

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 Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets	Revenues / Additions
Governmental Activities	Universal Service Fund	0.05%	0.06%
Business-Type Activities	State Lottery Fund; Energy Efficiency Utility Fund	12.82%	54.48%
Special Fund	Universal Service Fund	0.66%	1.22%
State Lottery Fund	State Lottery Fund	100.00%	100.00%
Aggregate Remaining Fund Information	Energy Efficiency Utility Fund	0.48%	3.67%
Aggregate Discretely Presented Component Units	University of Vermont and State Agricultural College; Vermont State Colleges; Vermont Housing Finance Agency; Vermont Economic Development Authority; Vermont Housing and Conservation Board; Vermont Veterans' Home	75.29%	93.16%

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Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Changes in Accounting Principles

As discussed in Note I.F. to the financial statements, effective July 1, 2022, the State adopted new accounting guidance for subscription-based information technology arrangements (SBITA). The guidance requires lessees to recognize a right-to-use software asset and corresponding right-to-use liability for all SBITA with terms greater than twelve months.

As discussed in Note V.G. to the financial statements, effective July 1, 2022, the State adopted Governmental Accounting Standards Board Statement No. 91, *Conduit Debt Obligations*. The guidance required the Vermont Bond Bank, a nonmajor discretely presented component unit, to recognize certain obligations which were not previously reported in the financial statements.

Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary 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 combining and individual fund statements and schedules (the supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information


Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024, 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Boston, Massachusetts
January 26, 2024

Management's Discussion and Analysis

State of Vermont

Unaudited

Fiscal Year Ended June 30, 2023

INTRODUCTION

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ended June 30, 2023. This Management Discussion & Analysis (MD&A) section is intended to serve as an introduction to the state's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to assist the reader in focusing on significant financial matters, provide an easily readable overview of the state's financial activities, identify any material changes from the original budget, and highlight financial matters that occurred during fiscal year 2023. 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 positive net position of \$1.039 billion, comprised of \$8.021 billion in total assets and \$1.389 billion in deferred outflows offset by \$7.029 billion in total liabilities, and \$1.342 billion in deferred inflows at June 30, 2023 (Table 2). Of this positive net position amount, \$3.117 billion represents the net investment in capital assets, \$981.9 million is restricted for various purposes, and \$3.060 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 \$450.2 million as a result of this year's operations. The net position for governmental activities increased \$431.1 million and net position for business-type activities increased by \$19.1 million (Table 3).

Fund level

- Vermont's governmental funds reported a combined ending fund balance of \$2.255 billion, an increase of \$302.7 million or 15.5% above the prior year. Of this ending fund balance, \$58.3 million is non-spendable, \$623.9 million is restricted for specific purposes, and \$1.572 billion 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 (\$217.3 million) and the Special Revenue Funds (\$149.6 million), offset by a decrease in Capital Projects Funds (\$69.6 million).
- Vermont's enterprise funds reported a combined net position of \$302.1 million, an increase of \$19.6 million over last year.
- Vermont's General Fund reported an ending fund balance of \$1,064.3 million, of which \$1,013.4 million is available for spending (committed, assigned and unassigned).

Capital assets

- The carrying amount of capital assets for the primary government increased to \$3.581 billion, an increase of \$171.5 million over last year. The increase is primarily due to increases in Infrastructure (\$214 million), Intangible right-to-use assets (42.6 million), Land, Land Use Rights and Land Improvements (\$15.5 million) and in Buildings and Improvements (\$5.6 million); offset by decreases in Construction in Process (\$89.7 million), and in Machinery and Equipment (\$16.6 million).

Long-term debt

- Vermont's debt outstanding for general obligation bonds decreased \$51.2 million as compared to fiscal year 2022. In 2023, Vermont did not issue any bonds and retired \$51.2 million in general 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 24.

Management's Discussion and Analysis

State of Vermont

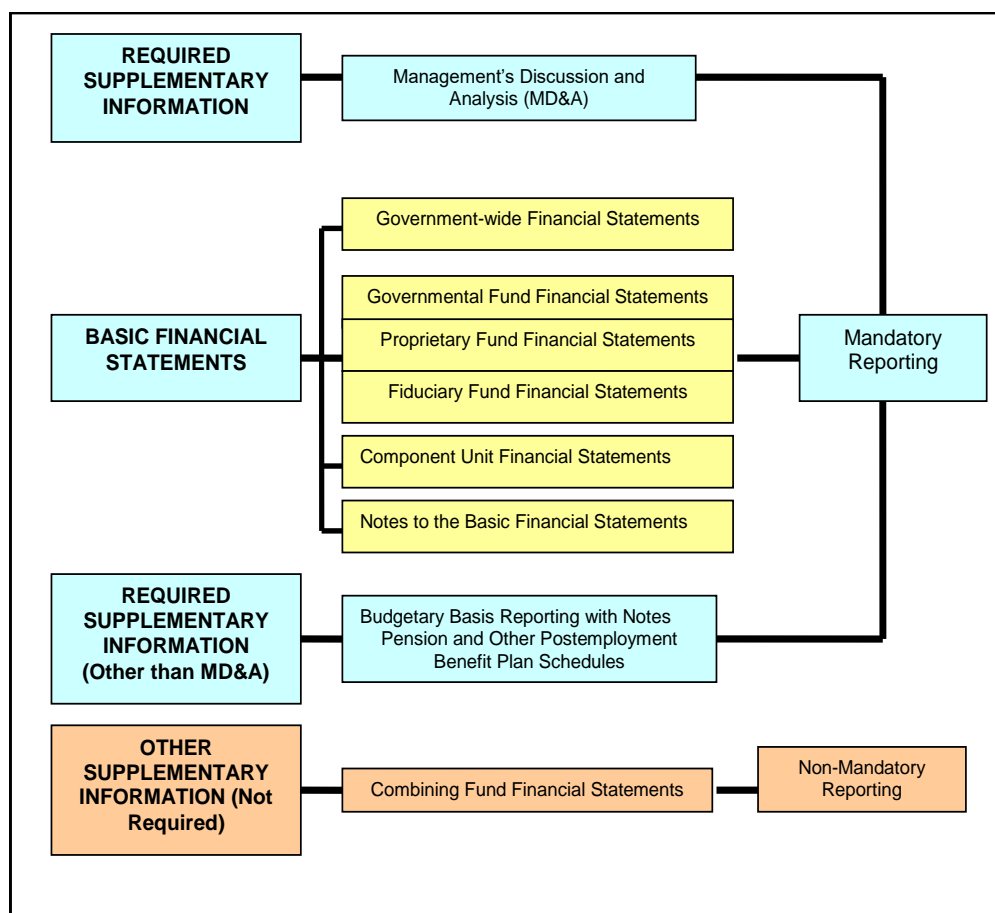
Unaudited

Fiscal Year Ended June 30, 2023

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.

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

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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, Expenses, and Changes in Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, and both short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and both short-term and long-term	All assets and liabilities, both financial and capital, and both short-term and long-term
Type of inflow / outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

1) Government-Wide Financial Statements

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

The government-wide statements contain both short-term and long-term information about the state's financial position and assist in assessing the state's economic condition at the end of each fiscal year. Vermont prepares these statements using the "flow of economic resources" measurement focus and the accrual basis of accounting. The methods utilized to prepare these statements are similar to those used by most private sector businesses. They consider all financial activity connected with the reported fiscal year including revenues, expenses, transfers, sales or acquisitions of capital assets, and any other activity affecting or possibly affecting the financial condition of the state, even if cash involved has not yet been received or paid.

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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 lease and subscription-based information technology arrangements (SBITA's) liabilities, 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, note, lease, and SBITA proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements. Payments of bond, note, lease, and SBITA 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, notes, lease, SBITA liabilities 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 statements 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, 2023 and 2022 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 positive net position (governmental and business-type activities) totals \$1.039 billion at the end of fiscal year 2023, as shown in Table 2. Approximately \$3.117 million of the combined net position represents Vermont's investment in capital assets such as land, buildings, equipment, infrastructure (roads, bridges, and other immovable assets), and intangible right-to-use assets less any related debt still outstanding that was used to acquire those assets. This net investment in capital assets represents resources used to provide services to citizens, and therefore, is not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided

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from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities for capital assets net of accumulated depreciation increased by \$166.2 million. Major category changes include infrastructure increases in transportation's railroad projects of \$91.8 million, bridges over 20 feet of \$79.3 million, and minor arterial projects of \$45.7 million. The implementation of GASB Statement 96 for SBITA's, added \$44.3 million in intangible right-to-use assets. These changes were offset by a \$89.7 million reduction in construction in process including a \$42 million reduction in infrastructure construction projects by transportation, and \$32 million reduction in Human Services information technology projects not eligible for capitalization under SBITA's requirements. Business-type Activities for capital assets net of accumulated depreciation increased \$5.3 million due to the implementation of GASB Statement 96 for SBITA's.

An additional portion of the primary government's net position (\$981.9 million) represents resources that are subject to external restrictions on how they may be used. This is an increase of \$85.7 million and is primarily a result of additional amounts that are restricted for Human Services (\$26.7 million), Unemployment (\$22.9 million), Natural Resources (\$21.8 million), Transportation (\$8.8 million), Protection to Persons and Property (\$6.5 million) and Capital projects (\$1.6 million); offset by decreases in amounts restricted for Education (\$820 thousand), Labor (\$812 thousand), Debt Service (\$721 thousand), and Commerce and Community Development (\$515 thousand).

Internally imposed designations of resources are not presented as restricted net position. The remaining balance of unrestricted net position is a deficit of \$3.060 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, \$207.6 million outstanding at June 30, 2023, that does not result in a governmental activities' capital asset.

Current assets increased by \$46.7 million primarily due to increases in investments (\$681.5 million), taxes receivables (\$10.7 million), other receivables (\$9.7 million), receivables from component units (\$3.4 million) and inventories (\$2.2 million); offset by reductions in cash and cash equivalents (\$545.3 million), federal grants receivables (\$112.1 million), loans and notes receivables (\$2.1 million), and other current assets (\$1.4 million).

Long term liabilities decreased by \$736.6 million primarily due to the decreases in net pension liabilities and net other postemployment benefit liabilities (\$700 million), bonds, and notes payable (\$58.2 million), lease liabilities (\$7.3 million), and compensated absences (\$1.4 million); offset by increases in SBITA liabilities (\$16.8 million), other long-term liabilities (\$8.6 million) and claims and judgements (\$4.9 million).

At the end of fiscal year 2023, Vermont reported positive total net position balances in its governmental activities, business-type activities and its discretely presented component units.

(Table on next page.)

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
ASSETS						
Current assets.....	\$ 3,524.4	\$ 3,490.7	\$ 377.9	\$ 364.9	\$ 3,902.3	\$ 3,855.6
Other assets.....	536.5	567.5	1.2	1.0	537.7	568.5
Capital assets.....	<u>3,572.5</u>	<u>3,406.3</u>	<u>8.6</u>	<u>3.3</u>	<u>3,581.1</u>	<u>3,409.6</u>
Total assets.....	<u>7,633.4</u>	<u>7,464.5</u>	<u>387.7</u>	<u>369.2</u>	<u>8,021.1</u>	<u>7,833.7</u>
DEFERRED OUTFLOWS OF RESOURCES						
Total deferred outflows of resources.....	<u>1,377.6</u>	<u>1,458.9</u>	<u>11.5</u>	<u>6.6</u>	<u>1,389.1</u>	<u>1,465.5</u>
LIABILITIES						
Current liabilities.....	1,746.5	1,940.4	64.9	70.7	1,811.4	2,011.1
Long-term liabilities.....	<u>5,199.3</u>	<u>5,942.5</u>	<u>18.4</u>	<u>11.7</u>	<u>5,217.7</u>	<u>5,954.2</u>
Total liabilities.....	<u>6,945.8</u>	<u>7,882.9</u>	<u>83.3</u>	<u>82.4</u>	<u>7,029.1</u>	<u>7,965.3</u>
DEFERRED INFLOWS OF RESOURCES						
Total deferred inflows of resources.....	<u>1,327.9</u>	<u>734.3</u>	<u>14.4</u>	<u>11.0</u>	<u>1,342.3</u>	<u>745.3</u>
NET POSITION						
Net Investment in capital assets.....	3,113.0	2,945.7	3.6	3.3	3,116.6	2,949.0
Restricted.....	681.5	620.0	300.4	276.2	981.9	896.2
Unrestricted (deficit).....	<u>(3,057.2)</u>	<u>(3,259.5)</u>	<u>(2.5)</u>	<u>2.9</u>	<u>(3,059.7)</u>	<u>(3,256.6)</u>
Total net position.....	<u>\$ 737.3</u>	<u>\$ 306.2</u>	<u>\$ 301.5</u>	<u>\$ 282.4</u>	<u>\$ 1,038.8</u>	<u>\$ 588.6</u>

Totals may not add due to rounding.

