553,459	15,852,403	5,916,051
Due to other funds.....	14,430	14,034	4,085
Interfund loan payable.....	<u>59,796</u>	<u>64,844</u>	<u>-</u>
Total liabilities.....	<u>17,066,899</u>	<u>16,379,921</u>	<u>6,094,382</u>
Net position restricted for employees' pension benefits.....	<u>\$ 2,425,222,408</u>	<u>\$ 2,422,793,508</u>	<u>\$ 926,034,330</u>

**Statement of Changes in Fiduciary Net Position
Defined Benefit Plans
For the Fiscal Year Ended June 30, 2021**

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Additions			
Contributions			
Employer - pension benefit.....	\$ 88,944,172	\$ -	\$ 22,297,570
Non-employer - pension benefit.....	-	125,910,465	-
Plan member.....	42,113,318	42,199,015	23,074,402
Transfers from other pension trust funds.....	247,033	399,814	365,225
Other revenues.....	-	8,630,813	-
Total contributions.....	131,304,523	177,140,107	45,737,197
Investment Income			
Net appreciation in fair value of investments.....	481,640,357	496,582,207	178,738,288
Dividends.....	14,999,533	15,068,431	5,423,582
Interest income.....	2,534,688	2,464,907	1,404,992
Other income.....	164,685	36,871	3,157
Total investment income.....	499,339,263	514,152,416	185,570,019
Less Investment Expenses			
Investment managers and consultants.....	1,916,608	1,957,965	719,924
Net investment income.....	497,422,655	512,194,451	184,850,095
Total additions.....	628,727,178	689,334,558	230,587,292
Deductions			
Retirement benefits.....	155,493,584	212,698,779	39,925,945
Refunds of contributions.....	3,650,081	2,042,368	2,384,391
Death claims.....	615,965	507,360	456,440
Transfers to other pension trust funds.....	531,268	-	590,442
Depreciation.....	246,628	291,185	107,955
Administration expenses.....	2,033,884	2,491,240	1,140,683
Total deductions.....	162,571,410	218,030,932	44,605,856
Change in net position.....	466,155,768	471,303,626	185,981,436
Net position restricted for employees' pension benefits			
July 1, 2020.....	1,959,066,640	1,951,489,882	740,052,894
June 30, 2021.....	\$ 2,425,222,408	\$ 2,422,793,508	\$ 926,034,330

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, 2021, member contributions totaled \$766,710 with State employer contributions at \$1,965,394. As of June 30, 2021, the Vermont State Defined Contribution Plan's net position totaled \$91,371,892 and there were 551 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, 2021, member contributions totaled \$466,735 and employer contributions at \$475,877. As of June 30, 2021, the Municipal Employees' Defined Contribution Plan's net position totaled \$32,239,779 and there were 433 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, 2021 there were 865 members, with net position of \$31,177,580 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, 2021			
	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and short term investments.....	\$ 62,884	\$ -	\$ 66,692
Receivables			
Contributions.....	177,636	-	21,596
Other.....	1,353	-	334
Investments			
Mutual and commingled funds.....	91,188,728	31,177,580	32,371,941
Prepaid expenses.....	<u>30,261</u>	<u>-</u>	<u>-</u>
Total assets.....	<u>91,460,862</u>	<u>31,177,580</u>	<u>32,460,563</u>
Liabilities			
Accounts payable.....	24,527	-	381
Due to other funds.....	<u>64,443</u>	<u>-</u>	<u>220,403</u>
Total liabilities.....	<u>88,970</u>	<u>-</u>	<u>220,784</u>
Net position restricted			
for employees' pension benefits.....	<u>\$ 91,371,892</u>	<u>\$ 31,177,580</u>	<u>\$ 32,239,779</u>

**Statement of Changes in Fiduciary Net Position
Defined Contribution Plans
For the Fiscal Year Ended June 30, 2021**

	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
	<u> </u>	<u> </u>	<u> </u>
Additions			
Contributions			
Employer - pension benefit.....	\$ 1,965,394	\$ -	\$ 475,877
Plan member.....	766,710	-	466,735
Transfers from other pension trust funds....	83,107	-	26,531
Transfers from non-state systems.....	<u>4,560</u>	<u>-</u>	<u>-</u>
Total contributions.....	<u>2,819,771</u>	<u>-</u>	<u>969,143</u>
Investment Income			
Net appreciation (depreciation) in fair value of investments.....	19,907,542	-	7,648,614
Dividends.....	1,027,621	695,279	294,721
Interest income.....	123	-	167
Other income.....	<u>4,856</u>	<u>-</u>	<u>891</u>
Total investment income.....	<u>20,940,142</u>	<u>695,279</u>	<u>7,944,393</u>
Less Investment Expenses			
Investment managers and consultants.....	<u>-</u>	<u>45,167</u>	<u>-</u>
Net investment income.....	<u>20,940,142</u>	<u>650,112</u>	<u>7,944,393</u>
Total additions.....	<u>23,759,913</u>	<u>650,112</u>	<u>8,913,536</u>
Deductions			
Retirement benefits.....	927,041	1,863,391	549,710
Transfers to non-state systems.....	2,447,202	519,117	1,070,185
Operating expenses.....	<u>115,724</u>	<u>173</u>	<u>105,625</u>
Total deductions.....	<u>3,489,967</u>	<u>2,382,681</u>	<u>1,725,520</u>
Change in net position.....	20,269,946	(1,732,569)	7,188,016
Net position restricted for employees' pension benefits			
July 1, 2020.....	<u>71,101,946</u>	<u>32,910,149</u>	<u>25,051,763</u>
June 30, 2021.....	<u>\$ 91,371,892</u>	<u>\$ 31,177,580</u>	<u>\$ 32,239,779</u>

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, 2021.

Plan Descriptions and Contribution InformationVermont 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 normally elected to pay State contributions to fund current year retiree health care expenses on a pay-as-you-go basis. But, in fiscal year 2021, the State made an additional contribution of \$52.4 million to the VSPB from the General Fund that was above the pay-as-you-go amount. State contributions for the fiscal year ended June 30, 2021, were \$90,462,714, which is 15.63% 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, 2021, were \$36,638,994, which is 5.67% 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 2021 there were 132 participating employers in the STRS - RTHMB plan.

Membership in the plans consisted of the following at June 30, 2021:

	<u>VSRS - VSPB</u>	<u>STRS - RTHMB</u>
Retired members or beneficiaries currently receiving benefits	5,474	7,282
Retired members or beneficiaries not receiving benefits	-	2,824
Vested terminated members entitled to but not yet receiving benefits	-	1,955
Active members	8,517	9,955
Total	<u>13,991</u>	<u>22,016</u>

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 98.3218% of the VSPB net OPEB liability. The Vermont Veterans’ Home (a discrete component unit) is responsible for 1.6782% 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, 2021) and for the State’s reporting period (the year ended June 30, 2021). 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, 2021, the State has chosen to use the end of the prior fiscal year (June 30, 2020) as the measurement date, and the year ended June 30, 2020, 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, 2019, to the measurement date of June 30, 2020. 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, 2019	\$ 1,279,299	\$ 51,733	\$ 1,227,566	\$ 1,041,065	\$ 312	\$ 1,040,753
Changes for the year:						
Service cost	45,691	-	45,691	30,590	-	30,590
Interest	45,754	-	45,754	37,030	-	37,030
Difference between expected and actual experience	20,361	-	20,361	31,061	-	31,061
Changes of assumptions	127,633	-	127,633	155,924	-	155,924
Contributions - non-employer	-	-	-	-	35,176	(35,176)
Contributions - employer	-	38,600	(38,600)	-	-	-
Net investment income	-	3,029	(3,029)	-	283	(283)
Benefit payments, including refunds of contributions	(35,768)	(35,768)	-	(27,551)	(27,551)	-
Administrative expenses	-	(2)	2	-	(2)	2
Other changes	-	-	-	-	501	(501)
Net changes	203,671	5,859	197,812	227,054	8,407	218,647
Balances - June 30, 2020	\$ 1,482,970	\$ 57,592	\$ 1,425,378	\$ 1,268,119	\$ 8,719	\$ 1,259,400
Fiduciary net position as a percentage of total OPEB liability			3.88%			0.69%

Proportionate Share of Net OPEB Liability

	VSRS - VSPB			
	Amount	Proportionate Share		
		2020	2019	Change
Governmental activities	\$ 1,392,043	97.6613%	98.6040%	-0.9427%
Business type activities	9,414	0.6605%	0.3893%	0.2711%
Discrete component unit	23,921	1.6782%	1.0067%	0.6716%
Total net OPEB liability	1,425,378	100.0000%	100.0000%	
	STRS - RTHMB			
	Amount	Proportionate Share		
		2020	2019	Change
Governmental activities	1,259,400	100.0000%	100.0000%	0.0000%
Total governmental activities net OPEB liability:				
Current Portion	16,142			
Long-term portion	2,635,301			
Total	\$ 2,651,443			

Additional information regarding the changes in the net OPEB liability for the year ended June 30, 2021, 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, 2022.

