

*STATE OF VERMONT*

**ANNUAL  
COMPREHENSIVE  
FINANCIAL REPORT**

*For the fiscal year ended JUNE 30, 2021*



*Philip B. Scott*  
Governor

*Prepared by the Department of Finance and Management*

**STATE OF VERMONT  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	PAGE
<b>INTRODUCTION (Unaudited)</b>	
Title page.....	1
Table of Contents.....	2 - 4
Letter of Transmittal.....	5 - 8
Certificate of Achievement .....	9
Organization Chart.....	10
Selected State Officials.....	11
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report.....	13 - 15
Management's Discussion and Analysis (Unaudited).....	16 - 35
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position.....	38 - 39
Statement of Activities.....	40 - 41
Governmental Funds Financial Statements	
Balance Sheet.....	44 - 45
Reconciliation of Governmental Fund Balances to the Statement of Net Position - Governmental Activities.....	46
Statement of Revenues, Expenditures and Changes in Fund Balances.....	48 - 49
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities - Governmental Activities.....	50
Proprietary Funds Financial Statements	
Statement of Net Position.....	52 - 55
Statement of Revenues, Expenses and Changes in Net Position.....	56 - 57
Statement of Cash Flows.....	58 - 59
Fiduciary Funds Financial Statements	
Statement of Fiduciary Net Position.....	62
Statement of Changes in Fiduciary Net Position.....	63
Discretely Presented Component Units Financial Statements	
Statement of Net Position.....	66 - 67
Statement of Activities.....	68
Notes to the Financial Statements Index.....	69
Notes to the Financial Statements.....	70 - 176

	<u>PAGE</u>
<b>Required Supplementary Information (Unaudited)</b>	
Defined Benefit Pension Plans-Schedule of Changes in Net Pension Liability and Related Ratios.....	178 - 183
Defined Benefit Pension Plans-Schedule of Employer and Nonemployer Contributions.....	184
Defined Benefit Pension Plans-Notes to Required Supplementary Information.....	185
Defined Benefit Pension Plans-Schedule of State's Proportionate Share of the Net Pension Liability.....	186 - 187
Defined Benefit Pension Plans-Schedule of Investment Returns.....	188 - 189
Other Postemployment Benefit Plans-Schedule of Changes in Net OPEB Liability and Related Ratios...	190 - 193
Other Postemployment Benefit Plans-Schedule of Investment Returns.....	194 - 195
Other Postemployment Benefit Plans-Schedule of Employer and Non-Employer Contributions.....	196
Other Postemployment Benefit Plans-Notes to Required Supplementary Information.....	197
Other Postemployment Benefit Plans-Schedule of State's Proportionate Share of the Net OPEB Liability...	198
Budgetary Comparison Schedule-General Fund.....	200 - 201
Budgetary Comparison Schedule-Transportation Fund.....	202
Budgetary Comparison Schedule-Education Fund.....	203
Budgetary Comparison Schedule-Special Fund.....	204 - 205
Budgetary Comparison Schedule-Federal Revenue Fund.....	206 - 207
Budgetary Comparison Schedule-Global Commitment Fund.....	208
Notes to Required Supplementary Information-Budgetary Reporting.....	209 - 210
<b>Other Supplementary Information - Combining and Individual Fund Statements and Schedules</b>	
Governmental Funds	
Nonmajor Governmental Funds	
Combining Balance Sheet.....	214 - 217
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	218 - 221
Proprietary Funds	
Nonmajor Enterprise Funds	
Combining Statement of Net Position.....	224 - 225
Combining Statement of Revenues, Expenses and Changes in Net Position.....	226 - 227
Combining Statement of Cash Flows.....	228 - 229
Internal Service Funds	
Combining Statement of Net Position.....	232 - 236
Combining Statement of Revenues, Expenses and Changes in Net Position.....	238 - 242
Combining Statement of Cash Flows.....	244 - 248
Fiduciary Funds	
Pension and Other Postemployment Benefit Trust Funds	
Combining Statement of Fiduciary Net Position.....	250 - 251
Combining Statement of Changes in Fiduciary Net Position.....	252 - 253
Custodial Funds	
Combining Statement of Fiduciary Net Position.....	256
Combining Statement of Changes in Fiduciary Net Position.....	257
Discretely Presented Component Units	
Non-major Component Units	
Combining Statement of Net Position.....	260 - 261
Combining Statement of Activities.....	262