Changes in Net Position

Governmental type activities had an overall increase in net position of \$431.1 million, or a 140.8% increase in the net position, resulting from an operating profit of \$375.7 million and transfers in from business-type activities of \$55.4 million. The \$222.8 million increase in revenues over 2022 was due to an increase of \$160.1 million in program revenues and \$62.7 million in general revenues. The increase in general and program revenues is largely due to higher investment earnings and increased federal grant revenue respectively.

Business-type activities had an overall increase in net position of \$19.1 million or 6.8%, resulting from an operating profit of \$74.5 million prior to transfers out of \$55.4 million. The majority of transfers out was represented by a \$33.6 million transfer from the State Lottery Fund to support education and a \$20.5 million transfer from the Liquor Control Fund to the General Fund. Revenues decreased \$79.3 million from 2022, primarily due to a decrease in unemployment federal grants (\$92.7 million). The State Lottery Fund's operating revenue increased by \$7.6 million and the Liquor Control Fund's operating revenue increased by \$2.2 million.

The primary government condensed financial statement information is derived from Vermont's June 30, 2023 and 2022 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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TABLE 3
State of Vermont's Changes in Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services.....	\$ 511.3	\$ 515.5	\$ 400.2	\$ 389.0	\$ 911.5	\$ 904.5
Operating grants and contributions.....	3,272.1	3,166.1	7.1	95.2	3,279.2	3,261.3
Capital grants and contributions.....	251.6	193.3	-	-	251.6	193.3
General revenues						
Income taxes.....	1,455.9	1,500.2	-	-	1,455.9	1,500.2
Sales and use taxes.....	582.1	550.3	-	-	582.1	550.3
Statewide education tax.....	1,203.6	1,228.8	-	-	1,203.6	1,228.8
Meals and rooms tax.....	238.5	218.7	-	-	238.5	218.7
Other taxes.....	750.2	723.3	-	-	750.2	723.3
Miscellaneous.....	83.6	29.9	1.6	3.9	85.2	33.8
Total revenues.....	8,348.9	8,126.1	408.9	488.2	8,757.8	8,614.3
Expenses						
General government.....	297.7	393.2	-	-	297.7	393.2
Protection to persons and property.....	597.0	632.8	-	-	597.0	632.8
Human services.....	3,416.3	3,117.7	-	-	3,416.3	3,117.7
Labor.....	39.3	42.3	-	-	39.3	42.3
General education.....	2,704.6	2,500.3	-	-	2,704.6	2,500.3
Natural resources.....	174.5	149.5	-	-	174.5	149.5
Commerce and community development.....	179.5	213.3	-	-	179.5	213.3
Transportation.....	550.8	490.4	-	-	550.8	490.4
Interest on long-term debt.....	13.5	14.4	-	-	13.5	14.4
Unemployment compensation.....	-	-	53.2	152.0	53.2	152.0
State lottery.....	-	-	125.9	120.4	125.9	120.4
Liquor control.....	-	-	82.4	80.8	82.4	80.8
Other business type expenses.....	-	-	72.9	65.3	72.9	65.3
Total expenses.....	7,973.2	7,553.9	334.4	418.5	8,307.6	7,972.4
Change in net position						
before transfers.....	375.7	572.2	74.5	69.7	450.2	641.9
Transfers net in (out).....	55.4	54.8	(55.4)	(54.8)	(0.0)	(0.0)
Change in net position.....	431.1	627.0	19.1	14.9	450.2	641.9
Net position, beginning of year.....	306.2	(320.8)	282.4	267.5	588.6	(53.3)
Net position, end of year.....	\$ 737.3	\$ 306.2	\$ 301.5	\$ 282.4	\$ 1,038.8	\$ 588.6

Totals may not add due to rounding.

The following graph illustrates the revenues of Vermont's primary government for fiscal year 2023. Approximately 40.2% comes from other entities and governments in the form of operating and capital grants and contributions (primarily federal grant revenues), and 30.4% of total revenues are generated by the statewide education and income taxes.

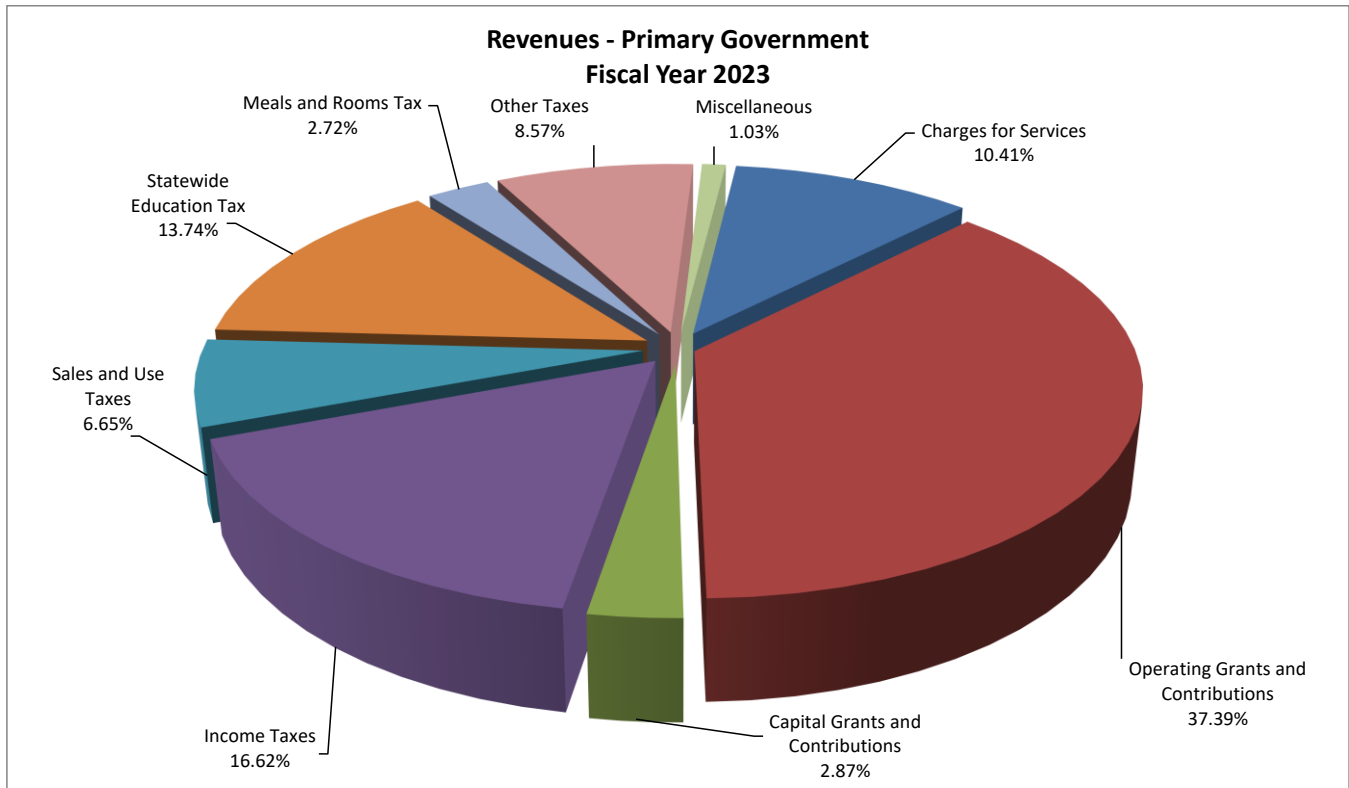
(Chart on next page.)

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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 2023. The largest category of expense is for Human Services (41.1% of total expenses) 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 (32.6% of total expenses) which supports secondary and higher education.

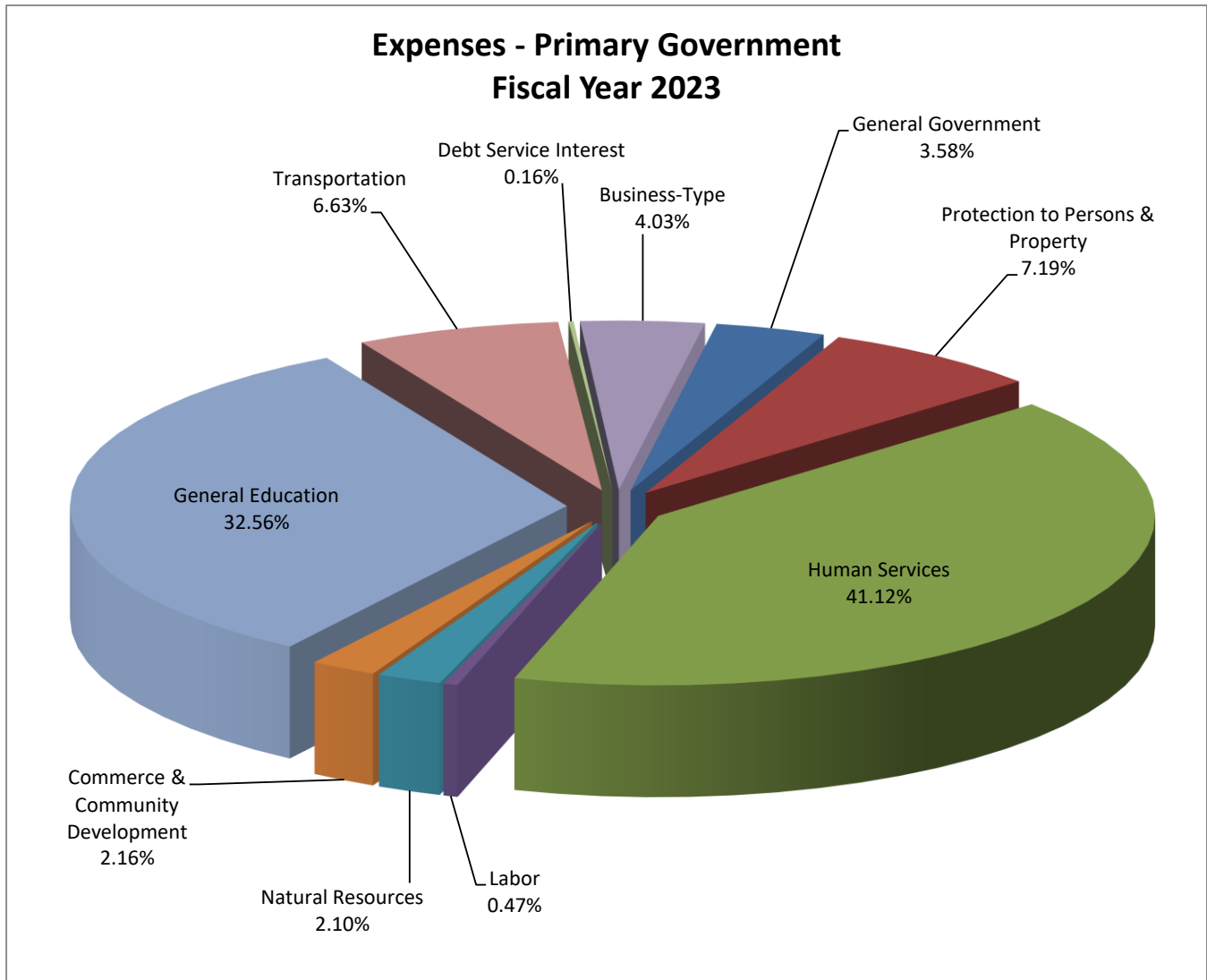
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Percentages may not equal 100% due to rounding.