As of June 30, 2021, the State reported the following deferred OPEB outflows of resources and deferred OPEB inflows of resources (amounts are in thousands):

Source	VSRS - VSPB		VSRS - VSPB	
	Primary Government		Discrete Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,127	\$ -	\$ 446	\$ -
Changes of assumptions	108,647	288,093	1,854	4,918
Net differences between projected and actual earnings on plan investments	1,558	-	27	-
Change in proportion and the effect of certain employer contributions on the employer's net OPEB liability	16,972	17,797	9,894	9,069
Employer contributions made subsequent to the measurement date	89,855	-	608	-
Total	\$ 243,159	\$ 305,890	\$ 12,829	\$ 13,987

Source	STRS - RTHMB	
	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,950	\$ -
Changes of assumptions	162,449	18,177
Net differences between projected and actual earnings on plan investments	-	1,759
Employer contributions made subsequent to the measurement date	36,639	-
Total	\$ 249,038	\$ 19,936

Source	Primary Government	
	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 76,077	\$ -
Changes of assumptions	271,096	306,270
Net differences between projected and actual earnings on plan investments	1,558	1,759
Change in proportion and the effect of certain employer contributions on the employer's net OPEB liability	16,972	17,797
Employer contributions made subsequent to the measurement date	126,494	-
Total	\$ 492,197	\$ 325,826

The amounts reported as deferred OPEB outflows of resources resulting from employer contributions made subsequent to the measurement date (VSRS-VSPB - \$89.855 million Primary Government and \$0.608 million Component Units; and STRS - RTHMB - \$36.639 million Primary Government), will be recognized as a reduction of the net OPEB liability at June 30, 2022. 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	VSRS - VSPB	TOTAL	VSRS - VSPB
	Primary Government	Primary Government	Primary Government	Discrete Component Units
2022	\$ 64,417	\$ (45,125)	\$ 19,292	\$ (826)
2023	68,514	(45,168)	23,346	(827)
2024	50,623	(45,317)	5,306	(830)
2025	8,909	(36,213)	(27,304)	(680)
2026	-	(6,550)	(6,550)	(239)
Thereafter	-	25,787	25,787	1,636
Total	\$ 192,463	\$ (152,586)	\$ 39,877	\$ (1,766)

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, 2021, is as follows (amounts are in thousands):

	Primary Government		Primary Government		Component Units
	STRS - RTHMB	VSRS - VSPB	TOTAL	VSRS - VSPB	
Service cost	\$ 30,590	\$ 44,924	\$ 75,514	\$	767
Interest on total OPEB liability	37,030	44,986	82,016		768
Plan administrative costs	2	3	5		-
Other changes	(501)	-	(501)		-
Projected earnings on plan investments	(306)	(3,658)	(3,964)		(62)
Recognition (amortization) of deferred OPEB outflows of resources:					
Difference between expected and actual experience	7,395	2,687	10,082		46
Change in assumptions	37,125	16,844	53,969		288
Difference between projected and actual investment earnings	5	136	141		2
Recognition of deferred outflows from prior periods	35,001	2,158	37,159		36
Changes in Proportions	-	2,983	2,983		1,582
Recognition (amortization) of deferred OPEB inflows of resources:					
Recognition of deferred inflows from prior periods	(20,157)	(67,005)	(87,162)		(1,144)
Changes in Proportions	-	(2,928)	(2,928)		(1,637)
Total OPEB Expense	\$ 126,184	\$ 41,130	\$ 167,314	\$	646

Actuarial Methods and Assumptions (Employer Reporting)

Actuarial Assumptions (Employer Reporting)

Total OPEB liability at the June 30, 2020, measurement date 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:

	<u>VSRs - VSPB</u>	<u>STRs - RTHMB</u>
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
<u>Plan membership - 6/30/2019</u>		
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	<u>8,725</u>	<u>9,862</u>
Total	<u>13,961</u>	<u>21,216</u>

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, & DC: 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 & DC: 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, & DC: 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 PubT-2010 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:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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%
Total	<u>100.00%</u>	

Discount Rate (Employer 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.

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):

	<u>VSRS - VSPB</u>	<u>STRS - RTHMB</u>
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 (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):

	<u>VSRS - VSPB</u>	<u>STRS - RTHMB</u>
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

Payable to the OPEB Plans (Employer Reporting)

At June 30, 2021, the State reported a payable of \$71,382 for the outstanding amount of contributions to the VSPB plan required for the year ended June 30, 2021.

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, 2020, 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, 2021, were as follows (amounts in thousands):

	<u>VSRS - VSPB</u>	<u>STRS - RTHMB</u>
Total OPEB liability.....	\$ 1,593,341	\$ 1,290,221
Fiduciary net position (deficit).....	<u>120,268</u>	<u>14,634</u>
Net OPEB liability.....	<u>\$ 1,473,073</u>	<u>\$ 1,275,587</u>
Fiduciary net position as a percentage of total OPEB liability	7.55%	1.13%

Additional information regarding changes in net OPEB liability for the year ended June 30, 2021, can be found in the Required Supplementary Information section of these financial statements.

Actuarial Assumptions (Plan Reporting)

The total OPEB liability at June 30, 2021 was determined using the June 30, 2020 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	2.41%	2.20%
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 70 - 3.30%.
Health care cost trend rate		
Non-Medicare	6.70% graded to 4.50% over 10 years	6.70% graded to 4.50% over 10 years
Medicare	6.00% graded to 4.50% over 12 years	6.00% graded to 4.50% over 11 years
Retiree contributions	Equal to health trend	Equal to health trend
<u>Plan membership - 6/30/2020</u>		
Retired members or beneficiaries currently receiving benefits	5,310	7,094
Retired members or beneficiaries not receiving benefits	-	2,591
Vested terminated members entitled to but not yet receiving benefits	-	1,919
Active members	<u>8,788</u>	<u>9,996</u>
Total	<u>14,098</u>	<u>21,600</u>

The actuarial assumptions used in the June 30, 2020; 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 & DC: 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 & DC: 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 & DC: 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 PubT-2010 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
Passive Global Equity	24.00%	5.05%
Active Global Equity	5.00%	5.05%
US Equity – Large Cap	4.00%	4.00%
US Equity – Small/Mid Cap	3.00%	4.50%
Non-US Developed Market Equities	7.00%	5.50%
Private Equity	10.00%	6.75%
Emerging Market Debt	4.00%	3.00%
Private & Alternate Credit	10.00%	4.75%
Non-Core Real Estate	4.00%	5.75%
Core Fixed Income	19.00%	0.00%
Core Real Estate	4.00%	3.75%
US TIPS	3.00%	-0.50%
Infrastructure/Farmland	3.00%	4.25%
Total	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, VSPB's OPEB and RTHMB's OPEB plan fiduciary net position is partially sufficient to cover projected benefit payments. Therefore, a blended discount rate of 2.41% for VSPB's OPEB and 2.20% for RTHMB's OPEB was used to measure the total OPEB liability. For both plans the discount rate is a blend of the long-term expected rate of return on plan investments and the long-term bond rate expected rate of return of 2.16%.

The 2.16% is based on the 20-year Bond Buyer GO index at June 30, 2021. The discount rate used in the prior year was 2.23% for VSPB OPEB plan, and 2.21% for the RTHMB OPEB plan. For the year ended June 30, 2021, the annual money-weighted rate return of investments, net of investment expense, was 13.9% for the VSPB, and 0.3% for the RTHMB. 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-percentage-point higher than the current rate (amounts in thousands):

	<u>VSRS - VSPB</u>	<u>STRS - RTHMB</u>
One-percent decrease		
Discount rate	1.41%	1.20%
Net OPEB liability	\$ 1,748,130	\$ 1,509,346
Net OPEB liability, as reported		
Discount rate	2.41%	2.20%
Net OPEB liability	\$ 1,473,073	\$ 1,275,587
One-percent increase		
Discount rate	3.41%	3.20%
Net OPEB liability	\$ 1,254,002	\$ 1,089,241

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.)

	<u>VSRS - VSPB</u>	<u>STRS - RTHMB</u>
One-percent decrease		
Healthcare cost trend rate		
Non-medicare	5.70% graded to 3.50%	5.70% graded to 3.50%
Medicare	5.00% graded to 3.50%	5.00% graded to 3.50%
Net OPEB liability	\$ 1,230,214	\$ 1,056,770
Net OPEB liability, as reported		
Healthcare cost trend rate		
Non-medicare	6.70% graded to 4.50%	6.70% graded to 4.50%
Medicare	6.00% graded to 4.50%	6.00% graded to 4.50%
Net OPEB liability	\$ 1,473,073	\$ 1,275,587
One-percent increase		
Healthcare cost trend rate		
Non-medicare	7.70% graded to 5.50%	7.70% graded to 5.50%
Medicare	7.00% graded to 5.50%	7.00% graded to 5.50%
Net OPEB liability	\$ 1,790,492	\$ 1,565,167

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, 2021, there were 3,697 active and retired members participating in the MERS RHS plan. The net position of the MERS RHS plan at June 30, 2021 was \$15,855,497.

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

**Statement of Fiduciary Net Position
Other Postemployment Benefit Funds
June 30, 2021**

	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.....	\$ 60,845,082	\$ 8,377,323	\$ 1,551,664
Receivables			
Contributions.....	71,945	-	-
Other receivables.....	9,771	6,257,511	-
Investments			
Mutual funds.....	59,380,231	-	14,303,833
Prepaid expenses.....	-	39,525	-
Total assets.....	120,307,029	14,674,359	15,855,497
Liabilities			
Accounts payable.....	39,216	40,867	-
Total liabilities.....	39,216	40,867	-
Net position restricted for employee's other postemployment benefits.....	\$ 120,267,813	\$ 14,633,492	\$ 15,855,497

**Statement of Changes in Fiduciary Net Position
Other Postemployment Benefit Funds
For the Fiscal Year Ended June 30, 2021**

	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.....	\$ 90,462,714	\$ -	\$ -
Non-employer - healthcare benefit.....	-	36,638,994	-
Total contributions.....	90,462,714	36,638,994	-
Investment Income			
Net appreciation (depreciation) in fair value of investments.....	6,624,266	-	2,212,658
Dividends.....	1,145,675	-	319,999
Interest income.....	11,792	53,350	2,637
Total investment income.....	7,781,733	53,350	2,535,294
Less Investment Expenses			
Investment managers and consultants.....	6,694	-	16,265
Net investment income.....	7,775,039	53,350	2,519,029
Total additions.....	98,237,753	36,692,344	2,519,029
Deductions			
Other postemployment benefits.....	35,560,776	30,775,384	580,541
Operating expenses.....	1,872	2,167	-
Total deductions.....	35,562,648	30,777,551	580,541
Change in net position.....	62,675,105	5,914,793	1,938,488
Net position restricted for employees postemployment benefits			
July 1, 2020.....	57,592,708	8,718,699	13,917,009
June 30, 2021.....	\$ 120,267,813	\$ 14,633,492	\$ 15,855,497

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, 2021, the following changes occurred in the governmental activities long-term liabilities:

	<u>Total Liability July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Liability June 30, 2021</u>	<u>Amounts due within one year</u>
Governmental activities					
Bonds payable					
Bonds	\$ 636,435,000	\$ 153,325,000	\$ 138,340,000	\$ 651,420,000	\$ 52,495,000
Bond premium	38,711,062	29,776,267	8,415,952	60,071,377	10,217,224
Total bonds payable	675,146,062	183,101,267	146,755,952	711,491,377	62,712,224
Capital leases payable	9,157,330	-	295,382	8,861,948	332,608
Compensated absences	41,680,614	42,260,887	39,375,120	44,566,381	39,293,008
Claims and judgments	58,056,524	212,682,566	206,531,327	64,207,763	26,670,150
Contingent liabilities	7,000,000	-	-	7,000,000	-
Net pension liabilities	2,382,334,113	1,105,258,645	451,169,964	3,036,422,794	-
Net other postemployment liabilities	2,251,182,024	488,448,752	88,188,077	2,651,442,699	16,141,892
Pollution remediation obligations	9,154,670	3,176,027	1,744,844	10,585,853	2,286,545
Total governmental activities long-term liabilities	<u>\$ 5,433,711,337</u>	<u>\$ 2,034,928,144</u>	<u>\$ 934,060,666</u>	<u>\$ 6,534,578,815</u>	<u>\$ 147,436,427</u>

The amount of the OPEB net liability due in one year is due to the expected benefits to be paid in one year from the STRS - RTHMB OPEB plan, is greater than the STRS - RTHMB OPEB plan's fiduciary net position.