	<u>PAGE</u>
<b>STATISTICAL SECTION (Unaudited)</b>	
Statistical Section Contents.....	263
Financial Trends Information	
Table 1 - Net position by component, last 10 fiscal years.....	264 - 265
Table 2 - Changes in net position, last 10 fiscal years.....	266 - 269
Table 3 - Fund balances, governmental funds - last 10 fiscal years.....	270 - 271
Table 4 - Changes in fund balances, governmental funds - last 10 fiscal years.....	272 - 273
Revenue Capacity Information	
Table 5 - Personal income and earnings by major industry, last 10 calendar years.....	274 - 275
Table 6 - Personal income tax rates and collections, last 10 calendar years.....	276
Table 7 - Personal income tax filers and liability by income level, calendar years 2019 and 2010.....	277
Debt Capacity Information	
Table 8 - Ratios of outstanding debt by type, last 10 years.....	278
Table 9 - Ratios of general obligation bonded debt outstanding, last 10 fiscal years .....	279
Demographic and Economic Information	
Table 10 - Demographic and economic statistics.....	280 - 281
Table 11 - Annual average non-farm employment by industry.....	282
Operating Information	
Table 12 - State government full-time equivalent employees by function/program.....	283
Table 13 - Operating indicators by function/program, last 10 years.....	284 - 285
Table 14 - Capital asset statistics by function, last 10 years.....	286 - 287
Table 15 - Tax increment financing districts revenues, last 10 years.....	288
Legend of Acronyms.....	289 - 290



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*Adam Greshin, Commissioner*

## **LETTER OF TRANSMITTAL**

To The Honorable Philip B. Scott, Governor,  
The Honorable Molly Gray, Lieutenant Governor,  
Chairs of House Committees on Appropriations, Institutions and Ways and Means,  
Senate Committees on Appropriations, Finance, and Institutions, and  
the Citizens living in the State of Vermont:

Pursuant to 32 VSA § 182 (a)(8), the Department of Finance and Management is pleased to present the Annual Comprehensive Financial Report (ACFR) of the State of Vermont for the fiscal year ended June 30, 2021. The Department prepared these financial statements and is responsible for the completeness and reliability of the information presented. To provide a reasonable basis for making these representations, the Department has established a comprehensive internal control framework designed to protect the state's assets from loss, theft, or misuse and to compile sufficient, reliable information for the presentation of this report in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The cost of internal controls should not outweigh their benefits. Vermont's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free of material misstatement. I believe the accompanying financial statements are accurate and fairly stated in all material respects and presented in a manner designed to report the State of Vermont's financial position, results of operations and changes in net position/fund balances.

Please pay particular attention to two important items contained in this ACFR. The first item is the Management's Discussion and Analysis (MD&A) that follows the Independent Auditors' Report. This analysis is designed to provide, in understandable terms, an overview of the state's financial position. The Basic Financial Statements (BFS) follow the MD&A. The BFS were prepared in conformity with GAAP as prescribed by the GASB. The BFS contain government-wide statements that present the state's financial activities in a manner similar to that of a private corporation. Fund statements report governmental, proprietary, and fiduciary fund financial activity; discretely presented component unit financial activity; and note disclosures that explain and enhance the basic financial statements.

In addition to the MD&A and BFS, this ACFR includes a Required Supplementary Information (RSI) section, Other Supplementary Information section, and a Statistical section. The RSI section contains various schedules relating to the state's defined benefit pension and other postemployment benefits plans, and Budget to Actual comparison schedules for the state's General and major special revenue funds with Notes reconciling budgetary fund balance to the governmental funds' GAAP fund balance. The Other Supplementary Information section contains combined fund financial statements for the state's Non-major Governmental, Proprietary, and Fiduciary Funds, and discretely presented Component Units. The Statistical section presents data relating to financial trends, revenue and debt capacity, and demographic and operating information about the State of Vermont. Please note the information contained in the MD&A, RSI and Statistical sections is unaudited.

This ACFR includes the funds and entities for which the state is accountable based on GASB's criteria for defining the financial reporting entity. The criteria include fiscal dependence, financial accountability, and legal standing. Please refer to Note I for more information regarding the reporting entity and the component units.