Governmental Activities

In 2023, governmental activities' revenues exceeded expenses by \$375.7 million (before transfers). This increase in addition to net transfers of \$55.4 million from business activities resulted in an increase of \$431.1 million, or a 140.8% increase in net position. Revenues increased by \$222.8 million, primarily due to increases in program revenues (\$160.1 million) and general revenues (\$62.7 million). Spending increased for Human Services (\$298.6 million), General Education (\$204.3 million), Transportation (\$60.4 million), and Natural Resources (\$25 million); offset by decreases in General Government (\$95.5 million), Protection to Persons and Property (\$35.8 million), Commerce and Community Development (\$33.8 million), and Labor (\$3 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)		
	2023	2022	Change
Charges for services.....	\$ 511.3	\$ 515.5	\$ (4.2)
Operating grants.....	3,272.1	3,166.1	106.0
Capital grants.....	251.6	193.3	58.3
Income taxes.....	1,455.9	1,500.2	(44.3)
Sales and use taxes.....	582.1	550.3	31.8
Statewide education tax.....	1,203.6	1,228.8	(25.2)
Meals and rooms tax.....	238.5	218.7	19.8
Other taxes.....	750.2	723.3	26.9
Miscellaneous.....	83.6	29.9	53.7
Total	<u>\$ 8,348.9</u>	<u>\$ 8,126.1</u>	<u>\$ 222.8</u>

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

TABLE 5
Expenses - Governmental Activities

Functional Category	(In Millions)		
	2023	2022	Change
General government.....	\$ 297.7	\$ 393.2	\$ (95.5)
Protection to persons and property.....	597.0	632.8	(35.8)
Human services.....	3,416.3	3,117.7	298.6
Labor.....	39.3	42.3	(3.0)
General education.....	2,704.6	2,500.3	204.3
Natural resources.....	174.5	149.5	25.0
Commerce and community development....	179.5	213.3	(33.8)
Transportation.....	550.8	490.4	60.4
Interest on long-term debt.....	13.5	14.4	(0.9)
Total	<u>\$ 7,973.2</u>	<u>\$ 7,553.9</u>	<u>\$ 419.3</u>

The following table shows to what extent program revenues (charges for services and grants and contributions) covered program expenses. For fiscal year 2023, program revenues covered \$4,035 million or 50.6% of \$7,973 million in program expenses. The remaining \$3,938 million or 49.4% 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, 2023 and 2022

	Program Expenses	Less Program Revenues	Net Program (Expense)/Revenue		Program Revenues as a Percentage of Program Expenses	
	2023	2023	2023	2022	2023	2022
Functions/programs						
General government	\$ 297,709,564	\$ 463,526,256	\$ 165,816,692	\$ 221,442,513	155.7%	156.3%
Protection to persons and property	597,041,978	426,736,338	(170,305,640)	(326,210,384)	71.5%	48.5%
Human services	3,416,226,267	2,129,839,851	(1,286,386,416)	(1,050,941,544)	62.3%	66.3%
Labor	39,348,689	29,667,296	(9,681,393)	(11,357,288)	75.4%	73.1%
General education	2,704,521,815	292,458,079	(2,412,063,736)	(2,262,105,383)	10.8%	9.5%
Natural resources	174,517,714	109,075,746	(65,441,968)	(52,748,520)	62.5%	64.7%
Commerce and community development	179,497,875	37,095,146	(142,402,729)	(179,372,924)	20.7%	15.9%
Transportation	550,835,109	546,588,484	(4,246,625)	(3,443,117)	99.2%	99.3%
Interest on long-term debt	13,472,916	-	(13,472,916)	(14,279,368)	0.0%	1.2%
	<u>\$ 7,973,171,927</u>	<u>\$ 4,034,987,196</u>	<u>\$ (3,938,184,731)</u>	<u>\$ (3,679,016,015)</u>	<u>50.6%</u>	<u>51.3%</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 2023, the unrestricted fund balance is 69.7% 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 2023, Vermont's governmental funds reported combined fund balances of \$2,255 million, an increase of \$302.7 million in comparison with the prior fiscal year.

The General Fund is the chief operating fund of Vermont. At the end of fiscal year 2023, the General Fund's total fund balance was \$1,064 million, which the majority is unassigned (\$960.9 million). During fiscal year 2023, total revenues and other financing sources were greater than total expenditures and other financing uses by \$217.3 million. General Fund revenues increased by \$87.2 million, or 4.0% primarily due to a \$38.1 million increase in tax revenues. Corporate and business income tax activity was the main driver increasing \$73.9 million. This is due to both structural changes in the State taxation of corporations and a higher than usual inflationary environment. Meals and rooms tax added \$13.1 million, and other taxes contributed \$16.5 million primarily due to commencement of the Cannabis tax in fiscal year 2023. Personal income tax, the largest source of tax revenue, was down \$65.5 million, due to weakness in personal income tax receipts. Investment income increased from \$3.4 million in fiscal year 2022 to \$51.4 million in fiscal year 2023 due to the rapid rise in interest rates.

Expenditures decreased by \$14.6 million or -1.0%, primarily due to one-time \$125 million additional pension payment to the State Teachers' Retirement System in fiscal year 2022; and a \$70.7 million reduction in spending by Commerce and Community Development due to the large housing investment made in fiscal year 2022. These reductions were offset by an increase in support of Human Services (\$167.7 million). The General Fund's statutory reserve for budgetary stabilization increased by \$19.6 million to \$106.7 million, the statutory maximum.

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The Transportation Fund's total fund balance was \$47.7 million at June 30, 2023, a decrease of \$7.7 million from the fiscal year 2022's ending total fund balance. Transportation Fund revenues increased \$63.5 million or 9.5%, primarily due to increased federal grant revenue for transportation projects, and higher gas prices which increased the motor fuel taxes and assessments. Transportation expenditures increased \$96.4 million primarily for transportation projects (\$53 million), grants to municipalities (\$9.9 million), and salary and benefits (\$12.6 million). The Transportation Fund's statutory reserve for budget stabilization increased by \$1.5 million to \$15.4 million, the statutory maximum.

The Education Fund at June 30, 2023 had a total fund balance of \$233.4 million, a decrease of \$33.5 million from fiscal year 2022's ending balance. Education Fund expenditures increased by \$154.6 million, primarily due to an increase in grants to school districts (\$138.9 million). Total revenues increased by \$18.3 million, primarily due from increases in the collection of sales and use taxes (\$31.8 million) from strong consumer purchasing, and investment income (\$5.5 million) due to higher short-term investment rates; offset by a reduction in statewide education taxes (\$25.2 million). The Education Fund's statutory reserve for budget stabilization increase by \$2.5 million to \$41.8 million.

The Special Fund's total fund balance at the end of fiscal year 2023 was \$341.2 million, an increase of 78.8% compared to fiscal year 2022. Special Fund revenues increased \$87.6 million or 26.8%, and expenditures decreased \$24.2 million or -7.5%. The change in revenue is predominantly due to an increase in federal American Rescue Plan Act (ARPA) grant revenue (\$45.5 million) to be used for broadband expansion, and investment income (\$12.4 million) related to higher short-term investment rates. The decrease in expenditures was largely due to a reduction in Human Services costs of \$77.7 million, offset by a \$39.3 million increase in spending in the Protection to persons and property function largely due to the increase in broadband spending related to the ARPA grant discussed above. This resulted in an increase in "excess of revenues over expenditures" of \$111.9 million from last fiscal year. Fiscal year 2023 transfers out to other funds exceeded transfers in from other funds by \$27.2 million, a \$2.5 million decrease over fiscal year 2022.

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), an ARPA federal grant to be used for broadband expansion (which is included in the Special 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 2023 were \$1,705 million, a decrease of \$44.4 million compared to fiscal year 2022. Expenditures were \$1,677 million in fiscal year 2023, a decrease of \$56.1 million compared to 2022. The decreases in federal revenues and expenditures are largely due to waning federal pandemic relief and recovery programs that were major contributors to higher levels of federal revenues and expenditures in prior years. The Federal Revenue Fund's total fund balance at the end of fiscal year 2023 (\$558.7 million) was an increase of \$34.9 million as compared to the total fund balance at the end of fiscal year 2022.

Global Commitment Fund is used to provide services to eligible recipients 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. The fiscal year 2023 ending total fund balance for the Global Commitment Fund was \$25.9 million, an increase of \$5.5 million. Expenditures increased by \$193 million in fiscal year 2023 as compared to fiscal year 2022, due to the increased cost of providing healthcare services under the program.

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

Proprietary Funds

Vermont's enterprise funds provide the same type of information presented in the business-type activities in the government-wide financial statements, but in more detail. The Unemployment Compensation Trust Fund's total net position balance increased from \$263.6 million at June 30, 2022 to \$286.5 million at June 30, 2023, an increase of \$22.9 million. Expenditures from the fund for unemployment benefits decreased by \$98.7 million (reflecting lower unemployment rates) which was offset by a corresponding decrease in Federal grant revenue of \$93 million from 2022.

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Vermont's internal service funds' total net position at June 30, 2023 was \$14.2 million, a \$52.0 million decrease from June 30, 2022. This change is primarily due to decreases in net position in the medical insurance fund (\$31.6 million), state liability fund (\$13 million), and information technology fund (\$6 million). The decrease in the medical fund net position is driven by significant increases in hospital fees and healthcare costs. The State Liability Insurance Fund's deficit is due to the EB-5 Settlement reached at the end of fiscal year 2023, which was not included in current year rates. See Note V. D. for further information on the EB-5 settlement. The internal service funds' activity is 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 8.2% percent to \$6.22 billion at June 30, 2023. For more information regarding Vermont's retirement and other postemployment benefit plans, see Note IV.G.5 to the financial statements. The Unclaimed Property fund's total assets balance at June 30, 2023 is \$23.7 million, and total liabilities balance is \$6.3 million, including the escheat property claims liability estimated at \$6.3 million, resulting in ending net position of \$17.3 million. The Custodial Funds' total assets balance at June 30, 2023 is \$13.2 million, and total liabilities balance is \$9.6 million, resulting in an ending net position of \$3.6 million. Net position of all fiduciary funds is reported as restricted for particular purposes.

GENERAL FUND BUDGET HIGHLIGHTS

Vermont ended fiscal year 2023 with General Fund revenues of \$2.225 billion, expenditures of \$1.933 billion, and net transfers to other funds of \$38 million (non-GAAP budgetary basis). This was a \$101.4 million or a 4.8% increase in revenues over the previous year. The fiscal year 2023 General Fund consensus revenue forecast initially approved by the Emergency Board in July 2022 was subsequently revised upward by the Emergency Board at their January 2023 meeting. Compared to target, the revenues were 7.9% above the 2022 revenue forecast of \$2,061 million, and 2% above the 2023 revised revenue forecast of \$2,181 million. Corporate income tax receipts were \$60 million above target, and meals and rooms tax \$3.8 million above target; offset by personal income tax receipts that were \$52.6 million below target. The General Fund results allowed for a fully funded General Fund Budget Stabilization Reserve of \$106.7 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, 2023 was \$3.581 billion, a total increase of 5.0% (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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	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land, Land Use Rights, and						
Land Improvements.....	\$ 185,814	\$ 170,322	\$ -	\$ -	\$ 185,814	\$ 170,322
Construction in Progress.....	671,615	761,272	-	-	671,615	761,272
Works of Art.....	136	136	-	-	136	136
Buildings and Improvements.....	403,388	397,779	-	-	403,388	397,779
Machinery and Equipment.....	109,839	125,985	2,860	3,309	112,699	129,294
Intangible right-to-use assets.....	119,798	82,917	5,737	-	125,535	82,917
Infrastructure.....	2,081,894	1,867,870	-	-	2,081,894	1,867,870
Totals.....	<u>\$ 3,572,484</u>	<u>\$ 3,406,281</u>	<u>\$ 8,597</u>	<u>\$ 3,309</u>	<u>\$ 3,581,081</u>	<u>\$ 3,409,590</u>

Totals may not add due to rounding.

Many component unit, municipal and non-profit organizations' capital construction projects and acquisitions are financed by Vermont, but the assets are actually owned by these other entities. Therefore, these capital assets are recorded on the financial statements of those entities and not on the books of the state; however, the general obligation bonds issued by Vermont to finance these capital assets are reported as a liability of the state's governmental activities. At June 30, 2023, Vermont had \$207.6 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 2023, the State of Vermont's outstanding general obligation bond debt decreased by approximately \$51.2 million. This decrease can be accounted for by the redemption of general obligation bonds of \$51.2 million. 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

For fiscal year 2023, Vermont's economy continued to recover from the harsh, pandemic-induced economic downturn that began early in calendar year 2020. During the sharp downturn Vermont's labor markets lost an historically large number of non-farm payroll jobs, estimated at 67,200 jobs lost, or roughly 20% of the labor force. By the end of fiscal year 2023, Vermont had recovered 57,100, or almost 90 percent, of the nonfarm payroll jobs lost during the pandemic. That pace of job recovery was slower than both the New England average and U.S. average.

The state's slower labor market recovery has primarily been tied to the lack of available workers to fill the thousands of job openings available across the State. As of June 30, 2023, the Vermont labor force was still 1.8 percent smaller than the pre-pandemic labor force. Data from the U.S. Department of Labor's Job Openings and

Management's Discussion and Analysis

State of Vermont

Unaudited

Fiscal Year Ended June 30, 2023

Labor Turnover Survey reported 2.5 job openings per unemployed Vermont worker as of June 2023, as compared to 1.7 job openings per unemployed worker for the nation as a whole.

In calendar year 2022, the national economy as measured by inflation-adjusted Gross Domestic Product (GDP) increased by 5.7 percent, while Vermont's inflation-adjusted Gross State Product (GSP) increased by 9.1 percent, or somewhat higher than the national rate. Recent economic developments have been driven by the push of extraordinary federal fiscal pandemic assistance, and the pull of tightening monetary policy which began in early calendar year 2022 and continued into the summer of 2023.