During the year ended June 30, 2021, the changes occurred in the business-type activities and fiduciary funds long-term liabilities are as follows:

	<u>Total Liability July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Total Liability June 30, 2021</u>	<u>Amounts due within one year</u>
Business-type activities					
Compensated absences	\$ 331,454	\$ 186,124	\$ 204,945	\$ 312,633	\$ 227,874
Lottery prize awards payable	7,807,597	108,154,781	108,077,307	7,885,071	7,506,728
Net pension liabilities	5,444,250	3,181,530	1,348,224	7,277,556	-
Net other postemployment liabilities	4,779,360	4,909,721	274,949	9,414,132	-
Other liabilities	4,489,439	946,704	-	5,436,143	-
Total business-type activities long term liabilities	<u>\$ 22,852,100</u>	<u>\$ 117,378,860</u>	<u>\$ 109,905,425</u>	<u>\$ 30,325,535</u>	<u>\$ 7,734,602</u>
Fiduciary					
Compensated absences	\$ 16,378	\$ 13,520	\$ 6,364	\$ 23,534	\$ 18,252

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 \$10,585,853 of which \$2,286,545 is due within one year.

Pollution remediation liability activity in fiscal year 2021 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, 2021, is \$5,208,573 and the estimated amount to be paid for remediation activities in 2021 is \$642,545.

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 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 fixing the problem.

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 21 effective May 15, 2019. 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 PRO as of June 30, 2021, is \$695,718. The estimated current amount due is \$25,000.

The Department is also monitoring soil and water contamination from two former dry cleaner facilities. Cleanup includes source removal along with vapor intrusion mitigation systems. The PRO as of June 30th, 2021, is \$1,358,528. The estimated current amount due is \$699,000.

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, 2021, is \$1,000,000; the estimated current amount due is \$700,000.

The other four sites represent a wide array of remediation activities ranging from onetime 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, 2021, is \$323,034 with an estimated \$220,000 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, 2021, are as follows:

	<u>Restricted Purposes</u>	<u>Committed Purposes</u>	<u>Assigned Purposes</u>
General Fund			
Government Operations			
Governor and other Elected Officials.....	\$ -	\$ -	\$ 25,000
Administrative Services.....	-	-	8
Public Safety and Regulatory Services.....	-	-	1,796,066
Courts.....	-	-	2,768,542
Health and Human Services.....	-	-	4,224,767
Correctional Services.....	-	-	279,355
Educational Services.....	-	-	30,151
Natural Resources Protection and Preservation...	-	-	2,033,191
Economic and Community Development.....	-	-	2,297,750
Tourism and Marketing.....	-	-	2,122,580
	<u> </u>	<u> </u>	<u> </u>
Total General Fund.....	\$ -	\$ -	\$ 15,577,410
	<u> </u>	<u> </u>	<u> </u>
Transportation Fund			
Transportation.....	\$ -	\$ 52,748,698	\$ -
	<u> </u>	<u> </u>	<u> </u>
Total Transportation Fund.....	\$ -	\$ 52,748,698	\$ -
	<u> </u>	<u> </u>	<u> </u>

	<u>Restricted Purposes</u>	<u>Committed Purposes</u>	<u>Assigned Purposes</u>
Education Fund			
Educational Services.....	\$ -	\$ 165,889,960	\$ -
Total Education Fund.....	<u>\$ -</u>	<u>\$ 165,889,960</u>	<u>\$ -</u>
Special Fund			
Government Operations			
Governor and Other Elected Officials.....	\$ -	\$ 275,234	\$ 65,824
Legislature.....	214	184,411	973
Administrative Services.....	761,778	23,799,244	555,003
Public Safety and Regulatory Services.....	1,489,276	30,044,711	29,963
Courts.....	-	3,870,711	-
Health and Human Services.....	2,141,966	-	3,824
Correctional Services.....	5	765,121	-
Employment and Training.....	-	15,868,479	-
Educational Services.....	-	2,394,766	-
Natural Resources Protection and Preservation...	8,385,811	56,252,056	39
Economic and Community Development.....	3,981,624	5,854,814	-
Tourism and Marketing.....	-	252,590	-
Total Special Fund.....	<u>\$ 16,760,674</u>	<u>\$ 139,562,137</u>	<u>\$ 655,626</u>
Federal Revenue Fund			
Government Operations			
Governor and Other Elected Officials.....	\$ 76,450	\$ -	\$ -
Administrative Services.....	146,917	-	-
Public Safety and Regulatory Services.....	662,621	-	-
Health and Human Services.....	49,684,014	-	-
Employment and Training.....	5,439,650	-	-
Natural Resources Protection and Preservation...	440,129,420	-	-
Economic and Community Development.....	8,347,720	-	-
Total Federal Revenue Funds.....	<u>\$ 504,486,792</u>	<u>\$ -</u>	<u>\$ -</u>
Global Commitment Fund			
Health and Human Services.....	<u>\$ 29,425,178</u>	<u>\$ -</u>	<u>\$ -</u>
Total Global Commitment Fund.....	<u>\$ 29,425,178</u>	<u>\$ -</u>	<u>\$ -</u>
Non-major Governmental Funds			
Government Operations			
Administrative Services.....	\$ 20,721	\$ -	\$ -
Health and Human Services.....	29,774	-	-
Educational Services.....	-	31,100,187	-
Natural Resources Protection and Preservation...	98,867	19,076,361	-
Economic and Community Development.....	6,282	-	-
Capital Outlays.....	55,229,456	-	-
Debt Service.....	3,214,255	219,946	-
Total Non-major Governmental Funds.....	<u>\$ 58,599,355</u>	<u>\$ 50,396,494</u>	<u>\$ -</u>

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 \$1,000,000 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, flood, terrorism, cyber liability, bonds for various categories of employees, professional liability 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.)

<u>Fund and Fiscal Year</u>	<u>Liability at Beginning of the Fiscal Year</u>	<u>Current FY Claims and Changes in Estimates</u>	<u>Current FY Claims Payments</u>	<u>Liability at End of the Fiscal Year</u>
Workers' Compensation Fund				
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
2021	28,935,665	12,068,748	11,142,016	29,862,397
State Liability Insurance Fund				
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
2021	7,801,679	272,544	(1,939,797)	10,014,020
Medical Insurance Fund				
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
2021	21,104,782	193,796,889	190,941,994	23,959,677
Dental Insurance Fund				
2019	285,938	6,403,546	6,324,097	365,387
2020	365,387	5,292,047	5,443,036	214,398
2021	214,398	6,544,385	6,387,114	371,669

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 2021, 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, 2021 are as follows: \$81,865,373 in the General Fund's Budget Stabilization Reserve; \$11,936,748 in the Transportation Fund's Budget Stabilization Reserve; and \$38,217,440 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 from the original estimate used to determine general appropriations act or budget adjustment act. For fiscal year 2021, the balance in the General Fund Balance Reserve was \$80,365,373.

C. Contingent and 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, 2021, the State of Vermont had long-term contracts outstanding of approximately \$717,410,746 funded from federal sources, and \$679,840,207 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, 2021.

The Agency of Transportation contracts are mainly used for infrastructure construction; of which 73% of Transportation's contracts have end dates of June 30, 2022, or earlier. The Agency of Human Services contracts are used for the Department of Vermont Health Access (33%), the Department of Children and Families (29%), and the Department of Corrections (13%). There are 84% of the Human Services contracts that will expire by June 30, 2022, or earlier. Of the contracts in the Agency of Administration, 60% have end dates that expire by the end of fiscal year 2022. The contract obligations are for human resource benefit administration services (57%), capital construction (27%), and information technology (7%). The State Treasurer's Office contracts are mostly investment management services and health insurance for the retirement plans; of which 61% have end dates that will expire by the end of fiscal year 2022. Of the contract obligations for the Military Department, 58% are for capital construction. There are 66% of Military's contracts that have end dates of June 30, 2022, or earlier. The Agency of Digital Services (ADS), 60% of their contract obligations are for data software / consulting and 28% for telecommunications / fiber optic networks. There are 56% of ADS's contracts that will expire by the end of fiscal year 2022.

Following is a summary of contractual obligations by agency, department, or office at June 30, 2021:

(Table on next page.)

<u>Agency, Department, or Office</u>	<u>Total Contractual Obligation</u>	<u>Funded by Federal Sources</u>	<u>Funded by Other Sources</u>
Agency of Administration	\$ 88,869,964	\$ 279,653	\$ 88,590,310
Agency of Agriculture, Food & Markets	2,368,516	465,633	1,902,883
Agency of Commerce & Community Development	6,277,584	5,023,797	1,253,787
Agency of Digital Services	31,045,070	3,000	31,042,070
Agency of Education	12,960,378	6,975,222	5,985,156
Agency of Human Services	506,580,269	353,494,664	153,085,605
Agency of Natural Resources	15,434,964	3,819,994	11,614,970
Agency of Transportation	549,286,265	301,364,719	247,921,546
Auditor of Accounts' Office	2,904,438	-	2,904,438
Center Crime Victim Services	478,858	207,298	271,560
Criminal Justice Training Council	389,443	-	389,443
Department of Labor	2,606,566	2,606,566	-
Department of Public Safety	11,543,405	2,808,467	8,734,938
Department of Liquor & Lottery	20,342,358	-	20,342,358
Enhanced 911 Board	7,885,481	-	7,885,481
Financial Regulation	2,293,576	-	2,293,576
Green Mountain Care Board	6,572,368	-	6,572,368
Joint Fiscal Office	445,117	-	445,117
Judiciary	832,349	-	832,349
Military Department	44,535,461	39,431,424	5,104,036
Office of the Attorney General	1,242,384	67,055	1,175,329
Office of the Defender General	37,473	-	37,473
Public Service Department	7,038,794	-	7,038,794
Public Utility Commission	311,585	48,642	262,944
Secretary of State's Office	6,713,864	814,612	5,899,253
State Treasurer's Office	68,254,423	-	68,254,423
Total	\$ 1,397,250,953	\$ 717,410,746	\$ 679,840,207

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 \$1,163,987,432. The award adjustments column includes an increase of \$36,371,051 for amendments to grants that commenced in prior fiscal years and a reduction of \$13,682,250 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 \$845,801,178 includes payments issued to grantees on both current year awards and prior year grant awards. The award balances on June 30, 2021, represents the remaining unexpended award amounts.