## **State Profile**

Vermont, known as the Green Mountain State, was first settled by the French in 1666, then by the English in 1690, and joined the Union as the fourteenth state in 1791. Rural in character, the state measures 9,615 square miles of land and water area, ranking the state 45th in terms of land and water area among the 50 states. Vermont's population, as measured by the last decennial Census on April 1, 2010, was 625,741, ranking the state 49th among the 50 states - unchanged from the 2000 and 1990 Censuses per the U.S. Bureau of the Census. The state capital is Montpelier, and the largest city is Burlington. As of calendar year 2019, 93.1 percent of Vermonters aged 25 or older were at least high school graduates (ranked number 8 in the country) while 38.7 percent had at least a college bachelor's degree (ranked number 8 in the country), per the U.S. Bureau of the Census.

The State Constitution provides for three traditional branches of Government – the Legislative, the Executive, and the Judicial. The Legislative branch is comprised of the House of Representatives (150 members) and the Senate (30 members); all are elected for two-year terms. The Executive branch includes six elected officers – the Governor, Lieutenant Governor, Treasurer, Secretary of State, Auditor of Accounts, and the Attorney General – all elected for two-year terms, without term limitations. The Governor is responsible for the faithful execution of all laws and the management of the departments and agencies of the Executive Branch – including the agencies of Administration; Transportation; Natural Resources; Commerce and Community Development; Education; Agriculture, Food and Markets; Digital Services; and Human Services, as well as other departments – through which the functions of state government are carried out. The Judicial branch of the state comprises the Supreme Court, Superior Courts, and the Judicial Bureau. The judges are appointed by the Governor with the advice and consent of the Senate and serve six-year terms

## **Budget Adoption and Legal Compliance/Budgetary Results**

The Required Supplementary Information section includes Budget to Actual comparison schedules for the General Fund and the five budgeted special revenue funds. The state's budgeting process is described in the Notes to the Budget to Actual comparison schedules. These schedules present each fund's original budget, final budget, actual expenditures incurred on a budgetary basis, and the variance between the final budget and actual expenditures incurred. The adopted budget provides legal control over spending. Vermont law prohibits expenditures in excess of amounts appropriated. Budgetary control is exercised by fund within appropriation.

## **The General Fund**

The General Fund accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in other funds, as well as the expenditures associated with these revenues. In fiscal year 2021, General Fund tax revenues accounted for 96.0 percent of total General Fund revenues. The three principal tax revenue contributors – the personal and corporate income tax, and the meals and rooms tax – accounted for 76.0 percent of General Fund total tax revenues, or approximately 72.9 percent of total General Fund revenues. General Fund expenditures used 55.2 percent of the total revenues, and these expenditures occurred in the following major governmental functional categories: General Government, Protection to Persons and Property, Human Services, Labor, General Education, Natural Resources, Commerce and Community Development, and debt service. Most of the remainder of the resources provided by 2021 General Fund revenues was transferred to other funds and used for various purposes. Please see Note IV.D for a summary of these transfers.

## **Economic Condition**

Vermont's economy started the 2021 fiscal year coping with the effects of a "once in a hundred years" pandemic and its associated negative impacts on the economy. Across the fiscal year, there were particularly harsh, negative impacts on employers and sectors of the economy where it was difficult or impossible for employees and customers to practice "social distancing" (e.g., the leisure and hospitality sector, the entertainment sector, and "bricks and mortar" retailing). During the brief but sharp pandemic-induced economic downturn the state economy lost approximately 63,500 nonfarm payroll jobs. It has since recovered 69.9 percent of those lost jobs and has approximately 19,100 jobs left to recover before the state's job count returns to its pre-pandemic level. The percentage of Vermont's nonfarm payroll jobs left-to-recover compares unfavorably to the U.S. average which stood at 18.8% of the jobs left-to-recover relative to those lost during the pandemic-induced downturn. Vermont's unfavorable job loss and job recovery rate metrics appear to be tied to the larger than average importance of its travel and tourism sector. This sector has been disproportionately and negatively impacted by the pandemic. Nonetheless, after a half percentage point slower rate of inflation-adjusted output growth during calendar year 2021, Vermont's inflation-adjusted rate of output growth during calendar year 2023 is expected to be only 0.1 percentage points slower than the U.S. average annual rate (at +2.8 percent in Vermont for the year versus 2.9 percent for the U.S. as a whole).