The latest consensus economic forecast for the next two fiscal years projects the state's economy to grow at broadly the same rate as the U.S. economy during calendar year 2023 and 2024. The forecast expects Vermont payroll job growth to increase 1.9 percent in calendar year 2023 on a year-over-year basis, and slow to an annual average growth rate of 0.8 percent in calendar year 2024 and 1.1 percent in calendar year 2025. Vermont's year-over-year job growth numbers are comparable to the 2.2 percent for the forecasted U.S. economy job growth in calendar year 2023, 0.9 in calendar year 2024, and 0.7 percent in calendar year 2025. Vermont's rate of unemployment is expected to average 2.7 percent in calendar year 2024 and 3.1 percent in calendar year 2025, which is approximately 1 percent lower than the U.S. average over the same timeframe.

In Vermont's housing market, the latest consensus analysis indicates slowing demand, but prices remain high due to low inventory and the recent sharp increase in mortgage interest rates. The latest quarterly Federal Housing Finance Agency (FHFA) house price numbers for the July to September 2023 period showed an increase for Vermont's house prices of 10.9 percent year-over-year, ranking Vermont third highest in the nation. Given the recent strong increase in Vermont housing prices, without a concurrent and sustained increase in household income, the latest consensus forecast expects the housing market will moderate for the rest of calendar year 2023 into calendar year 2024. For calendar year 2025, the FHFA house price index is expected to increase 1.4 percent on a year-over-year basis.

Vermont employs a consensus revenue forecasting process carried out by the Administration and the State Legislature. The consensus economic and state revenue forecasts are updated each July and January and are approved by the Vermont Emergency Board under state statute. In July 2023, the consensus revenue forecast for fiscal year 2024 called for "Revenues Available to the General Fund" to total \$2,102.1 million, which is a \$78.4 million upgrade for fiscal year 2024 in comparison to the previous January's consensus revenue forecast of \$2,023.7 million. For fiscal year 2025, the consensus forecast of "Revenues Available to the General Fund" was \$2,103.3 million, an upgrade of \$18 million from the previous January's consensus revenue forecast of \$2,085.1 million. The July 2023 consensus revenue forecast for "Revenues Available to the Transportation Fund" for fiscal year 2024 was \$304.5 million, which was a \$3.3 million upgrade for fiscal year 2024 revenue expectations in comparison to the previous January's consensus revenue forecast of \$301.2 million. For fiscal year 2025, "Revenues Available to the Transportation Fund" were forecasted to be \$322.1 million, a \$16 million upgrade from the previous January's consensus revenue forecast of \$306.1 million. The July 2023 consensus revenue forecast for "Revenues Available to the Education Fund" for fiscal year 2024 were estimated to be \$736.2 million, which corresponded to a \$17.8 million upgrade for fiscal year 2024 in comparison to last January's revenue forecast of \$718.4 million. For fiscal year 2025, the consensus forecast for "Revenues Available to the Education Fund" was \$749.5 million, an increase of \$14.9 million from the previous January's consensus revenue forecast of \$734.60 million.

Management's Discussion and Analysis

State of Vermont

Unaudited

Fiscal Year Ended June 30, 2023

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:

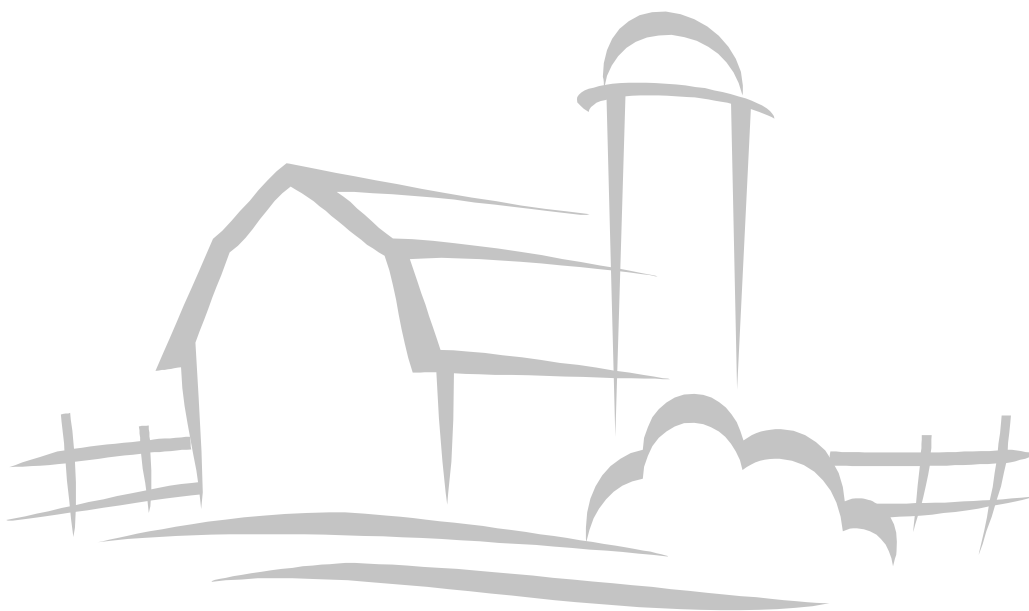
State of Vermont
Department of Finance and Management
109 State Street, 5th Floor
Pavilion Building
Montpelier, Vermont 05609-0401

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.A. to the financial statements.

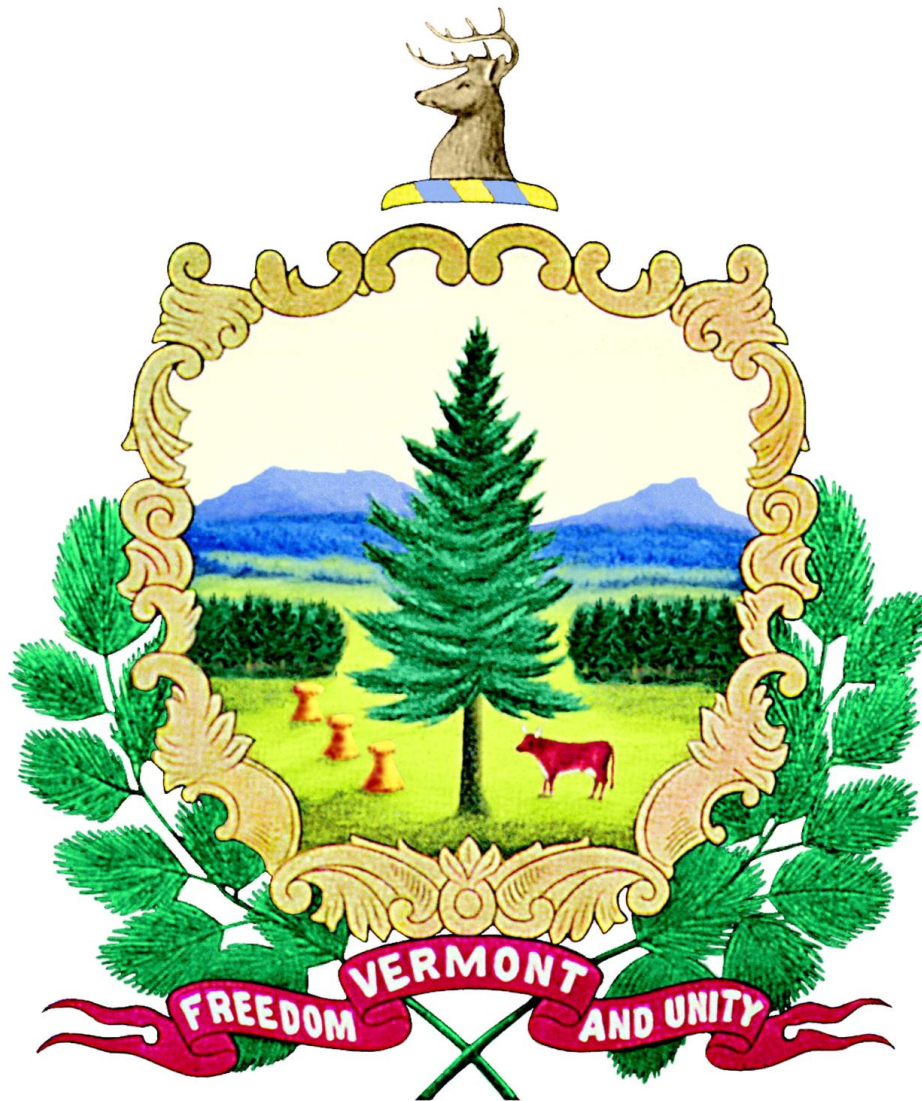


BASIC FINANCIAL STATEMENTS

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Vermont



***GOVERNMENTAL-WIDE
FINANCIAL STATEMENTS***

STATE OF VERMONT
STATEMENT OF NET POSITION
June 30, 2023

	Primary Government			Discretely Presented
	Governmental	Business-type	Total	Component
	Activities	Activities		Units
ASSETS				
Current Assets				
Cash and cash equivalents.....	\$ 1,993,617,166	\$ 342,890,133	\$ 2,336,507,299	\$ 437,005,490
Cash and cash equivalents - restricted.....	-	-	-	71,470,000
Taxes receivable, net.....	169,767,789	14,747,742	184,515,531	-
Loans and notes receivable, net.....	24,979,196	434,601	25,413,797	173,396,390
Federal grants receivable.....	377,821,204	552,372	378,373,576	13,651,138
Other receivables, net.....	70,715,459	14,655,680	85,371,139	92,090,574
Lease receivable.....	1,234,039	-	1,234,039	2,076,000
Investments.....	861,361,342	-	861,361,342	361,381,739
Inventories.....	4,292,756	11,931,691	16,224,447	457,862
Internal balances.....	7,265,925	(7,265,925)	-	-
Due from primary government.....	-	-	-	145,375,498
Due from component units.....	9,584,565	-	9,584,565	-
Other current assets.....	3,744,548	-	3,744,548	24,395,826
Total current assets.....	3,524,383,989	377,946,294	3,902,330,283	1,321,300,517
Noncurrent Assets				
Cash and equivalents.....	-	300,000	300,000	23,002,542
Cash and cash equivalents - restricted.....	-	-	-	45,842,478
Taxes receivable.....	157,910,453	-	157,910,453	-
Other receivables.....	106,164,107	-	106,164,107	-
Loans and notes receivable.....	263,711,986	472,490	264,184,476	1,704,006,080
Lease receivable.....	3,174,105	-	3,174,105	15,183,000
Advances to component units.....	5,500,000	-	5,500,000	-
Investments.....	-	409,189	409,189	1,088,985,940
Investments - restricted.....	-	-	-	82,544,763
Other noncurrent assets.....	-	-	-	36,932,142
Capital assets				
Land, land use rights, and land improvements.....	185,814,443	-	185,814,443	54,692,518
Construction in progress.....	671,614,507	-	671,614,507	50,185,935
Works of art.....	136,003	-	136,003	-
Capital assets being depreciated:				
Infrastructure.....	3,596,183,678	-	3,596,183,678	43,051,021
Intangible right-to-use assets.....	165,590,262	6,289,604	171,879,866	34,307,444
Property, plant and equipment.....	1,420,098,092	6,110,632	1,426,208,724	1,700,277,760
Less accumulated depreciation.....	(2,466,953,319)	(3,803,637)	(2,470,756,956)	(957,785,856)
Total capital assets, net of depreciation.....	3,572,483,666	8,596,599	3,581,080,265	924,728,822
Total noncurrent assets.....	4,108,944,317	9,778,278	4,118,722,595	3,921,225,767
Total assets.....	7,633,328,306	387,724,572	8,021,052,878	5,242,526,284
DEFERRED OUTFLOWS OF RESOURCES				
Loss on refunding of bonds payable.....	2,155,751	-	2,155,751	23,056,593
Interest rate swap.....	-	-	-	11,000
VHCB related deferred outflows.....	-	-	-	28,639,000
Pension related outflows.....	974,895,286	2,288,726	977,184,012	4,754,558
OPEB related outflows.....	400,590,035	9,223,309	409,813,344	90,940,686
Total deferred outflows of resources.....	1,377,641,072	11,512,035	1,389,153,107	147,401,837