(Table on next page.)

	Number of Grants Awarded in 2021	Total Grant Obligation				
		Award Balances at June 30, 2020	Current Year Awards	Award Adjustments	Grants Expended	Award Balances at June 30, 2021
Agency of Administration	330	\$ -	\$ 204,669,994	\$ -	\$ 204,669,994	\$ -
Agency of Agriculture, Food & Markets	364	11,898,444	8,551,331	(737,056)	11,079,492	8,633,227
Agency of Commerce & Community Development	275	17,537,269	58,878,272	10,365,852	61,325,448	25,455,945
Agency of Education	1,635	17,141,103	359,794,119	-	106,812,782	270,122,440
Agency of Human Services	3,434	68,048,698	302,689,765	(14,018,905)	260,447,495	96,272,063
Agency of Natural Resources	378	62,762,976	74,696,084	13,592,650	57,136,899	93,914,811
Agency of Transportation	532	159,691,681	97,368,512	7,595,171	101,585,865	163,069,499
Center Crime Victim Services	210	980,931	8,304,921	-	8,299,873	985,979
Department of Labor	45	2,604,606	1,273,567	1,471,974	3,400,265	1,949,882
Department of Liquor & Lottery	1	-	124,800	-	91,524	33,276
Department of Public Safety	227	13,657,162	25,274,990	4,491,804	13,754,476	29,669,480
Enhanced 911 Board	40	246,878	387,619	(67,664)	225,925	340,908
Judiciary	2	-	90,000	-	90,000	-
Military Department	8	-	42,498	-	42,498	-
Office of the Attorney General	22	27,633	5,868,029	(5,025)	2,921,488	2,969,149
Public Service Department	35	3,426,136	13,867,894	-	11,812,117	5,481,913
State Treasurer's Office	19	101,327	228,486	-	228,486	101,327
State's Attorneys and Sheriffs	51	-	1,876,551	-	1,876,551	-
Total	7,608	\$ 358,124,844	\$ 1,163,987,432	\$ 22,688,801	\$ 845,801,178	\$ 698,999,899

The Agency of Administration includes the Department of Libraries which awarded 244 grants in the amount of \$224,635 to public libraries throughout the state. The agency also awarded over \$173.2 million to help fund higher education in Vermont, and \$2.3 million to promote cultural development. The Agency of Education awarded 1,635 grants totaling \$359.8 million. The Agency of Human Services issued 3,434 awards or 45.1% of the total number of grants issued by the state and expended \$244.1 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 \$13.7 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 532 grants, totaling \$97.4 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, 2021 and 2020 are as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Comparative Financial Information			
Assets	\$ 32,776,375	\$ 35,459,648	\$ (2,683,273)
Liabilities	26,349,680	28,437,991	(2,088,311)
Operating revenues	90,387,773	72,639,922	17,747,851
Interest income	158,158	252,577	(94,419)
Gain on the sale of investments	2,969	-	2,969
Commissions, fees and bonus expense	6,968,223	5,710,903	1,257,320
Prize awards	54,228,780	41,504,750	12,724,030
Other operating expenses	3,922,062	3,055,496	866,566
Total transfers to member states	25,429,835	22,621,350	2,808,485
Transfer to Vermont	3,378,418	3,537,403	(158,985)

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, 2021, 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	\$4,459,475

Downtown Sales Tax Reallocation Credit

Purpose of program	The program encourages new construction projects, and the improvement and rehabilitation of existing properties in Vermont's designated downtowns.
Tax being abated	Sales tax
Authority to abate taxes	32 V.S.A. 9819
Criteria to be eligible to receive abatements and commitment of the taxpayer	An expansion or rehabilitation of real property in a designated downtown development district, or new construction of real property in a designated downtown development district but only to the extent that the new construction is compatible with the buildings that contribute to the integrity of the district in terms of materials, features, size, scale and proportion, and massing of buildings. The municipality and the developer of the qualified project jointly apply and must be approved by the Vermont Downtown Development Board to receive the credit. In return, the taxpayer agrees to complete their project as specified in the application submitted, and the municipality agrees to use the reallocated tax revenue only for expenditures related to the support of the qualified project.
How taxes are reduced	Refund of sales taxes paid
How is the amount of the tax abatement determined	6% of taxable cost of construction materials
Provisions for recapturing abated taxes	N/A
Type of commitments other than taxes	N/A
Dollar amount of taxes abated during reporting period	\$152,821

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 2021 payments are \$17,328,532.
Dollar amount of taxes abated during reporting period	\$49,202,027

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	<p>Historic Rehabilitation Tax Credit is 10% of qualified expenditures up to a maximum tax credit of \$75,000.</p> <p>Façade Improvement Tax Credit is 25% of qualified expenditures up to a maximum tax credit of \$25,000.</p> <p>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.</p>
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	\$2,556,216

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	\$2,803,410

G. Accounting Changes**Accounting changes related to changes in Fiduciary Activities**

During the year ended June 30, 2021, the State implemented Statement No. 84, Fiduciary Activities (GASB 84). Balances previously reported in agency funds are now reported in the governmental funds or separately reported as custodial funds. The Statement improves guidance regarding the identification of fiduciary activities and how those activities should be reported. The Statement Implementation required the beginning net position of the custodial funds to be established. The effect of the restatement is shown below.

Restatement of net position

The effects of accounting changes on net position of the custodial funds were as follows:

	Custodial Funds Net Position
As originally reported, July 1	\$ -
Restatements	
Adjustment for the implementation of GASB 84 as of July 1, 2020	<u>2,241,686</u>
Restated amount	<u>\$ 2,241,686</u>

H. Subsequent Events

The State has evaluated whether any events have occurred subsequent to June 30, 2021, that would require disclosure and has determined that no such events have occurred through the date which these financial statements were available to be issued.



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 EIGHT FISCAL YEARS**

(Dollar amounts expressed in thousands)
(Unaudited)

	2021	2020	2019	2018
Total pension liability				
Service cost.....	\$ 70,993	\$ 53,010	\$ 51,946	\$ 49,744
Interest.....	214,277	204,548	194,127	180,860
Differences between expected and actual experience.....	59,818	5,123	40,476	83,266
Changes of assumptions.....	-	209,787	-	-
Benefit payments, including refunds of member contributions.....	(160,291)	(153,026)	(144,297)	(134,090)
	184,797	319,442	142,252	179,780
Net change in total pension liability.....				
Total pension liability, July 1.....	3,070,253	2,750,811	2,608,559	2,428,779
	3,255,050	3,070,253	2,750,811	2,608,559
Total pension liability, June 30.....				
Fiduciary net position				
Contributions - employer.....	88,944	84,430	66,618	64,564
Contributions - member.....	42,113	40,902	40,818	40,423
Net investment income (loss).....	497,423	78,965	106,778	123,632
Benefit payments, including refunds of member contributions.....	(160,291)	(153,026)	(144,297)	(134,090)
Administrative expenses.....	(2,281)	(2,268)	(2,246)	(1,720)
Other.....	247	594	299	249
	466,155	49,597	67,970	93,058
Net change in fiduciary net position.....				
Fiduciary net position, beginning of year.....	1,959,067	1,909,470	1,841,500	1,748,442
	2,425,222	1,959,067	1,909,470	1,841,500
Fiduciary net position, end of year.....				
Net pension liability, June 30.....	\$ 829,828	\$ 1,111,186	\$ 841,341	\$ 767,059
Fiduciary net position as a percentage of the total pension liability.....	74.51%	63.81%	69.41%	70.59%
Covered payroll.....	\$ 551,981	\$ 527,571	\$ 521,671	\$ 504,553
Net pension liability as a percentage of covered payroll.....	150.34%	210.62%	161.28%	152.03%
Notes to Schedule				
Change in assumptions:				
Discount rate.....	7.00%	7.00%	7.50%	7.50%
Assumed inflation.....	2.30%	2.30%	2.50%	2.50%
Assumed COLA increase				
Groups A, C, D and F (retired on or after 7/1/2008).....	2.40%	2.40%	2.55%	2.55%
Group F (retired before 7/1/2008).....	1.35%	1.35%	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.

	2017	2016	2015	2014
\$	42,704	\$ 47,012	\$ 41,786	\$ 39,369
	178,959	171,563	164,405	156,635
	19,283	25,051	3,979	-
	42,725	(21,853)	62,247	-
	<u>(126,480)</u>	<u>(120,094)</u>	<u>(111,396)</u>	<u>(104,493)</u>
	157,191	101,679	161,021	91,511
	<u>2,271,588</u>	<u>2,169,909</u>	<u>2,008,888</u>	<u>1,917,377</u>
	<u>2,428,779</u>	<u>2,271,588</u>	<u>2,169,909</u>	<u>2,008,888</u>
	60,280	54,347	55,881	56,483
	35,967	34,055	33,296	31,746
	170,358	17,962	(8,485)	203,722
	(126,480)	(120,094)	(111,396)	(104,493)
	(1,777)	(1,467)	(1,858)	(1,158)
	<u>444</u>	<u>(14)</u>	<u>177</u>	<u>454</u>
	138,792	(15,211)	(32,385)	186,754
	<u>1,609,650</u>	<u>1,624,861</u>	<u>1,657,246</u>	<u>1,470,492</u>
	<u>1,748,442</u>	<u>1,609,650</u>	<u>1,624,861</u>	<u>1,657,246</u>
\$	<u>680,337</u>	<u>661,938</u>	<u>545,048</u>	<u>351,642</u>
	71.99%	70.86%	74.88%	82.50%
\$	471,268	\$ 462,057	\$ 437,676	\$ 416,766
	144.36%	143.26%	124.53%	84.37%
	7.50%	7.95%	7.95%	8.22%
	2.50%	3.00%	3.00%	3.00%
	2.55%	3.00%	3.00%	3.00%
	1.40%	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 EIGHT FISCAL YEARS**

(Dollar amounts expressed in thousands)
(Unaudited)