Vermont continues to do a comparatively good job in managing the public health aspects of the COVID pandemic. Vermont consistently ranks first or near the top of all states in the nation in terms of its vaccination and testing metrics. The state continues to fight the pandemic by encouraging vaccination and by educating the public about the CDC guidelines developed to slow the spread of COVID.

Based on Vermont's July 2021 consensus economic forecast, the state's unemployment rate is expected to average 2.8 percent for calendar year 2021 and then move lower to average 2.3% during calendar year 2022 and level off at 2.4 percent during calendar year 2023. At an annual average of 2.4 percent in calendar year 2023, Vermont's unemployment rate would be only 0.1 percentage points above the pre-pandemic average of 2.3 percent experienced across the state during calendar year 2019. In addition, if that forecasted 2.4 percent annual average unemployment rate is realized, the state's annual average unemployment rate would be 1.1 percentage points below the forecasted U.S. unemployment rate for the same period. The rate of payroll job growth is expected to increase by 2.7 percent in calendar year 2021 and 3.8 percent in calendar year 2022. For calendar year 2021, Vermont's personal income growth is expected to increase 3.5 percent, and then increase by another 1.3 percent during calendar year 2022 as the level of federal pandemic relief payments are expected to wind down. One continuing bright spot in the state's economy is the housing market where recent housing price and transaction volume increases have been driven by out-of-state buyers seeking a safer place to live. Housing prices in Vermont are expected to increase by 8.7 percent in calendar year 2021 and then surge by 10.2 percent in calendar year 2022. Housing process are then forecasted to increase by another 8.9 percent in calendar year 2023.

## **Long-term Financial Planning**

As part of the state's long-term financial planning, the Legislature created a Capital Debt Affordability Advisory Committee which is required to present to the Governor and General Assembly, no later than September 30th of each year, a recommendation as to the maximum amount of net tax-supported debt the state may prudently issue for the ensuing fiscal year while maintaining the state's Aa1/AA+ debt rating. The recommendation is calculated and presented in accordance with certain debt affordability guidelines and other matters that may be relevant to the proposed debt to be authorized.

At its September 2021 meeting the Committee made a recommendation of net tax-supported debt not to exceed \$123.2 million for the 2022-2023 fiscal year biennium, reaffirming the first year's recommendation at the start of the 2022-2023 fiscal year biennium. In the 2021 legislative session, the General Assembly authorized \$123.2

million in total capital project spending in new general obligation debt and \$4.2 million in transfers and reallocations.

### **Independent Audit of These Financial Statements**

CliftonLarsonAllen LLP, an independent certified public accounting firm, performed an independent audit of the state's basic financial statements for the fiscal year ended June 30, 2021. The auditors have issued unmodified opinions, the most favorable outcome of the audit process. The audit described in the auditor's report is not intended to meet all requirements of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards rule (commonly called "Uniform Guidance") implemented in December 2014. Rather, the Uniform Guidance Audit Report for Vermont is issued under separate cover.

### **Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Vermont for its ACFR for the fiscal year ended June 30, 2020. This was the thirteenth year Vermont has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe this ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report involved the dedicated work of staff in the Department of Finance and Management, the Office of the State Treasurer, the Office of the Auditor of Accounts, and the support of all state agencies, departments, component units, the Legislature, and the Judiciary. We welcome inquiries concerning this report and the finances of the State of Vermont.

Sincerely,



Adam Greshin  
Commissioner  
Department of Finance and Management  
December 23, 2021