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

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current Liabilities				
Accounts payable and other current liabilities.....	513,221,541	19,907,485	533,129,026	222,221,663
Income tax refunds payable.....	137,991,935	-	137,991,935	-
Due to primary government.....	-	-	-	9,584,565
Due to component units.....	145,375,498	-	145,375,498	-
Intergovernmental payable - due to federal government.....	8,650,275	-	8,650,275	-
Accrued interest payable.....	8,149,358	-	8,149,358	6,351,809
Current portion of long-term liabilities.....	178,372,934	10,426,584	188,799,518	162,837,682
Unearned revenue.....	754,784,771	34,662,583	789,447,354	111,468,270
Total current liabilities.....	1,746,546,312	64,996,652	1,811,542,964	512,463,989
Long-term Liabilities				
Lottery prize awards payable.....	-	285,777	285,777	-
Bonds, and notes payable.....	509,238,237	-	509,238,237	2,035,888,732
Lease liabilities.....	65,482,954	-	65,482,954	14,839,177
Subscription-based information technology arrangements (SBITA's).....	12,345,166	4,458,990	16,804,156	1,739,631
Advances from primary government.....	-	-	-	5,500,000
Compensated absences.....	3,818,301	61,312	3,879,613	-
Claims and judgments.....	44,560,760	-	44,560,760	-
Net pension liabilities.....	3,037,959,823	4,461,219	3,042,421,042	10,071,608
Net other postemployment benefits liabilities.....	1,502,996,907	5,366,521	1,508,363,428	332,939,328
Other long-term liabilities.....	22,779,050	3,782,878	26,561,928	21,705,553
Total long-term liabilities.....	5,199,181,198	18,416,697	5,217,597,895	2,422,684,029
Total liabilities.....	6,945,727,510	83,413,349	7,029,140,859	2,935,148,018
DEFERRED INFLOWS OF RESOURCES				
Prepaid property taxes.....	3,772,562	-	3,772,562	-
Gain on refunding of bonds payable.....	42,615	-	42,615	5,846,000
Lease related inflows.....	4,638,677	-	4,638,677	16,053,076
Interest rate swap.....	-	-	-	333,000
Service concession arrangement.....	-	-	-	642,000
Split interest arrangements.....	-	-	-	5,027,000
Pension related inflows.....	59,994	2,031,362	2,091,356	5,396,619
OPEB related inflows.....	1,319,378,181	12,323,940	1,331,702,121	389,458,867
Total deferred inflows of resources.....	1,327,892,029	14,355,302	1,342,247,331	422,756,562
NET POSITION				
Net investment in capital assets.....	3,113,017,419	3,619,270	3,116,636,689	274,710,629
Restricted for				
Unemployment compensation.....	-	286,544,743	286,544,743	-
Funds held in permanent investments				
Expendable.....	127,944	-	127,944	531,906,619
Nonexpendable.....	7,416,453	-	7,416,453	437,169,443
General government.....	1,520,627	-	1,520,627	11,613,397
Protection to persons and property.....	12,861,580	13,759,333	26,620,913	-
Human services.....	157,617,401	-	157,617,401	1,980,092
Labor.....	3,650,172	-	3,650,172	-
General education.....	-	-	-	66,459,000
Natural resources.....	487,636,395	-	487,636,395	-
Commerce and community development.....	11,439	-	11,439	592,700,285
Transportation.....	9,022,018	-	9,022,018	-
Capital projects.....	1,647,488	-	1,647,488	-
Unrestricted (deficit).....	(3,057,179,097)	(2,455,390)	(3,059,634,487)	115,484,076
Total net position.....	\$ 737,349,839	\$ 301,467,956	\$ 1,038,817,795	\$ 2,032,023,541

**STATE OF VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities				
General government.....	\$ 297,709,564	\$ 75,806,448	\$ 387,719,808	\$ -
Protection to persons and property.....	597,041,978	184,643,488	242,092,850	-
Human services.....	3,416,226,267	59,817,456	2,070,022,395	-
Labor.....	39,348,689	5,340,944	24,326,352	-
General education.....	2,704,521,815	1,316,862	291,141,217	-
Natural resources.....	174,517,714	48,097,718	60,978,028	-
Commerce and community development....	179,497,875	662,559	36,432,587	-
Transportation.....	550,835,109	135,589,559	159,430,934	251,567,991
Interest on long-term debt.....	13,472,916	-	-	-
Total governmental activities.....	7,973,171,927	511,275,034	3,272,144,171	251,567,991
Business-type activities				
State Lottery.....	125,918,251	159,021,096	-	-
Liquor Control.....	82,367,605	104,960,412	-	-
Unemployment Compensation.....	53,191,471	68,216,776	7,073,792	-
Electric power sales and efficiency.....	72,134,535	67,253,597	-	-
Federal surplus property.....	758,319	766,123	-	-
Total business-type activities.....	334,370,181	400,218,004	7,073,792	-
Total primary government.....	\$ 8,307,542,108	\$ 911,493,038	\$ 3,279,217,963	\$ 251,567,991
Component Units				
Vermont Student Assistance Corporation.....	\$ 72,939,000	\$ 32,882,000	\$ 42,616,000	\$ -
University of Vermont and State Agricultural College.....	744,427,000	475,922,000	372,519,000	18,124,000
Vermont State Colleges.....	197,421,749	102,982,754	112,244,982	3,701,024
Vermont Housing Finance Agency.....	48,425,000	14,348,000	32,201,000	-
Other.....	111,177,900	61,118,405	106,679,070	-
Total component units.....	\$ 1,174,390,649	\$ 687,253,159	\$ 666,260,052	\$ 21,825,024

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/(loss).....	
Tobacco litigation settlement.....	
Miscellaneous.....	
Additions to non-expendable endowments.....	
Transfers.....	
Total general revenues and transfers.....	
Changes in net position.....	
Net Position - Beginning, as restated.....	
Net Position - Ending.....	

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Discretely
Governmental Activities	Business-type Activities	Total	Presented Component Units
\$ 165,816,692	\$ -	\$ 165,816,692	\$ -
(170,305,640)	-	(170,305,640)	-
(1,286,386,416)	-	(1,286,386,416)	-
(9,681,393)	-	(9,681,393)	-
(2,412,063,736)	-	(2,412,063,736)	-
(65,441,968)	-	(65,441,968)	-
(142,402,729)	-	(142,402,729)	-
(4,246,625)	-	(4,246,625)	-
(13,472,916)	-	(13,472,916)	-
(3,938,184,731)	-	(3,938,184,731)	-
-	33,102,845	33,102,845	-
-	22,592,807	22,592,807	-
-	22,099,097	22,099,097	-
-	(4,880,938)	(4,880,938)	-
-	7,804	7,804	-
-	72,921,615	72,921,615	-
(3,938,184,731)	72,921,615	(3,865,263,116)	-
-	-	-	2,559,000
-	-	-	122,138,000
-	-	-	21,507,011
-	-	-	(1,876,000)
-	-	-	56,619,575
-	-	-	200,947,586
1,455,887,239	-	1,455,887,239	-
582,101,290	-	582,101,290	-
238,452,226	-	238,452,226	-
141,916,220	-	141,916,220	-
75,989,136	-	75,989,136	-
1,203,613,372	-	1,203,613,372	-
532,341,828	-	532,341,828	21,128,985
4,230,301,311	-	4,230,301,311	21,128,985
55,228,437	1,522,711	56,751,148	72,682,080
27,916,878	-	27,916,878	-
492,581	43,942	536,523	2,567,210
-	-	-	3,108,921
55,442,497	(55,442,497)	-	-
4,369,381,704	(53,875,844)	4,315,505,860	99,487,196
431,196,973	19,045,771	450,242,744	300,434,782
306,152,866	282,422,185	588,575,051	1,731,588,759
\$ 737,349,839	\$ 301,467,956	\$ 1,038,817,795	\$ 2,032,023,541

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Vermont



GOVERNMENTAL FUNDS
FINANCIAL STATEMENTS

**STATE OF VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023**

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Education Fund</u>	<u>Special Fund</u>
ASSETS				
Cash and cash equivalents.....	\$ 445,838,229	\$ 7,043,065	\$ 239,786,875	\$ 432,795,989
Investments.....	670,845,504	-	-	3,777,332
Receivables				
Taxes receivable, net.....	257,773,666	413,217	67,359,346	2,131,967
Accrued interest receivable.....	2,369,863	112,579	-	2,894
Notes and loans receivable.....	21,562,389	2,100,712	-	2,914,239
Other receivables, net.....	24,118,149	7,815,451	570,970	81,775,174
Lease receivable.....	-	2,859,216	-	430,691
Intergovernmental receivables - federal government, net.....	-	101,916,367	-	-
Due from other funds.....	1,217,652	11,872	1,557,611	8,322,085
Due from component units.....	9,584,565	-	-	-
Interfund receivable.....	114,831,668	-	-	-
Advances to other funds.....	300,000	-	-	-
Advances to component units.....	5,500,000	-	-	-
Total assets.....	\$ 1,553,941,685	\$ 122,272,479	\$ 309,274,802	\$ 532,150,371
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES				
Accounts payable.....	\$ 54,378,708	\$ 55,528,748	\$ 51,820,613	\$ 25,077,981
Accrued liabilities.....	17,320,829	4,745,331	-	5,718,825
Retainage payable.....	330,350	78,660	48,532	443,285
Due to other funds.....	74,127,647	3,184,667	4,914	2,120,995
Due to component units.....	126,193,806	-	14,268,480	-
Intergovernmental payable - federal government.....	-	-	-	-
Tax refunds payable.....	32,575,661	-	346,025	62,045
Interfund payable.....	-	-	-	-
Unearned revenue.....	-	144,613	-	88,092,623
Total liabilities.....	304,927,001	63,682,019	66,488,564	121,515,754
DEFERRED INFLOWS OF RESOURCES				
Prepaid property taxes.....	-	-	3,772,562	-
Unavailable revenue.....	184,700,313	7,803,335	5,594,661	68,952,501
Leases.....	-	3,071,173	-	446,648
Total deferred inflows of resources.....	184,700,313	10,874,508	9,367,223	69,399,149
FUND BALANCES				
Nonspendable				
Advances.....	5,800,000	-	-	-
Long-term receivables.....	45,073,706	-	-	-
Permanent fund principal.....	-	-	-	-
Restricted.....	-	9,014,297	-	28,379,457
Committed.....	-	38,701,655	233,419,015	340,306,817
Assigned.....	52,491,072	-	-	-
Unassigned.....	960,949,593	-	-	(27,450,806)
Total fund balances.....	1,064,314,371	47,715,952	233,419,015	341,235,468
Total liabilities, deferred inflows and fund balances.....	\$ 1,553,941,685	\$ 122,272,479	\$ 309,274,802	\$ 532,150,371

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>
\$ 764,347,946	\$ 13,809	\$ 19,764,336	\$ -	\$ 1,909,590,249
144,827,024	-	41,911,482	-	861,361,342
-	-	46	-	327,678,242
1,212,516	-	347	-	3,698,199
259,819,100	-	-	-	286,396,440
4,248,489	37,546,999	74,952	-	156,150,184
-	-	75,810	-	3,365,717
183,029,021	92,875,816	-	-	377,821,204
998,506	69,070,790	14,732	(77,753,476)	3,439,772
-	-	-	-	9,584,565
-	-	-	-	114,831,668
-	-	-	-	300,000
-	-	-	-	5,500,000
<u>\$ 1,358,482,602</u>	<u>\$ 199,507,414</u>	<u>\$ 61,841,705</u>	<u>\$ (77,753,476)</u>	<u>\$ 4,059,717,582</u>
\$ 103,718,145	\$ 159,288,642	\$ 4,048,865	\$ -	\$ 453,861,702
8,113,762	1,250,711	617,495	-	37,766,953
1,962,529	-	2,984,152	-	5,847,508
10,547,656	1,317,122	267,144	(77,753,476)	13,816,669
59,051	-	4,854,161	-	145,375,498
8,650,275	-	-	-	8,650,275
-	-	-	-	32,983,731
-	-	65,632,915	-	65,632,915
666,369,131	-	83,299	-	754,689,666
<u>799,420,549</u>	<u>161,856,475</u>	<u>78,488,031</u>	<u>(77,753,476)</u>	<u>1,518,624,917</u>
-	-	-	-	3,772,562
315,811	11,711,677	18,853	-	279,097,151
-	-	98,330	-	3,616,151
<u>315,811</u>	<u>11,711,677</u>	<u>117,183</u>	<u>-</u>	<u>286,485,864</u>
-	-	-	-	5,800,000
-	-	-	-	45,073,706
-	-	7,416,453	-	7,416,453
558,746,242	25,939,262	1,775,432	-	623,854,690
-	-	50,436,159	-	662,863,646
-	-	-	-	52,491,072
-	-	(76,391,553)	-	857,107,234
<u>558,746,242</u>	<u>25,939,262</u>	<u>(16,763,509)</u>	<u>-</u>	<u>2,254,606,801</u>
<u>\$ 1,358,482,602</u>	<u>\$ 199,507,414</u>	<u>\$ 61,841,705</u>	<u>\$ (77,753,476)</u>	<u>\$ 4,059,717,582</u>