	2021	2020	2019	2018
Total pension liability				
Service cost.....	\$ 72,149	\$ 40,744	\$ 39,766	\$ 40,117
Interest.....	270,700	255,393	246,468	237,747
Differences between expected and actual experience.....	88,065	31,637	28,998	59,469
Changes of assumptions.....	-	310,968	-	(32,957)
Benefit payments, including refunds of member contributions.....	(215,249)	(201,237)	(193,197)	(182,259)
Net change in total pension liability.....	215,665	437,505	122,035	122,117
Total pension liability, July 1.....	3,902,618	3,465,113	3,343,078	3,220,961
Total pension liability, June 30.....	4,118,283	3,902,618	3,465,113	3,343,078
Fiduciary net position				
Contributions - non-employer.....	125,910	120,247	113,748	110,354
Contributions - member.....	42,199	40,599	39,075	37,889
Net investment income (loss).....	512,194	83,105	109,429	125,566
Benefit payments, including refunds of member contributions.....	(215,249)	(201,237)	(193,197)	(182,259)
Administrative expenses.....	(2,782)	(2,815)	(2,715)	(2,084)
Other.....	9,031	7,103	5,775	4,349
Net change in fiduciary net position.....	471,303	47,002	72,115	93,815
Fiduciary net position, beginning of year.....	1,951,490	1,904,488	1,832,373	1,738,558
Fiduciary net position, end of year.....	2,422,793	1,951,490	1,904,488	1,832,373
Net pension liability, June 30.....	\$ 1,695,490	\$ 1,951,128	\$ 1,560,625	\$ 1,510,705
Fiduciary net position as a percentage of the total pension liability.....	58.83%	50.00%	54.96%	54.81%
Covered payroll.....	\$ 645,903	\$ 624,908	\$ 612,899	\$ 607,355
Net pension liability as a percentage of covered payroll.....	262.50%	312.23%	254.63%	248.74%
Notes to Schedule				
Change in assumptions:				
Discount rate.....	7.00%	7.00%	7.50%	7.50%
Assumed inflation.....	2.30%	2.30%	2.50%	2.50%
Assumed COLA increase				
Group A.....	2.40%	2.40%	2.55%	2.55%
Group C.....	1.35%	1.35%	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.

	2017	2016	2015	2014
\$	35,383	\$ 34,979	\$ 33,614	\$ 33,144
	228,939	222,185	215,447	206,150
	12,523	3,613	20,003	-
	185,849	(7,224)	57,489	-
	<u>(172,156)</u>	<u>(162,751)</u>	<u>(150,734)</u>	<u>(140,846)</u>
	290,538	90,802	175,819	98,448
	<u>2,930,423</u>	<u>2,839,621</u>	<u>2,663,802</u>	<u>2,565,354</u>
	<u>3,220,961</u>	<u>2,930,423</u>	<u>2,839,621</u>	<u>2,663,802</u>
	78,664	73,225	72,909	72,668
	36,142	35,409	34,864	32,559
	173,167	19,877	(7,567)	212,338
	(172,156)	(162,751)	(150,734)	(140,847)
	(2,214)	(1,797)	(2,259)	(26,116)
	<u>4,055</u>	<u>3,821</u>	<u>538</u>	<u>411</u>
	117,658	(32,216)	(52,249)	151,013
	<u>1,620,900</u>	<u>1,653,116</u>	<u>1,705,365</u>	<u>1,554,352</u>
	<u>1,738,558</u>	<u>1,620,900</u>	<u>1,653,116</u>	<u>1,705,365</u>
\$	<u>1,482,403</u>	<u>1,309,523</u>	<u>1,186,505</u>	<u>958,437</u>
	53.98%	55.31%	58.22%	64.02%
\$	586,397	\$ 557,708	\$ 567,074	\$ 563,623
	252.80%	234.80%	209.23%	170.05%
	7.50%	7.95%	7.95%	8.15%
	2.50%	3.00%	3.00%	3.00%
	2.55%	3.00%	3.00%	3.00%
	1.40%	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 EIGHT FISCAL YEARS**

(Dollar amounts expressed in thousands)
(Unaudited)

	2021	2020	2019	2018
Total pension liability				
Service cost.....	\$ 37,158	\$ 34,726	\$ 30,744	\$ 28,434
Interest.....	70,595	67,361	61,618	56,504
Differences between expected and actual experience.....	15,795	8,292	17,468	14,172
Changes of assumptions.....	-	38,774	-	-
Changes of benefit terms.....	-	-	-	194
Benefit payments, including refunds of member contributions.....	(43,357)	(39,084)	(35,397)	(31,445)
	<u>80,191</u>	<u>110,069</u>	<u>74,433</u>	<u>67,859</u>
Net change in total pension liability.....	80,191	110,069	74,433	67,859
Total pension liability, July 1.....	993,027	882,958	808,525	740,666
	<u>1,073,218</u>	<u>993,027</u>	<u>882,958</u>	<u>808,525</u>
Total pension liability, June 30.....	1,073,218	993,027	882,958	808,525
Fiduciary net position				
Contributions - employer.....	22,298	20,681	19,203	17,520
Contributions - member.....	23,074	20,771	19,778	19,167
Net investment income (loss).....	184,850	29,114	38,740	43,889
Benefit payments, including refunds of member contributions.....	(43,357)	(39,084)	(35,397)	(31,445)
Administrative expenses.....	(1,249)	(1,355)	(1,158)	(929)
Other.....	365	460	451	137
	<u>185,981</u>	<u>30,587</u>	<u>41,617</u>	<u>48,339</u>
Net change in fiduciary net position.....	185,981	30,587	41,617	48,339
Fiduciary net position, beginning of year.....	740,053	709,466	667,849	619,510
	<u>926,034</u>	<u>740,053</u>	<u>709,466</u>	<u>667,849</u>
Fiduciary net position, end of year.....	926,034	740,053	709,466	667,849
Net pension liability, June 30.....	\$ 147,184	\$ 252,974	\$ 173,492	\$ 140,676
Fiduciary net position as a percentage of the total pension liability.....	86.29%	74.52%	80.35%	82.60%
Covered payroll.....	\$ 327,492	\$ 306,103	\$ 289,839	\$ 274,814
Net pension liability as a percentage of covered payroll.....	44.94%	82.64%	59.86%	51.19%
Notes to Schedule				
Changes in assumptions and methods:				
Discount rate.....	7.00%	7.00%	7.50%	7.50%
Assumed inflation.....	2.30%	2.30%	2.50%	2.50%
Assumed COLA increase				
Group A.....	1.10%	1.10%	1.15%	1.15%
Group B, C, and D.....	1.20%	1.20%	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.

	2017	2016	2015	2014
\$	27,246	\$ 25,264	\$ 24,366	\$ 22,519
	54,780	49,744	46,058	42,139
	(3,749)	1,088	3,046	-
	14,481	12,204	19,192	-
	-	-	-	-
	<u>(27,803)</u>	<u>(25,589)</u>	<u>(23,314)</u>	<u>(20,601)</u>
	64,955	62,711	69,348	44,057
	<u>675,711</u>	<u>613,000</u>	<u>543,652</u>	<u>499,595</u>
	<u>740,666</u>	<u>675,711</u>	<u>613,000</u>	<u>543,652</u>
	16,482	15,236	14,136	12,806
	25,210	15,227	13,588	13,234
	59,487	6,777	(2,359)	64,346
	(27,803)	(25,589)	(23,315)	(20,601)
	(875)	(755)	(950)	(588)
	<u>(6)</u>	<u>215</u>	<u>279</u>	<u>2,143</u>
	72,495	11,111	1,379	71,340
	<u>547,015</u>	<u>535,904</u>	<u>534,525</u>	<u>463,186</u>
	<u>619,510</u>	<u>547,015</u>	<u>535,904</u>	<u>534,526</u>
\$	<u>121,156</u>	<u>128,696</u>	<u>77,096</u>	<u>9,126</u>
	83.64%	80.95%	87.42%	98.32%
\$	256,730	\$ 249,811	\$ 230,969	\$ 220,372
	47.19%	51.52%	33.38%	4.14%
	7.50%	7.95%	7.95%	8.23%
	2.50%	3.00%	3.00%	3.00%
	1.15%	1.50%	1.50%	1.50%
	1.30%	1.80%	1.80%	1.80%

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

<u>Retirement System</u>	<u>Year Ended 6/30</u>	<u>Actuarially Determined Contribution⁽¹⁾ (ADC)</u>	<u>Contributions in Relation to ADC</u>	<u>Contribution (Excess) Deficiency</u>	<u>Covered Payroll (CP)</u>	<u>Contribution as a Percent of CP</u>
Vermont State Retirement System	2021	\$ 83,877	\$ 88,944	\$ (5,067)	\$ 551,981	16.11%
	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⁾	2021	\$ 132,142	\$ 134,541	\$ (2,399)	\$ 645,903	20.83%
	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	2021	\$ 36,722	\$ 22,298	\$ 14,424	\$ 327,492	6.81%
	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	19 years	19 years	18 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%	7.00%
Inflation rate	2.50%	2.50%	2.30%
Projected salary increases	3.50%-7.04%	3.75%-9.09%	4.50%-7.00%
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 - 40% PubG-2010 General Employee Amount-Weighted below-median, and
60% 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

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

Post-retirement Beneficiaries

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.
Groups D - Pub-2010 Contingent Survivor Amount-Weighted, with generational projection using scale MP-2019.

Disabled Retiree:

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

⁽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 MERS rates - 2016 - 7.95%, 2018 - 7.50%, and 2020 - 7.00%

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 EIGHT YEARS⁽¹⁾
(Dollar amounts expressed in thousands)
(Unaudited)**

	Vermont State Retirement System			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
State's proportion of net pension liability	98.3248%	98.3137%	98.2187%	98.2850%
State's proportionate share of the net pension liability	\$ 1,092,572	\$ 827,153	\$ 753,395	\$ 668,669
Fiduciary net position as a percentage of the total pension liability	63.81%	69.41%	70.59%	71.99%
	State Teachers' Retirement System⁽²⁾			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
State's proportion of net pension liability	100%	100%	100%	100%
State's proportionate share of the net pension liability	\$ 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%

⁽¹⁾The amounts presented for each fiscal year were determined by an actuarial valuation on June 30 two years prior 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.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
98.3625%	98.3289%	98.2355%	98.1400%
\$ 651,099	\$ 535,939	\$ 345,437	\$ 438,573
70.86%	74.88%	82.50%	76.69%

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
100%	100%	100%	100%
\$ 1,309,523	\$ 1,186,505	\$ 958,437	\$ 1,011,002
55.31%	58.22%	64.02%	60.59%

**STATE OF VERMONT
 REQUIRED SUPPLEMENTARY INFORMATION
 DEFINED BENEFIT PLANS
 SCHEDULE OF INVESTMENT RETURNS
 LAST EIGHT YEARS
 (Unaudited)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
VERMONT STATE RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	24.59%	3.90%	5.90%	6.73%
STATE TEACHERS' RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	24.75%	4.10%	6.10%	6.99%
VERMONT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	24.32%	3.90%	5.80%	6.75%