Government Finance Officers Association

Certificate of  
Achievement  
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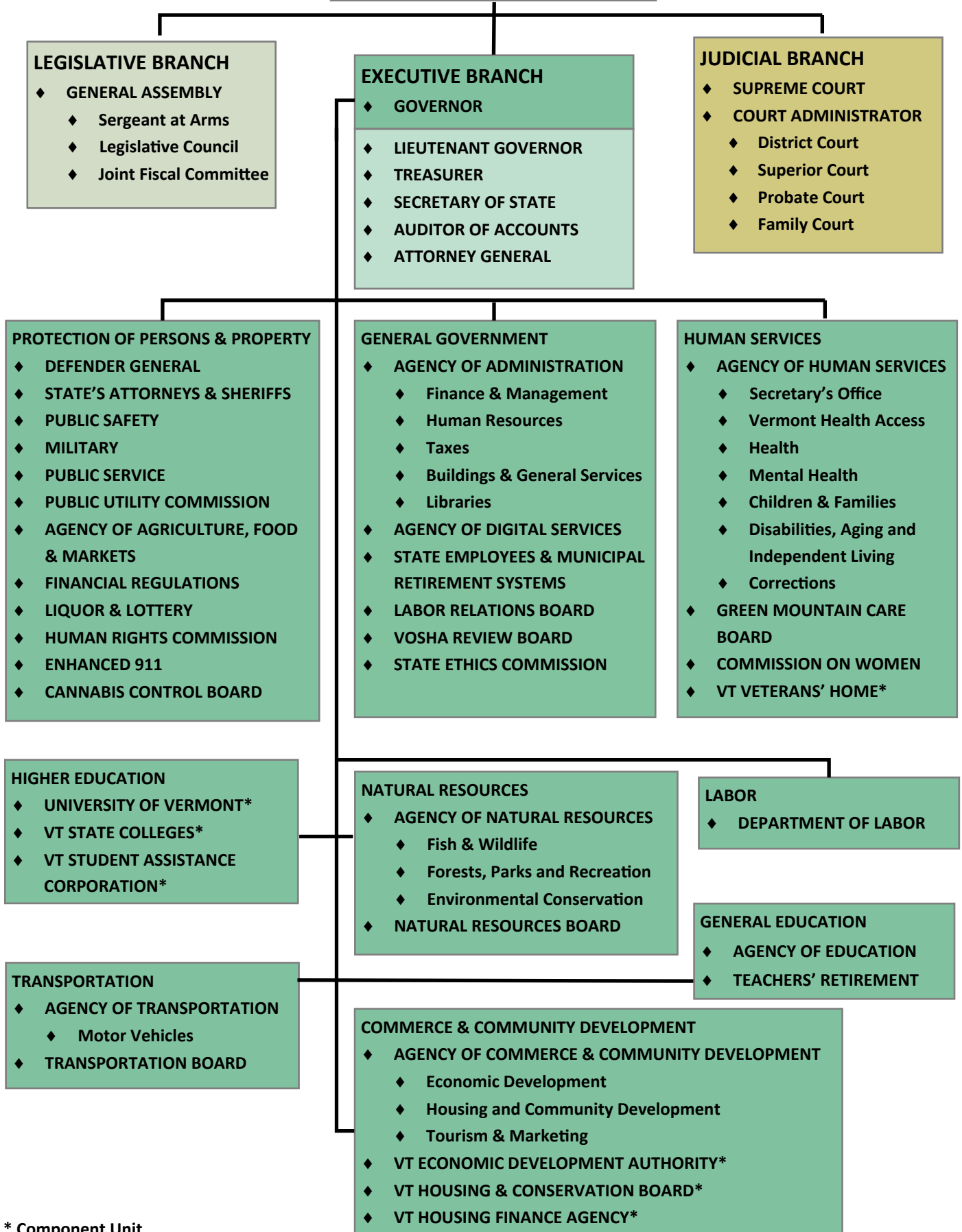
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morrill*

Executive Director/CEO

# VERMONT CITIZENS



\* Component Unit

***SELECTED STATE OFFICIALS***  
***As of June 30, 2021***

***EXECUTIVE***

*Philip B. Scott*  
*Governor*

*Molly Gray*  
*Lieutenant Governor*

*James C. Condos*  
*Secretary of State*

*Thomas J. Donovan Jr.*  
*Attorney General*

*Douglas R. Hoffer*  
*Auditor of Accounts*

*Elizabeth Pearce*  
*State Treasurer*

***JUDICIAL***

*Paul L. Reiber*  
*Chief Justice*

***LEGISLATIVE***

*Becca Balint*  
*President Pro Tempore of the State Senate*  
*(30 Senators)*

*Jill Krowinski*  
*Speaker of the House of Representatives*  
*(150 Representatives)*