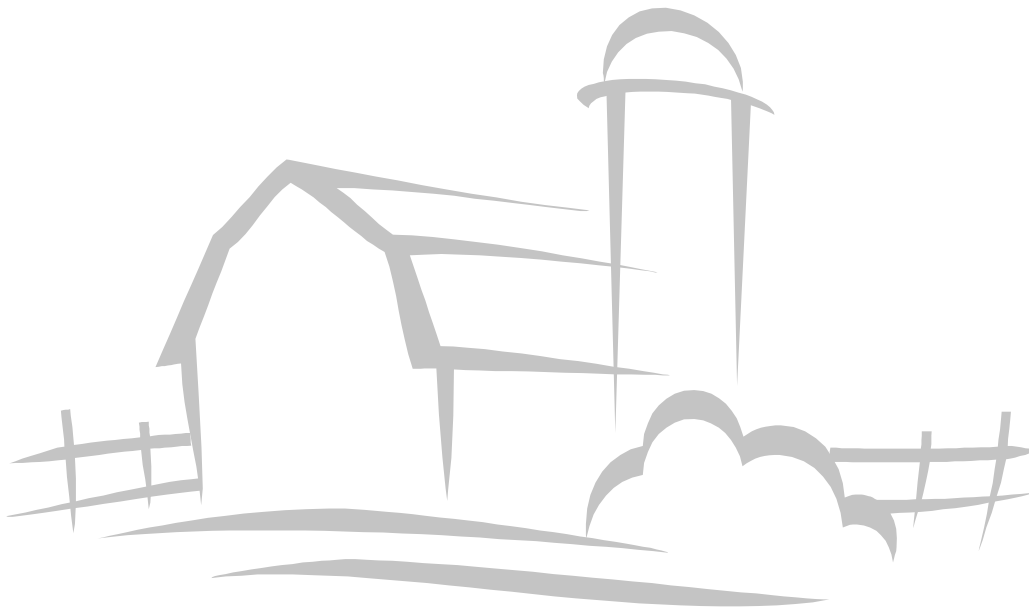
STATE OF VERMONT
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2023

Total fund balances from previous page.....	\$ 2,254,606,801
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⁾	3,445,912,527
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.....	14,815,235
Amounts presented in the statement of net position relating to, but not in fund balances due to a different basis of accounting ⁽¹⁾	337,257,433
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>(5,315,242,157)</u>
Net position of governmental activities.....	<u><u>\$ 737,349,839</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, 2023

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Education Fund</u>	<u>Special Fund</u>
REVENUES				
Taxes				
Personal income tax.....	\$ 1,216,870,565	\$ -	\$ -	\$ 613,733
Corporate income tax.....	289,594,566	-	-	465,355
Sales and use tax.....	1,044	-	582,455,657	224,219
Meals and rooms tax.....	164,746,005	-	59,668,505	14,399,977
Motor fuels tax.....	-	73,840,753	-	1,337,404
Purchase and use tax.....	-	94,584,660	47,331,560	-
Statewide education tax.....	-	-	1,203,613,372	-
Other taxes.....	459,244,624	19,897,952	3,203,901	47,323,758
Earnings of departments				
Fees.....	45,227,918	28,299,132	-	117,130,115
Rents and leases.....	-	2,052,387	-	5,807,292
Sales of services.....	3,775,774	2,504	-	14,360,671
Federal grants.....	-	410,056,600	-	45,369,596
Fines, forfeits and penalties.....	2,679,897	2,399,061	-	10,056,063
Investment income/(loss).....	51,368,531	942,322	5,776,510	12,197,082
Licenses				
Business.....	568,569	609,046	-	36,235,006
Non-business.....	70,755	95,530,130	-	3,118,360
Special assessments.....	25,255,919	-	-	25,878,288
Other revenues.....	7,774,183	2,861,765	-	80,647,519
Total revenues.....	2,267,178,350	731,076,312	1,902,049,505	415,164,438
EXPENDITURES				
General government.....	112,002,934	4,152,737	-	16,724,966
Protection to persons and property.....	211,803,461	21,566,695	-	145,689,759
Human services.....	642,352,603	-	-	30,185,382
Labor.....	4,114,040	-	-	3,911,130
General education.....	340,959,815	-	1,979,268,552	18,818,159
Natural resources.....	46,204,332	-	-	56,341,383
Commerce and community development.....	65,059,236	-	-	13,833,675
Transportation.....	14,735,006	705,764,532	-	4,082,703
Capital outlay.....	11,599,001	1,712,369	379,542	7,245,856
Debt service.....	3,906,652	769,751	191,148	2,394,770
Total expenditures.....	1,452,737,080	733,966,084	1,979,839,242	299,227,783
Excess of revenues over (under) expenditures.....	814,441,270	(2,889,772)	(77,789,737)	115,936,655
OTHER FINANCING SOURCES (USES)				
Leases issued.....	2,465,209	29,663	-	-
SBITA's issued.....	8,352,632	1,613,910	379,542	7,225,573
Transfers in.....	64,086,348	721,241	43,884,955	105,133,893
Transfers out.....	(672,002,678)	(7,154,094)	-	(77,928,096)
Total other financing sources (uses).....	(597,098,489)	(4,789,280)	44,264,497	34,431,370
Net change in fund balances.....	217,342,781	(7,679,052)	(33,525,240)	150,368,025
Fund balances, July 1.....	846,971,590	55,395,004	266,944,255	190,867,443
Fund balances, June 30.....	\$ 1,064,314,371	\$ 47,715,952	\$ 233,419,015	\$ 341,235,468

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>
\$ -	\$ -	\$ -	\$ -	\$ 1,217,484,298
-	-	-	-	290,059,921
-	-	-	-	582,680,920
-	-	-	-	238,814,487
-	-	810,979	-	75,989,136
-	-	-	-	141,916,220
-	-	-	-	1,203,613,372
-	-	-	-	529,670,235
-	-	155,321	-	190,812,486
-	-	45,021	-	7,904,700
-	-	45	-	18,138,994
1,705,094,658	1,301,087,107	8,837,673	-	3,470,445,634
-	-	9,658	-	15,144,679
7,919,380	-	3,800,720	-	82,004,545
-	-	570	-	37,413,191
-	-	7,895,711	-	106,614,956
-	-	-	-	51,134,207
3,134,419	22,433,016	3,269,806	-	120,120,708
<u>1,716,148,457</u>	<u>1,323,520,123</u>	<u>24,825,504</u>	<u>-</u>	<u>8,379,962,689</u>
129,876,068	-	-	-	262,756,705
205,740,605	-	-	-	584,800,520
836,820,376	1,862,955,976	-	-	3,372,314,337
32,059,884	-	-	-	40,085,054
305,234,115	610,049	-	-	2,644,890,690
42,885,398	-	21,475,009	-	166,906,122
95,387,478	-	-	-	174,280,389
4,582,429	-	-	-	729,164,670
18,938,398	28,775	64,306,115	-	104,210,056
4,998,596	92,783	73,558,513	-	85,912,213
<u>1,676,523,347</u>	<u>1,863,687,583</u>	<u>159,339,637</u>	<u>-</u>	<u>8,165,320,756</u>
<u>39,625,110</u>	<u>(540,167,460)</u>	<u>(134,514,133)</u>	<u>-</u>	<u>214,641,933</u>
37,943	-	-	-	2,532,815
15,058,133	28,775	-	-	32,658,565
5,753,070	573,496,227	77,321,147	(814,954,384)	55,442,497
(25,565,873)	(27,854,442)	(7,007,044)	814,954,384	(2,557,843)
<u>(4,716,727)</u>	<u>545,670,560</u>	<u>70,314,103</u>	<u>-</u>	<u>88,076,034</u>
34,908,383	5,503,100	(64,200,030)	-	302,717,967
<u>523,837,859</u>	<u>20,436,162</u>	<u>47,436,521</u>	<u>-</u>	<u>1,951,888,834</u>
<u>\$ 558,746,242</u>	<u>\$ 25,939,262</u>	<u>\$ (16,763,509)</u>	<u>\$ -</u>	<u>\$ 2,254,606,801</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, 2023**

Total net change in fund balances from the previous page.....	\$ 302,717,967
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⁾	165,704,742
Repayment of bond, lease, and SBITA principal is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position (net of internal service funds) ⁽¹⁾	63,394,550
Bond, lease, and SBITA proceeds provide current financial resources to the to the governmental funds, but issuing debt, leases, and SBITA's increases long-term liabilities in the statement of net position (net of internal service funds) ⁽¹⁾	(25,532,027)
Receivables in the governmental funds that are not available to provide current financial resources are not reported as revenues in the governmental funds.....	(31,958,834)
Estimated personal income tax refunds that are not due and payable are not reported as governmental fund liabilities.....	(9,752,715)
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⁾	18,111,697
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>(51,488,407)</u>
Total changes in net position of governmental activities as reported on the statement of activities.....	<u>\$ 431,196,973</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, 2023

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	State Lottery Fund
ASSETS			
Current Assets			
Cash and cash equivalents.....	\$ 309,119,010	\$ -	\$ 6,787,681
Receivables			
Taxes receivable, net of allowance for uncollectibles.....	14,747,742	-	-
Accounts receivable, net of allowance for uncollectibles.....	727,592	2,023,724	3,030,292
Loans receivable.....	-	-	-
Lease receivable.....	-	-	-
Accrued interest receivable.....	-	-	-
Due from other funds.....	-	-	-
Intergovernmental receivables - federal government.....	552,372	-	-
Inventories.....	-	11,254,999	676,692
Prepaid expenses.....	-	-	-
Total current assets.....	325,146,716	13,278,723	10,494,665
Noncurrent Assets			
Investments.....	-	-	409,189
Loans receivable.....	-	-	-
Lease receivable.....	-	-	-
Imprest cash and change fund - advances.....	-	-	300,000
Total noncurrent assets.....	-	-	709,189
Capital Assets			
Land.....	-	-	-
Construction in progress.....	-	-	-
Works of art.....	-	-	-
Capital assets being depreciated/amortized:			
Intangible right-to-use assets	-	91,570	6,198,034
Machinery, equipment and buildings.....	-	5,787,669	322,963
Less accumulated depreciation.....	-	(3,129,544)	(674,093)
Total capital assets, net of depreciation.....	-	2,749,695	5,846,904
Total noncurrent and capital assets.....	-	2,749,695	6,556,093
Total assets.....	325,146,716	16,028,418	17,050,758
DEFERRED OUTFLOWS OF RESOURCES			
Pension related outflows.....	-	1,590,237	698,489
OPEB related outflows.....	-	6,317,533	2,905,776
Total deferred outflows of resources.....	-	7,907,770	3,604,265

Business-type Activities-Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
\$ 26,983,442	\$ -	\$ 342,890,133	\$ 80,526,917
-	-	14,747,742	-
8,870,021	-	14,651,629	21,228,978
434,601	-	434,601	590,928
-	-	-	381,404
4,051	-	4,051	967
504,653	(504,653)	-	13,997,618
-	-	552,372	-
-	-	11,931,691	4,292,756
-	-	-	3,744,548
36,796,768	(504,653)	385,212,219	124,764,116
-	-	409,189	-
472,490	-	472,490	1,703,814
-	-	-	661,023
-	-	300,000	3,500,000
472,490	-	1,181,679	5,864,837
-	-	-	26,156
-	-	-	2,716,334
-	-	-	8,200
-	-	6,289,604	113,672,607
-	-	6,110,632	126,348,723
-	-	(3,803,637)	(116,200,881)
-	-	8,596,599	126,571,139
472,490	-	9,778,278	132,435,976
37,269,258	(504,653)	394,990,497	257,200,092
-	-	2,288,726	-
-	-	9,223,309	-
-	-	11,512,035	-

continued on next page

STATE OF VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	State Lottery Fund
LIABILITIES			
Current Liabilities			
Accounts payable.....	-	7,150,609	830,844
Accrued salaries and benefits.....	-	390,364	220,791
Claims payable.....	1,482,102	-	-
Due to agents.....	-	394,896	-
Due to other funds.....	502,247	187,945	1,621,918
Interfund payable.....	-	4,387,384	-
Future and unclaimed prizes payable.....	-	-	8,171,782
Unearned revenue.....	34,422,373	18,574	221,636
Lease liabilities.....	-	-	-
SBITA liabilities.....	-	-	518,339
Other current liabilities.....	2,195,251	-	-
Total current liabilities.....	38,601,973	12,529,772	11,585,310
Long-term Liabilities			
Due to lottery winners.....	-	-	285,777
Claims payable.....	-	-	-
Advances from other funds.....	-	-	300,000
Lease liabilities.....	-	-	-
SBITA liabilities.....	-	-	4,458,990
Net pension liabilities.....	-	3,148,617	1,312,602
Net other postemployment benefits liabilities.....	-	3,781,660	1,584,861
Other noncurrent liabilities.....	-	37,958	23,354
Total long-term liabilities.....	-	6,968,235	7,965,584
Total liabilities.....	38,601,973	19,498,007	19,550,894
DEFERRED INFLOWS OF RESOURCES			
Leases.....	-	-	-
Pension related inflows.....	-	1,566,004	465,358
OPEB related inflows.....	-	8,752,280	3,571,660
Total deferred inflows of resources.....	-	10,318,284	4,037,018
NET POSITION			
Net investment in capital assets.....	-	2,749,695	869,575
Restricted for unemployment compensation benefits.....	286,544,743	-	-
Restricted for protection to persons and property.....	-	-	-
Unrestricted (deficit).....	-	(8,629,798)	(3,802,464)
Total net position.....	\$ 286,544,743	\$ (5,880,103)	\$ (2,932,889)