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.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
-------------	-------------	-------------	-------------

10.33%	1.44%	-0.50%	14.05%
--------	-------	--------	--------

10.17%	1.69%	-0.40%	13.83%
--------	-------	--------	--------

10.88%	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 FIVE FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability				
Service cost.....	\$ 63,318	\$ 45,691	\$ 44,590	\$ 52,326
Interest.....	34,088	45,754	49,041	54,401
Changes of benefit terms.....	-	-	-	(20,233)
Differences between expected and actual experience.....	4,953	20,361	6,284	7,140
Changes of assumptions.....	43,573	127,633	(25,551)	(303,322)
Benefit payments, net of retiree contributions, including administrative expense...	<u>(35,561)</u>	<u>(35,768)</u>	<u>(35,340)</u>	<u>(34,559)</u>
Net change in total OPEB liability.....	110,371	203,671	39,024	(244,247)
Total OPEB liability, July 1.....	<u>1,482,970</u>	<u>1,279,299</u>	<u>1,240,275</u>	<u>1,484,522</u>
Total OPEB liability, June 30.....	<u>1,593,341</u>	<u>1,482,970</u>	<u>1,279,299</u>	<u>1,240,275</u>
Fiduciary net position				
Contributions - employer.....	90,463	38,600	63,750	32,957
Net investment income (loss).....	7,775	3,030	1,554	872
Benefit payments, including refunds of member contributions.....	(35,561)	(35,768)	(35,340)	(34,559)
Administrative expenses.....	<u>(1)</u>	<u>(3)</u>	<u>(2)</u>	<u>(1)</u>
Net change in fiduciary net position.....	62,676	5,859	29,962	(731)
Fiduciary net position, beginning of year.....	<u>57,592</u>	<u>51,733</u>	<u>21,771</u>	<u>22,502</u>
Fiduciary net position, end of year.....	<u>120,268</u>	<u>57,592</u>	<u>51,733</u>	<u>21,771</u>
Net OPEB liability, June 30.....	<u>\$ 1,473,073</u>	<u>\$ 1,425,378</u>	<u>\$ 1,227,566</u>	<u>\$ 1,218,504</u>
Fiduciary net position as a percentage of the total OPEB liability.....	7.55%	3.88%	4.04%	1.76%
Covered payroll.....	\$ 578,702	\$ 554,292	\$ 548,512	\$ 531,543
Net OPEB liability as a percentage of covered-payroll.....	254.55%	257.15%	223.80%	229.24%

Notes to Schedule

Plan Type: single employer

Benefit changes in 2018: Medical copays were modified, and pharmacy deductible and maximum 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%

In 2021 the discount rate was decreased from 2.23% to 2.41%

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.

2017

\$ 66,841
46,868
-
-
(190,151)
(33,346)

(109,788)
1,594,310

1,484,522

33,123
1,372
(33,346)
-

1,149
21,353

22,502

\$ 1,462,020

1.52%
\$ 497,201

294.05%

**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 FIVE FISCAL YEARS**

*(Dollar amounts expressed in thousands)
(Unaudited)*

	2021	2020	2019	2018
Total OPEB liability				
Service cost.....	\$ 50,729	\$ 30,590	\$ 20,786	\$ 26,273
Interest.....	28,809	37,030	36,139	32,838
Changes of benefit terms.....	(75,248)	-	(21,209)	-
Differences between expected and actual experience.....	33,179	31,061	24,665	42,621
Changes of assumptions.....	15,408	155,924	82,448	(50,192)
Benefit payments, net of retiree contributions, including administrative expense....	(30,775)	(27,551)	(29,607)	(29,329)
Net change in total OPEB liability.....	22,102	227,054	113,222	22,211
Total OPEB liability, July 1.....	1,268,119	1,041,065	927,843	905,632
Total OPEB liability, June 30.....	1,290,221	1,268,119	1,041,065	927,843
Fiduciary net position				
Contributions - non-employer.....	36,639	35,176	56,594	29,803
Net investment income (loss).....	53	283	31	20
Benefit payments, including refunds of member contributions.....	(30,775)	(27,551)	(29,607)	(29,329)
Administrative expenses.....	(2)	(2)	(263)	(279)
Other.....	-	501	-	-
Net change in fiduciary net position.....	5,915	8,407	26,755	215
Fiduciary net position, beginning of year.....	8,719	312	(26,443)	(26,658)
Fiduciary net position, end of year.....	14,634	8,719	312	(26,443)
Net OPEB liability, June 30.....	\$ 1,275,587	\$ 1,259,400	\$ 1,040,753	\$ 954,286
Fiduciary net position as a percentage of the total OPEB liability.....	1.13%	0.69%	0.03%	-2.85%
Covered payroll.....	\$ 645,903	\$ 624,908	\$ 612,899	\$ 607,355
Net OPEB liability as a percentage of covered payroll.....	197.49%	201.53%	169.81%	157.12%

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%

In 2021 the discount rate was decreased from 2.21% to 2.20%

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.

2017

\$ 32,511
26,425
-
-
(33,192)
(29,577)

(3,833)
909,465

905,632

23,839
41
(29,348)
(229)
-

(5,697)
(20,961)

(26,658)

\$ 932,290

-2.94%
\$ 586,397
158.99%

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF INVESTMENT RETURNS
LAST FIVE FISCAL YEARS
(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Vermont State Postemployment Benefit Trust Fund				
Annual money-weighted rate of return, net of investment expense	13.90%	6.20%	6.90%	4.00%
Retired Teachers' Health and Medical Benefits Fund *				
Annual money-weighted rate of return, net of investment expense	0.30%	N/A	N/A	N/A

* The Retired Teachers' Health and Medical Benefits Fund has no investments for those years.

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.

2017

6.50%

N/A

**STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
LAST FIVE FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)**

<u>Retirement System</u>	<u>Year Ended 6/30</u>	<u>Actuarially Determined Contribution⁽¹⁾ (ADC)</u>	<u>Contributions in Relation to ADC</u>	<u>Contribution (Excess) Deficiency</u>	<u>Covered Payroll (CP)</u>	<u>Contribution as a Percent of CP</u>
Vermont State Postemployment Benefit Trust Fund (VSPB)						
	2021	\$ 90,026	\$ 90,463	\$ (437)	\$ 578,702	15.63%
	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)						
	2021	\$ 67,912	\$ 36,639	\$ 31,273	\$ 645,903	5.67%
	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	27 years	27 years
Asset valuation method	Market Value	Market Value
<u>Actuarial assumptions</u>		
Investment rate of return	7.50%	7.50%
Discount rate	3.50%	3.50%
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%
<u>Health care cost trend rates</u>		
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-2006 White Collar Employee with generational projection using Scale SSA-2017

Healthy Retiree:

- All Groups - 98% of RP-2006 White Collar Annuitant with generational projection using Scale SSA-2017

Disabled Retiree:

- All Groups - RP-2006 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 FOUR FISCAL YEARS⁽¹⁾
(Dollar amounts expressed in thousands)
(Unaudited)**

Vermont State Postemployment Benefit Trust Fund

	2021	2020	2019	2018
State's proportion of net OPEB liability	98.3218%	98.9933%	98.2292%	98.2979%
State's proportionate share of the net OPEB liability	\$ 1,401,457	\$ 1,215,208	\$ 1,196,927	\$ 1,437,135
Fiduciary net position as a percentage of the total OPEB liability	3.88%	4.04%	1.76%	1.52%

Retired Teachers' Health and Medical Benefits Fund⁽²⁾

	2021	2020	2019	2018
State's proportion of net OPEB liability	100%	100%	100%	100%
State's proportionate share of the net OPEB liability	\$ 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%

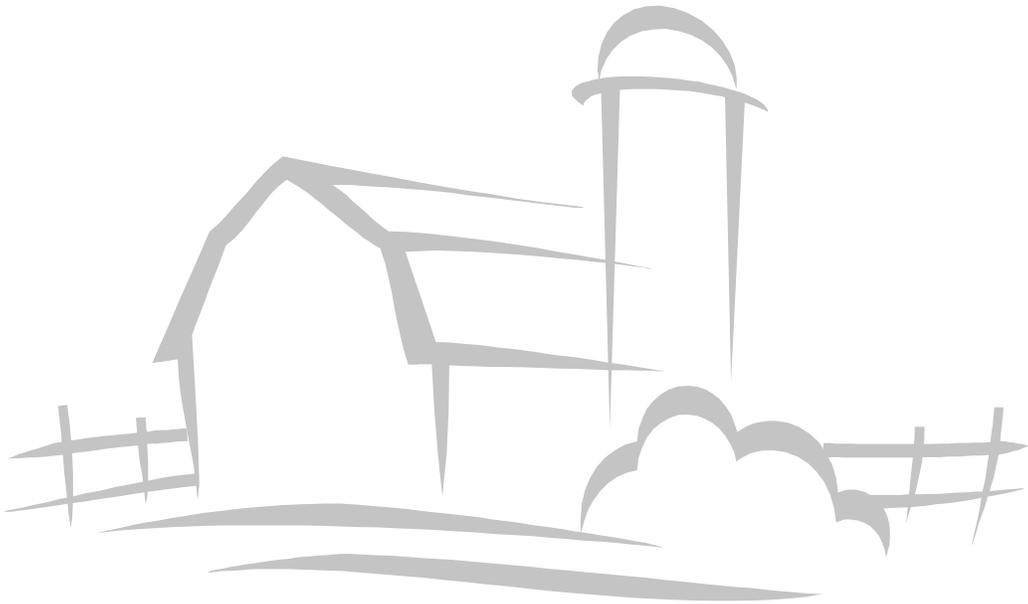
⁽¹⁾The amounts presented for each fiscal year were determined as of the measurement date. The measurement period and measurement date is one year prior to the fiscal year.

⁽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.