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
7,013,107	-	14,994,560	16,626,242
537	-	611,692	7,382,697
-	-	1,482,102	47,973,883
-	-	394,896	-
-	(504,653)	1,807,457	43,938
180,417	-	4,567,801	44,541,769
-	-	8,171,782	-
-	-	34,662,583	95,105
-	-	-	11,110,148
-	-	518,339	2,025,544
1,965,447	-	4,160,698	680,485
9,159,508	(504,653)	71,371,910	130,479,811
-	-	285,777	-
-	-	-	44,560,760
-	-	300,000	-
-	-	-	63,863,567
-	-	4,458,990	1,021,276
-	-	4,461,219	-
-	-	5,366,521	-
3,782,878	-	3,844,190	2,027,584
3,782,878	-	18,716,697	111,473,187
12,942,386	(504,653)	90,088,607	241,952,998
-	-	-	1,022,526
-	-	2,031,362	-
-	-	12,323,940	-
-	-	14,355,302	1,022,526
-	-	3,619,270	48,550,604
-	-	286,544,743	-
13,759,333	-	13,759,333	-
10,567,539	-	(1,864,723)	(34,326,036)
<u>\$ 24,326,872</u>	<u>\$ -</u>	<u>302,058,623</u>	<u>\$ 14,224,568</u>

Adjustment to reflect the consolidation
of internal service activities related
to enterprise funds..... (590,667)

Net Position - Business-type Activities..... \$ 301,467,956

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

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	State Lottery Fund
OPERATING REVENUES			
Charges for sales and services.....	\$ 68,216,776	\$ 98,182,636	\$ -
Ticket sales.....	-	-	159,017,096
Rental income.....	-	-	-
License fees.....	-	1,951,900	-
Federal donated properties.....	-	-	-
Other operating revenues.....	-	4,825,876	4,000
Total operating revenues.....	68,216,776	104,960,412	159,021,096
OPERATING EXPENSES			
Cost of sales and services.....	-	62,653,896	121,647,632
Claims expenses.....	52,394,139	-	-
Salaries and benefits.....	-	3,485,903	1,963,208
Insurance premium expenses.....	-	52,098	12,352
Contractual services.....	-	56,933	199,685
Repairs and maintenance.....	-	107,003	16,896
Depreciation.....	-	681,954	486,671
Rental expenses.....	-	212,964	153,513
Utilities and property management.....	-	3,221,061	407,759
Non-capital equipment purchased.....	-	-	27,979
Promotions and advertising.....	-	55,738	590,007
Administration expenses.....	-	266,436	48,572
Supplies and parts.....	-	263,513	32,491
Distribution and postage.....	-	11,935	11,376
Travel.....	-	6,813	1,892
Other operating expenses.....	-	10,869,598	178,742
Total operating expenses.....	52,394,139	81,945,845	125,778,775
Operating income (loss).....	15,822,637	23,014,567	33,242,321
NONOPERATING REVENUES (EXPENSES)			
Federal grants.....	2,478,215	-	-
Gain/(loss) on disposal of capital assets.....	-	22,670	-
Investment income/(loss).....	4,595,577	-	356,928
Interest expense.....	-	-	(35,045)
Total nonoperating revenues (expenses).....	7,073,792	22,670	321,883
Income (loss) before other revenues, expenses, gains, losses, and transfers.....	22,896,429	23,037,237	33,564,204
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS			
Capital contributions.....	-	-	21,272
Transfers in.....	-	-	-
Transfers out.....	-	(20,498,419)	(33,564,201)
Total other revenues, expenses, gains, losses, and transfers.....	-	(20,498,419)	(33,542,929)
Changes in net position.....	22,896,429	2,538,818	21,275
Total net position, July 1.....	263,648,314	(8,418,921)	(2,954,164)
Total net position June 30.....	\$ 286,544,743	\$ (5,880,103)	\$ (2,932,889)

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
\$ 67,269,822	\$ 233,669,234	\$ 465,895,374
-	159,017,096	-
-	-	20,772,814
-	1,951,900	-
749,898	749,898	-
-	4,829,876	5,674,090
<u>68,019,720</u>	<u>400,218,004</u>	<u>492,342,278</u>
64,138,574	248,440,102	50,165,128
-	52,394,139	278,077,589
26,946	5,476,057	89,169,241
-	64,450	8,720,782
2,076,687	2,333,305	40,442,665
-	123,899	8,947,620
-	1,168,625	29,933,734
148	366,625	3,249,594
-	3,628,820	16,054,248
-	27,979	2,686,220
-	645,745	45,749
6,115,899	6,430,907	14,154,671
-	296,004	3,147,510
-	23,311	70,227
-	8,705	93,577
<u>1,331,327</u>	<u>12,379,667</u>	<u>3,263,776</u>
<u>73,689,581</u>	<u>333,808,340</u>	<u>548,222,331</u>
<u>(5,669,861)</u>	<u>66,409,664</u>	<u>(55,880,053)</u>
-	2,478,215	-
-	22,670	515,753
1,165,783	6,118,288	2,184,069
-	(35,045)	(1,392,815)
<u>1,165,783</u>	<u>8,584,128</u>	<u>1,307,007</u>
<u>(4,504,078)</u>	<u>74,993,792</u>	<u>(54,573,046)</u>
-	21,272	-
-	-	2,557,843
<u>(1,379,877)</u>	<u>(55,442,497)</u>	<u>-</u>
<u>(1,379,877)</u>	<u>(55,421,225)</u>	<u>2,557,843</u>
(5,883,955)	19,572,567	(52,015,203)
<u>30,210,827</u>	<u>282,486,056</u>	<u>66,239,771</u>
<u>\$ 24,326,872</u>	<u>\$ 302,058,623</u>	<u>\$ 14,224,568</u>

Total change in net position reported above..... \$ 19,572,567
Consolidation adjustment of internal
service activities related to enterprise funds..... (526,796)

Change in net position - business type activities.... \$ 19,045,771

STATE OF VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	State Lottery Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers.....	\$ 75,112,418	\$ 98,404,864	\$ 158,558,449
Cash paid to suppliers for goods and services.....	-	(68,090,151)	(8,742,472)
Cash paid to employees for services.....	-	(4,541,083)	(2,255,168)
Cash paid for prizes and commissions.....	-	-	(114,086,046)
Cash paid to claimants.....	(51,942,877)	-	-
Other operating revenues.....	-	6,777,776	4,000
Other operating expenses.....	-	(10,869,598)	(178,742)
Total cash provided (used) by operating activities.....	23,169,541	21,681,808	33,300,021
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in.....	-	-	-
Transfers out.....	-	(20,498,419)	(32,122,907)
(Increase)/decrease in due from other funds.....	-	-	-
Interfund loans and advances.....	-	(998,706)	-
Federal grants.....	(6,948,123)	-	-
Net cash provided (used) by noncapital financing activities.....	(6,948,123)	(21,497,125)	(32,122,907)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets.....	-	(228,700)	(864,304)
Payment of leases, SBITA's, and loans.....	-	-	(385,705)
Interest paid on leases, SBITA's, and loans.....	-	-	(35,045)
Proceeds from sale of capital assets.....	-	43,942	-
Net cash provided (used) by capital and related financing activities.....	-	(184,758)	(1,285,054)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments.....	4,595,577	-	347,844
Proceeds from sales/maturities of investments.....	-	-	92,566
Proceeds from loan repayments.....	-	-	-
Loans issued.....	-	-	-
Net cash provided (used) by investing activities.....	4,595,577	-	440,410
Net increase (decrease) in cash and cash equivalents.....	20,816,995	(75)	332,470
Cash and cash equivalents, July 1.....	288,302,015	75	6,755,211
Cash and cash equivalents, June 30.....	\$ 309,119,010	\$ -	\$ 7,087,681
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss).....	\$ 15,822,637	\$ 23,014,567	\$ 33,242,321
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization.....	-	681,954	486,671
Other nonoperating expenses.....	-	-	-
Effect of changes in assets, deferred outflows, liabilities and deferred inflows:			
Accounts/taxes receivable, net.....	6,777,574	474,258	(449,101)
Lease receivable.....	-	-	-
Due from other funds.....	-	54,477	-
Inventories.....	-	(1,312,492)	(31,501)
Prepaid expenses.....	-	-	15,013
Deferred outflows.....	-	(3,217,496)	(1,675,113)
Accounts payable.....	-	213,299	(75,766)
Accrued salaries and benefits.....	-	6,397	84,818
Claims payable.....	451,262	-	-
Due to lottery winners.....	-	-	(92,566)
Due to agents.....	-	(82,568)	-
Future and unclaimed prizes payable.....	-	-	514,450
Due to other funds.....	118,068	(310,196)	(7,995)
Unearned revenues.....	-	3,689	(9,545)
Other liabilities.....	-	-	-
Other noncurrent liabilities.....	-	-	-
Net pension liabilities.....	-	(967,076)	(114,348)
Net OPEB liabilities.....	-	691,132	509,367
Deferred inflows.....	-	2,431,863	903,316
Total adjustments.....	7,346,904	(1,332,759)	57,700
Net cash provided (used) by operating activities.....	\$ 23,169,541	\$ 21,681,808	\$ 33,300,021
Noncash investing, capital, and financing activities:			
Contributions of capital assets to/from other funds.....	-	(21,272)	21,272
Retirement of assets not fully depreciated.....	-	-	-
Fair market value of donated inventory sold.....	-	-	-
Acquisition of capital assets via financing.....	-	-	5,363,034

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.

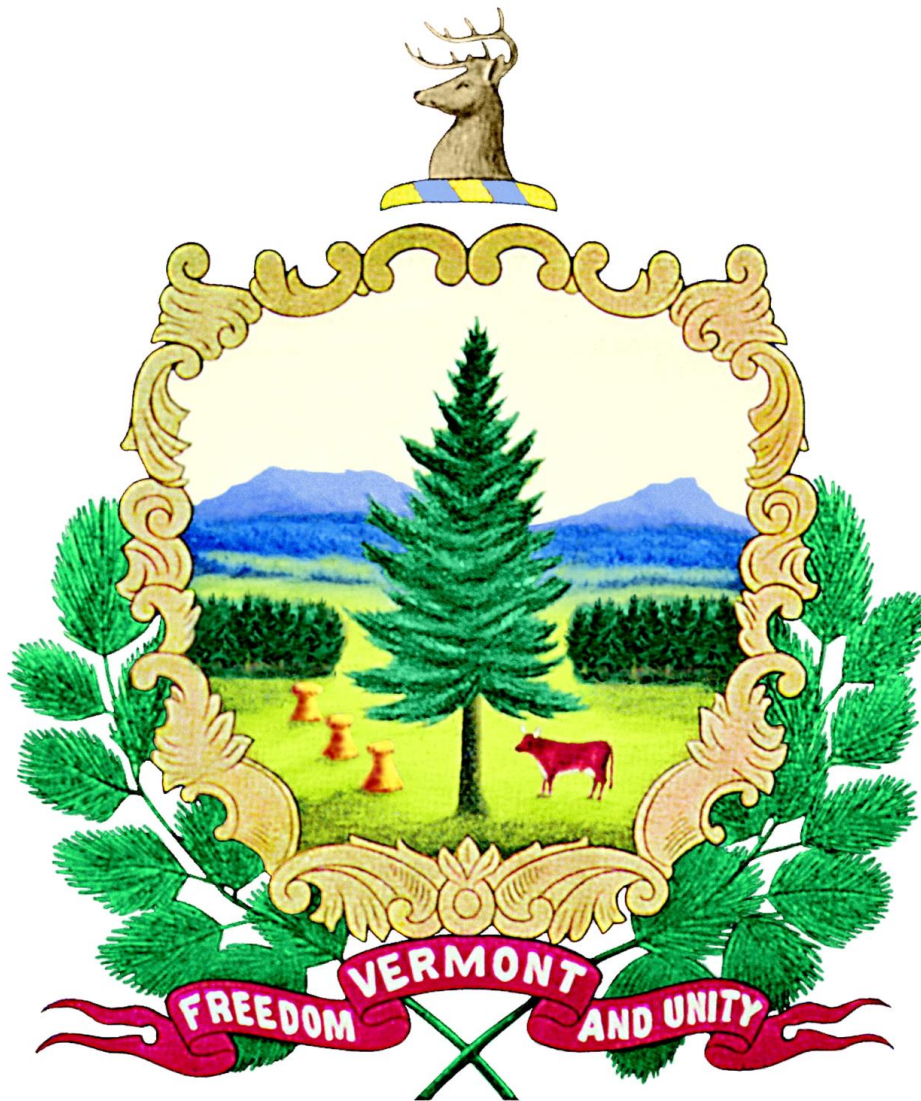
The accompanying notes are an integral part of these financial statements.