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Vermont

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
Revenues				
Taxes.....	\$ 1,343,900,000	\$ 1,504,400,000	\$ 1,882,503,623	\$ 378,103,623
Earnings of Departments.....	42,800,000	42,400,000	42,748,026	348,026
Other.....	27,300,000	27,000,000	27,108,011	108,011
Total revenues.....	1,414,000,000	1,573,800,000	1,952,359,660	378,559,660
Expenditures				
General Government				
Agency of Administration.....	53,347,764	54,214,025	49,925,825	(4,288,200)
Agency of Digital Services.....	174,342	832,816	827,266	(5,550)
Executive Office.....	1,657,770	2,007,699	1,097,139	(910,560)
Legislative Council.....	13,298,441	14,761,298	10,895,860	(3,865,438)
Joint Fiscal Office.....	2,093,770	2,567,362	2,264,654	(302,708)
Sergeant at Arms.....	951,819	1,037,021	835,348	(201,673)
Lieutenant Governor's Office.....	263,891	267,480	242,353	(25,127)
Auditor of Accounts.....	314,921	489,921	298,213	(191,708)
State Treasurer.....	975,600	1,391,931	999,435	(392,496)
State Labor Relations Board.....	286,887	307,313	288,822	(18,491)
VOSHA Review Board.....	45,650	79,380	51,647	(27,733)
Homeowner Property Tax Assistance.....	17,100,000	17,100,000	16,766,497	(333,503)
Renter Rebate Tax Assistance.....	9,500,000	10,441,963	7,228,998	(3,212,965)
Protection to Persons and Property				
Attorney General.....	8,418,700	8,837,866	8,707,592	(130,274)
Defender General.....	18,868,875	19,260,183	19,018,650	(241,533)
Judiciary.....	46,927,245	54,063,497	48,764,636	(5,298,861)
State's Attorneys and Sheriffs.....	19,824,602	20,656,373	18,946,177	(1,710,196)
Department of Public Safety.....	39,440,972	41,830,946	23,518,456	(18,312,490)
Military Department.....	5,613,712	5,468,630	5,101,316	(367,314)
Center for Crime Victim Services.....	1,232,712	1,635,639	1,105,853	(529,786)
Criminal Justice Training Council.....	2,609,420	2,636,625	2,311,221	(325,404)
Agency of Agriculture, Food and Markets.....	8,624,463	14,555,139	8,990,214	(5,564,925)
Secretary of State.....	-	450,000	390,705	(59,295)
Public Service Department.....	1,750,000	1,750,000	-	(1,750,000)
Human Rights Commission.....	637,188	725,488	680,065	(45,423)
Department of Liquor and Lottery.....	-	15,000	-	(15,000)
Human Services				
Agency of Human Services.....	979,536,255	946,178,953	870,486,634	(75,692,319)
Green Mountain Care Board.....	3,094,435	4,081,671	2,932,366	(1,149,305)
Governor's Commission on Women.....	399,187	417,083	404,181	(12,902)
Human Services Board.....	474,716	618,431	569,188	(49,243)
Vermont Veterans' Home.....	2,858,379	4,858,821	4,177,759	(681,062)
Labor				
Department of Labor.....	4,898,964	7,295,757	3,619,151	(3,676,606)
General Education				
Agency of Education.....	14,528,627	15,810,736	14,100,874	(1,709,862)
State Teacher's Retirement.....	150,811,880	150,811,880	150,811,880	-
Higher Education.....	116,952,209	121,952,209	121,952,204	(5)

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STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
Expenditures				
Natural Resources				
Agency of Natural Resources.....	30,536,662	63,944,830	29,905,221	(34,039,609)
Natural Resources Board.....	660,798	660,798	630,798	(30,000)
Commerce and Community Development				
Agency of Commerce and Community Development....	14,462,502	20,028,587	12,111,459	(7,917,128)
Cultural Development.....	2,048,664	2,112,821	2,112,821	-
Housing and Conservation Board.....	-	50,462,500	162,000	(50,300,500)
Transportation				
Agency of Transportation.....	-	138,000	-	(138,000)
Total expenditures.....	<u>1,575,222,022</u>	<u>1,666,756,672</u>	<u>1,443,233,478</u>	<u>(223,523,194)</u>
Excess of revenues over expenditures.....	<u>(161,222,022)</u>	<u>(92,956,672)</u>	<u>509,126,182</u>	<u>602,082,854</u>
Other Financing Sources (Uses)				
Transfers in.....	78,226,034	131,901,450	131,901,450	-
Transfers out.....	(182,982,829)	(186,052,950)	(186,052,950)	-
Premium on sale of bonds.....	13,036,104	13,036,104	13,036,104	-
Refunding bonds issued.....	70,747,542	70,747,542	70,747,542	-
Payment to escrow agent.....	(83,783,646)	(83,783,646)	(83,783,646)	-
Total other financing sources (uses).....	<u>(104,756,795)</u>	<u>(54,151,500)</u>	<u>(54,151,500)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses.....	<u>(265,978,817)</u>	<u>(147,108,172)</u>	<u>454,974,682</u>	<u>602,082,854</u>
Fund balance, July 1.....	<u>302,417,792</u>	<u>302,417,792</u>	<u>302,417,792</u>	<u>-</u>
Fund balance, June 30.....	<u>\$ 36,438,975</u>	<u>\$ 155,309,620</u>	<u>\$ 757,392,474</u>	<u>\$ 602,082,854</u>

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, 2021
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes.....	\$ 152,500,000	\$ 165,100,000	\$ 175,317,111	\$ 10,217,111
Motor vehicle fees.....	83,500,000	88,400,000	87,586,702	(813,298)
Federal.....	350,643,331	355,126,765	322,740,038	(32,386,727)
Other.....	<u>35,400,000</u>	<u>34,100,000</u>	<u>34,545,213</u>	<u>445,213</u>
Total revenues.....	<u>622,043,331</u>	<u>642,726,765</u>	<u>620,189,064</u>	<u>(22,537,701)</u>
Expenditures				
General Government				
Agency of Administration.....	3,911,594	3,883,691	3,883,691	-
Agency of Digital Services.....	900,000	900,000	-	(900,000)
Protection to Persons and Property				
Department of Public Safety.....	13,350,000	13,816,772	9,689,092	(4,127,680)
Transportation				
Agency of Transportation.....	<u>628,237,586</u>	<u>629,286,413</u>	<u>560,900,535</u>	<u>(68,385,878)</u>
Total expenditures.....	<u>646,399,180</u>	<u>647,886,876</u>	<u>574,473,318</u>	<u>(73,413,558)</u>
Excess of revenues over (under) expenditures	<u>(24,355,849)</u>	<u>(5,160,111)</u>	<u>45,715,746</u>	<u>50,875,857</u>
Other financing sources (uses)				
Transfers in.....	-	200,000	200,000	-
Transfers out.....	<u>(6,038,722)</u>	<u>(6,238,722)</u>	<u>(6,238,722)</u>	<u>-</u>
Total other financing sources (uses).....	<u>(6,038,722)</u>	<u>(6,038,722)</u>	<u>(6,038,722)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses.....	<u>(30,394,571)</u>	<u>(11,198,833)</u>	<u>39,677,024</u>	<u>50,875,857</u>
Fund balance, July 1.....	<u>5,559,008</u>	<u>5,559,008</u>	<u>5,559,008</u>	<u>-</u>
Fund balance (deficit), June 30.....	<u>\$ (24,835,563)</u>	<u>\$ (5,639,825)</u>	<u>\$ 45,236,032</u>	<u>\$ 50,875,857</u>

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, 2021
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
Revenues				
Taxes.....	\$ 1,683,166,085	\$ 1,759,366,085	\$ 1,788,419,971	\$ 29,053,886
Interest and premiums.....	<u>500,000</u>	<u>300,000</u>	<u>107,764</u>	<u>(192,236)</u>
Total revenues.....	<u>1,683,666,085</u>	<u>1,759,666,085</u>	<u>1,788,527,735</u>	<u>28,861,650</u>
Expenditures				
General Education				
Agency of Education.....	1,793,375,659	1,808,928,755	1,752,198,745	(56,730,010)
State Teachers' Retirement.....	<u>6,881,055</u>	<u>6,881,055</u>	<u>6,881,055</u>	<u>-</u>
Total expenditures.....	<u>1,800,256,714</u>	<u>1,815,809,810</u>	<u>1,759,079,800</u>	<u>(56,730,010)</u>
Excess of revenues over (under) expenditures.....	<u>(116,590,629)</u>	<u>(56,143,725)</u>	<u>29,447,935</u>	<u>85,591,660</u>
Other financing sources (uses)				
Transfers in.....	<u>39,912,349</u>	<u>39,912,349</u>	<u>39,912,349</u>	<u>-</u>
Total other financing sources (uses).....	<u>39,912,349</u>	<u>39,912,349</u>	<u>39,912,349</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses.....	<u>(76,678,280)</u>	<u>(16,231,376)</u>	<u>69,360,284</u>	<u>85,591,660</u>
Fund balance, July 1.....	<u>68,266,850</u>	<u>68,266,850</u>	<u>68,266,850</u>	<u>-</u>
Fund balance (deficit), June 30.....	<u>\$ (8,411,430)</u>	<u>\$ 52,035,474</u>	<u>\$ 137,627,134</u>	<u>\$ 85,591,660</u>

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, 2021
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
Revenues				
Special Fund Revenues.....	\$ 403,795,861	\$ 689,721,649	\$ 483,269,154	\$ (206,452,495)
Total revenues.....	403,795,861	689,721,649	483,269,154	(206,452,495)
Expenditures				
General Government				
Agency of Administration.....	19,640,859	40,289,954	23,721,007	(16,568,947)
Agency of Digital Services.....	387,710	398,775	368,471	(30,304)
Executive Office.....	197,500	290,779	202,520	(88,259)
Joint Fiscal Office.....	-	250,000	75,465	(174,535)
Sergeant at Arms.....	-	18,136	18,136	-
Auditor of Accounts.....	53,145	170,391	170,391	-
State Treasurer.....	3,161,815	3,579,273	3,372,652	(206,621)
State Labor Relations Board.....	9,576	9,576	5,561	(4,015)
VOSHA Review Board.....	45,649	48,665	48,665	-
Unorganized Towns and Gores.....	-	480,000	298,338	(181,662)
Protection to Persons and Property				
Attorney General.....	5,694,696	6,270,638	5,923,155	(347,483)
Defender General.....	589,653	756,123	448,822	(307,301)
Judiciary.....	5,278,174	14,023,626	3,950,993	(10,072,633)
State's Attorneys and Sheriffs.....	2,732,343	2,753,925	2,727,042	(26,883)
Department of Public Safety.....	21,819,972	23,817,499	18,089,364	(5,728,135)
Military Department.....	214,012	942,249	822,086	(120,163)
Center for Crime Victim Services.....	5,354,316	5,389,316	3,905,442	(1,483,874)
Criminal Justice Training Council.....	285,286	457,031	406,919	(50,112)
Agency of Agriculture, Food and Markets.....	14,651,768	20,525,035	13,755,637	(6,769,398)
Department of Financial Regulation.....	16,003,866	17,253,866	15,967,853	(1,286,013)
Secretary of State.....	11,754,833	15,522,128	14,913,498	(608,630)
Public Service Department.....	11,516,409	15,425,253	9,285,396	(6,139,857)
Public Utility Commission.....	3,904,459	3,904,459	3,823,660	(80,799)
Enhanced 911 Board.....	4,808,426	6,111,341	6,027,142	(84,199)
Human Rights Commission.....	-	10,000	579	(9,421)
Department of Liquor and Lottery.....	213,843	320,745	276,904	(43,841)
Cannabis Control Board.....	-	650,000	52,811	(597,189)
Human Services				
Agency of Human Services.....	174,415,143	307,985,362	255,775,024	(52,210,338)
Green Mountain Care Board.....	4,643,208	5,468,198	4,411,842	(1,056,356)
Governor's Commission on Women.....	3,569	8,329	424	(7,905)
Labor				
Department of Labor.....	8,031,539	8,031,539	1,615,478	(6,416,061)
General Education				
Agency of Education.....	22,467,290	22,542,230	15,696,020	(6,846,210)

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STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
Expenditures				
Natural Resources				
Agency of Natural Resources.....	73,222,252	96,475,165	63,394,402	(33,080,763)
Natural Resources Board.....	2,651,184	2,651,184	2,451,012	(200,172)
Commerce and Community Development				
Agency of Commerce and Community Development.....	10,290,178	32,753,540	23,866,903	(8,886,637)
Transportation				
Agency of Transportation.....	<u>5,688,970</u>	<u>9,567,806</u>	<u>2,779,770</u>	<u>(6,788,036)</u>
Total expenditures.....	<u>429,731,643</u>	<u>665,152,136</u>	<u>498,649,384</u>	<u>(166,502,752)</u>
Excess of revenues over expenditures.....	<u>(25,935,782)</u>	<u>24,569,513</u>	<u>(15,380,230)</u>	<u>(39,949,743)</u>
Other Financing Sources (Uses)				
Proceeds on sale of refunding bonds.....	-	392,458	392,458	-
Transfers in.....	50,366,986	53,537,106	53,537,106	-
Transfers out.....	<u>(24,431,204)</u>	<u>(78,106,620)</u>	<u>(78,106,620)</u>	<u>-</u>
Total other financing sources (uses).....	<u>25,935,782</u>	<u>(24,177,056)</u>	<u>(24,177,056)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses.....	-	392,457	(39,557,286)	(39,949,743)
Fund balance, July 1.....	<u>179,184,758</u>	<u>179,184,758</u>	<u>179,184,758</u>	<u>-</u>
Fund balance, June 30.....	<u>\$ 179,184,758</u>	<u>\$ 179,577,215</u>	<u>\$ 139,627,472</u>	<u>\$ (39,949,743)</u>

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, 2021
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
Revenues				
Federal.....	\$ 1,782,193,763	\$ 3,455,156,628	\$ 2,155,724,613	\$(1,299,432,015)
Interest and premiums.....	-	223,450	223,450	-
Other.....	-	18,271,665	18,271,665	-
Total revenues.....	<u>1,782,193,763</u>	<u>3,473,651,743</u>	<u>2,174,219,728</u>	<u>(1,299,432,015)</u>
Expenditures				
General Government				
Agency of Administration.....	4,928,620	335,390,582	251,991,911	(83,398,671)
Agency of Digital Services	-	5,210,970	3,854,858	(1,356,112)
Executive Office	-	685,684	685,684	-
Legislative Council	-	5,086,487	2,585,895	(2,500,592)
Joint Fiscal Office.....	-	234,223	234,223	-
Seargent at Arms	-	29,284	29,284	-
Auditor of Accounts.....	-	115,898	40,868	(75,030)
State Treasurer.....	-	228,486	228,486	-
Protection to Persons and Property				
Attorney General.....	1,492,372	1,492,372	1,093,463	(398,909)
Defender General.....	-	756,372	756,372	-
Judiciary.....	887,586	8,406,586	8,026,030	(380,556)
State's Attorneys and Sheriffs.....	232,812	1,081,397	959,235	(122,162)
Department of Public Safety.....	39,184,573	203,678,957	131,597,054	(72,081,903)
Military Department.....	50,662,252	96,299,017	35,012,392	(61,286,625)
Center for Crime Victim Services.....	7,172,443	8,805,348	8,590,493	(214,855)
Criminal Justice Training Council.....	13,000	13,000	13,000	-
Agency of Agriculture, Food and Markets.....	5,340,651	27,874,136	27,435,489	(438,647)
Department of Financial Regulation.....	-	534,650	534,650	-
Secretary of State.....	1,330,236	6,535,727	4,901,393	(1,634,334)
Public Service Department.....	1,252,800	59,727,800	23,444,642	(36,283,158)
Enhanced 911 Board.....	-	74,328	74,328	-
Human Rights Commission.....	74,441	119,447	90,372	(29,075)
Department of Liquor and Lottery.....	184,484	186,789	140,078	(46,711)
Human Services				
Agency of Human Services.....	1,461,521,982	1,971,048,758	1,827,119,423	(143,929,335)
Human Services Board.....	353,761	439,924	107,034	(332,890)
Vermont Veterans' Home.....	-	643,000	643,000	-
Labor				
Department of Labor.....	31,264,367	77,334,542	74,145,703	(3,188,839)
General Education				
Higher Education.....	-	55,349,739	47,149,739	(8,200,000)
Agency of Education.....	136,967,503	266,264,895	233,901,814	(32,363,081)
Natural Resources				
Agency of Natural Resources.....	43,573,700	61,632,244	49,194,792	(12,437,452)
Natural Resources Board.....	-	27,310	27,310	-

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STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
FEDERAL REVENUE FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Commerce and Community Development				
Agency of Commerce and Community Development.....	12,824,736	234,219,908	198,623,797	(35,596,111)
Housing and Conservation Board.....	-	33,091,499	32,206,047	(885,452)
Transportation				
Agency of Transportation.....	-	9,605,825	9,557,712	(48,113)
Total expenditures.....	1,799,262,319	3,472,225,184	2,974,996,571	(497,228,613)
Excess of revenues over expenditures.....	(17,068,556)	1,426,559	(800,776,843)	(802,203,402)
Other Financing Sources (Uses)				
Transfers in.....	51,183,289	51,183,289	51,183,289	-
Transfers out.....	(34,114,732)	(34,114,732)	(34,114,732)	-
Total other financing sources (uses).....	17,068,557	17,068,557	17,068,557	-
Excess of revenues and other sources over (under) expenditures and other uses.....	1	18,495,116	(783,708,286)	(802,203,402)
Fund balance, July 1.....	1,066,770,556	1,066,770,556	1,066,770,556	-
Fund balance, June 30.....	\$ 1,066,770,557	\$ 1,085,265,672	\$ 283,062,270	\$ (802,203,402)

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, 2021
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Global Commitment Premiums.....	\$ 1,606,752,950	\$ 1,623,649,257	\$ 1,573,276,553	\$ (50,372,704)
Total revenues.....	1,606,752,950	1,623,649,257	1,573,276,553	(50,372,704)
Expenditures				
Human Services				
Agency of Human Services.....	1,583,321,128	1,600,217,435	1,549,857,519	(50,359,916)
General Education				
Higher Education.....	1,077,712	1,077,712	1,077,712	-
Agency of Education.....	260,000	260,000	247,211	(12,789)
Total expenditures.....	1,584,658,840	1,601,555,147	1,551,182,442	(50,372,705)
Excess of revenues over (under) expenditures.....	22,094,110	22,094,110	22,094,111	1
Other financing sources (uses)				
Transfers out.....	(22,094,110)	(22,094,110)	(22,094,110)	-
Total other financing sources (uses).....	(22,094,110)	(22,094,110)	(22,094,110)	-
Excess of revenues and other sources over (under) expenditures and other uses.....	-	-	1	1
Fund balance, July 1.....	16,041	16,041	16,041	-
Fund balance, June 30.....	\$ 16,041	\$ 16,041	\$ 16,042	\$ 1

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, 2021:

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Education Fund</u>	<u>Special Fund</u>	<u>Federal Revenue Fund</u>	<u>Global Commitment Fund</u>
Fund Balance - Budgetary Basis.....	\$ 757,392,474	\$ 45,236,032	\$ 137,627,134	\$ 139,627,472	\$ 283,062,270	\$ 16,042
Basis differences						
Cash not in budget balances.....	(61,858,238)	111,648	1,655,771.00	1,211,337	(568,874)	(26,154)
Taxes receivable.....	241,227,779	336,878	63,682,647.00	1,917,928	-	-
Notes and loans receivable.....	5,262,053	-	-	2,522,920	-	-
Other receivables.....	1,858,687	9,744,447	2,515,171.00	25,309,370	(7,079,560)	38,627,114
Interest receivable.....	127,067	-	167	-	-	-
Due from other funds.....	3,245,641	1,698	-	47,788,000	2,737,611	71,743,947
Due from federal government.....	-	56,923,922	-	-	246,278,859	105,943,300
Due from component units.....	3,303,642	-	-	-	-	-
Interfund receivable.....	58,759,015	-	-	-	-	-
Advances to other funds.....	(199,646)	-	-	-	-	-
Advances to component units.....	5,500,000	-	-	-	-	-
Other current assets.....	-	-	-	-	42,170	-
Accounts payable.....	(24,643,561)	(42,909,117)	(28,568,476)	(29,450,096)	(90,000,603)	(173,816,945)
Accrued liabilities.....	(25,615,948)	(7,467,984)	-	(7,101,788)	(12,609,872)	(2,011,637)
Retainage payable.....	(228,294)	(81,594)	-	(318,649)	(1,946,271)	-
Unearned revenue.....	(6,513,952)	(51,612)	-	(272,376)	(295,843,800)	-
Tax refunds payable.....	(39,080,513)	-	(284,146)	(127,200)	-	-
Intergovernmental payables - federal government..	-	-	-	-	(5,615,767)	-
Due to other funds.....	(76,357,541)	(3,700,737)	(222,664)	(11,269,540)	(50,600,679)	(2,314,478)
Due to component units.....	(10,300,500)	-	-	-	(67,736)	-
Unavailable revenue.....	(179,293,863)	(9,341,448)	(10,515,644)	(22,093,028)	-	(8,736,011)
Entity differences						
Blended non-budgeted funds.....	-	3,946,565	-	9,238,522	436,136,227	-
Perspective differences						
Component unit included in budgeted funds.....	-	-	-	(4,435)	562,817	-
Fund Balance - GAAP Basis.....	<u>\$ 652,584,302</u>	<u>\$ 52,748,698</u>	<u>\$ 165,889,960</u>	<u>\$ 156,978,437</u>	<u>\$ 504,486,792</u>	<u>\$ 29,425,178</u>