Business-type Activities-Enterprise Funds		Governmental Governmental Activities
Non-major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
\$ 74,120,566	\$ 406,196,297	\$ 487,174,874
(74,006,033)	(150,838,656)	(146,526,884)
(27,569)	(6,823,820)	(88,383,301)
-	(114,086,046)	-
-	(51,942,877)	(251,335,312)
-	6,781,776	5,674,090
(433,958)	(11,482,298)	(3,263,852)
(346,994)	77,804,376	3,339,615
-	-	2,557,843
(1,379,877)	(54,001,203)	-
-	-	4,267,888
(3,891)	(1,002,597)	5,814,135
-	(6,948,123)	-
(1,383,768)	(61,951,923)	12,639,866
-	(1,093,004)	(11,151,582)
-	(385,705)	(25,760,018)
-	(35,045)	(1,378,325)
-	43,942	983,387
-	(1,469,812)	(37,306,538)
1,148,798	6,092,219	2,183,266
-	92,566	-
439,853	439,853	623,671
(452,881)	(452,881)	(80,539)
1,135,770	6,171,757	2,726,398
(594,992)	20,554,398	(18,600,659)
27,578,434	322,635,735	102,627,576
\$ 26,983,442	\$ 343,190,133	\$ 84,026,917
\$ (5,669,861)	\$ 66,409,664	\$ (55,880,053)
-	1,168,625	29,933,734
-	-	(76)
1,286,720	8,089,451	(2,461,775)
-	-	(417,833)
(64,040)	(9,563)	3,179,134
-	(1,343,993)	(863,474)
-	15,013	1,420,352
-	(4,892,609)	-
1,356,515	1,494,048	1,581,415
(623)	90,592	785,940
-	451,262	26,742,277
-	(92,566)	-
-	(82,568)	-
-	514,450	-
-	(200,123)	(687,318)
-	(5,856)	(117,810)
354,260	354,260	(279,214)
2,390,035	2,390,035	-
-	(1,081,424)	-
-	1,200,499	-
-	3,335,179	404,316
5,322,867	11,394,712	59,219,668
\$ (346,994)	\$ 77,804,376	\$ 3,339,615
-	-	-
-	-	(460,952)
749,898	749,898	1,998,906
-	5,363,034	19,945,193

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Vermont



FIDUCIARY FUNDS
FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2023

	Pension and Other Postemployment Benefits Trust Funds	Private Purpose Trust Fund Unclaimed Property Fund	Custodial Funds
ASSETS			
Cash and cash equivalents.....	\$ 111,995,769	\$ 8,126,994	\$ 8,020,586
Investments			
Fixed income.....	275,526,744	-	-
Equities.....	160,562,218	6,001,959	-
Mutual and commingled funds.....	4,146,860,861	-	-
Private partnerships.....	1,558,687,854	-	-
Receivables:			
Taxes.....	-	-	2,866,694
Contributions - current.....	24,793,343	-	-
Contributions - non-current.....	5,362,276	-	-
Investments sold.....	71,439,108	-	-
Interest and dividends.....	1,799,466	-	-
Due from other funds.....	-	-	24,676
Other.....	15,951,351	-	2,305,866
Prepaid expenses.....	257,197	-	-
Other assets.....	-	9,523,728	-
Capital assets:			
Capital assets being depreciated:			
Equipment.....	8,310,724	8,299	-
Less accumulated depreciation.....	(7,592,419)	(6,956)	-
Total capital assets, net of depreciation.....	718,305	1,343	-
Total assets.....	6,373,954,492	23,654,024	13,217,822
LIABILITIES			
Accounts payable.....	3,409,847	12,796	1,350
Accrued salaries and benefits.....	-	47,366	-
Claims payable.....	-	6,276,195	-
Investments purchased.....	149,818,729	-	-
Due to other funds.....	1,790,032	-	3,970
Interfund payable	-	-	89,183
Intergovernmental payable - other governments.....	-	-	9,362,114
Payable to individuals.....	-	-	132,039
Total liabilities.....	155,018,608	6,336,357	9,588,656
NET POSITION			
Restricted for employees' pension benefits.....	5,994,949,721	-	-
Restricted for employees' other postemployment benefits.....	223,986,163	-	-
Restricted for individuals, organizations and other governments.....	-	17,317,667	3,629,166
Net position restricted for benefits and other purposes.....	\$ 6,218,935,884	\$ 17,317,667	\$ 3,629,166

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, 2023

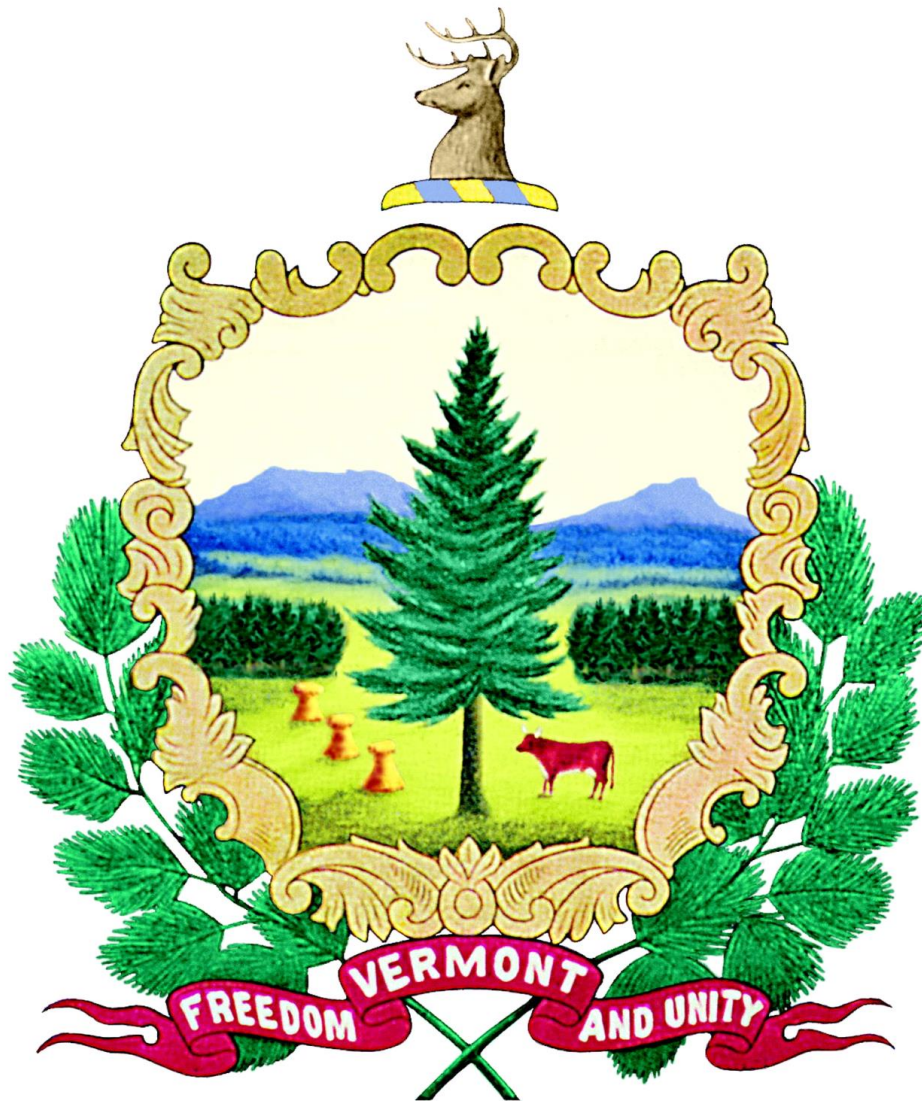
	Pension and Other Postemployment Benefits Trust Funds	Private Purpose Trust Fund Unclaimed Property Fund	Custodial Funds
ADDITIONS			
Contributions			
Employer - pension benefit.....	\$ 147,351,630	\$ -	\$ -
Employer - healthcare benefit.....	64,698,572	-	-
Non-employer - pension benefit.....	188,096,219	-	-
Non-employer - healthcare benefit.....	57,168,208	-	-
Plan member.....	131,542,145	-	-
Transfers from non-state systems.....	215,804	-	-
Other revenues.....	13,829,042	-	-
Total contributions.....	602,901,620	-	-
Investment Income			
Net appreciation/(depreciation) in fair value of investments.....	393,821,917	-	-
Dividends.....	42,639,343	-	-
Interest income.....	12,052,424	908,705	1,918
Other income.....	908,227	-	-
Total investment income/(loss).....	449,421,911	908,705	1,918
Less Investment Expenses			
Investment managers and consultants.....	7,634,184	-	-
Total investment expenses.....	7,634,184	-	-
Net investment income/(loss).....	441,787,727	908,705	1,918
Escheat property remittances.....	-	8,060,890	-
Collection of local option taxes for other governments.....	-	-	29,884,951
Collection of fines and fees for other governments.....	-	-	4,827,664
Collection of child support for individuals.....	-	-	40,662,343
Collection for the benefit of individuals.....	-	-	7,855,330
Other custodial fund collections.....	-	-	21,243
Total additions.....	1,044,689,347	8,969,595	83,253,449
DEDUCTIONS			
Retirement benefits.....	472,023,638	-	-
Other postemployment benefits.....	76,656,774	-	-
Refunds of contributions.....	9,203,607	-	-
Death claims.....	1,606,840	-	-
Payment of local option taxes to other governments.....	-	-	29,884,951
Payment of fines and fees to other governments.....	-	-	4,411,924
Payments of child support to individuals.....	-	-	40,662,343
Payments for the benefit of individuals.....	-	-	7,858,894
Other custodial fund payments.....	-	-	21,184
Transfers to non-state systems.....	7,579,638	-	-
Depreciation.....	649,205	1,593	-
Operating expenses.....	6,630,471	1,004,567	-
Total deductions.....	574,350,173	1,006,160	82,839,296
Change in net position			
Restricted for employees' pension benefits.....	405,538,659	-	-
Restricted for employees' other postemployment benefits.....	64,800,515	-	-
Held in trust for individuals, organizations and other governments.....	-	7,963,435	414,153
Restricted Net position, July 1.....	5,748,596,710	9,354,232	3,215,013
Restricted Net position, June 30.....	\$ 6,218,935,884	\$ 17,317,667	\$ 3,629,166

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, 2023**

	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.....	\$ 63,383,000	\$ 224,760,000	\$ 98,842,936	\$ 2,745,000	\$ 47,274,554	\$ 437,005,490
Cash and cash equivalents - restricted.....	-	-	-	54,011,000	17,459,000	71,470,000
Investments.....	-	323,297,000	-	14,147,000	23,937,739	361,381,739
Accounts receivable, net.....	-	45,947,000	15,132,037	-	1,953,772	63,032,809
Accrued interest receivable - loans.....	14,167,000	-	-	2,087,000	3,673,857	19,927,857
Accrued interest receivable - investments.....	150,000	-	-	864,000	-	1,014,000
Loans and notes receivable - current portion.....	53,059,000	1,771,000	-	33,925,000	84,641,390	173,396,390
Other receivables.....	1,252,000	-	-	835,000	6,028,908	8,115,908
Lease receivable.....	864,000	1,111,000	-	-	101,000	2,076,000
Due from federal government.....	39,000	11,320,000	-	-	2,292,138	13,651,138
Due from primary government.....	-	-	-	-	145,375,498	145,375,498
Inventories.....	-	69,000	-	-	388,862	457,862
Other current assets.....	429,000	20,125,000	2,851,834	-	989,992	24,395,826
Total current assets.....	133,343,000	628,400,000	116,826,807	108,614,000	334,116,710	1,321,300,517
Noncurrent Assets						
Cash and cash equivalents.....	-	22,342,000	660,542	-	-	23,002,542
Cash and cash equivalents - restricted.....	41,768,000	-	-	-	4,074,478	45,842,478
Investments.....	9,982,000	822,064,000	72,586,940	177,346,000	7,007,000	1,088,985,940
Investments - restricted.....	-	-	-	-	82,544,763	82,544,763
Loans and notes receivable, net.....	383,546,000	35,204,000	809,507	200,098,000	1,084,348,573	1,704,006,080
Lease receivable.....	644,000	13,373,000	-	-	1,166,000	15,183,000
Other assets.....	-	12,615,000	123,060	321,000	23,873,082	36,932,142
Total noncurrent assets.....	435,940,000	905,598,000	74,180,049	377,765,000	1,203,013,896	2,996,496,945
Capital Assets						
Land.....	3,150,000	42,454,000	8,436,048	50,000	602,470	54,692,518
Construction in progress.....	-	44,377,000	3,491,980	-	2,316,955	50,185,935
Capital assets, being depreciated						
Infrastructure.....	-	-	43,051,021	-	-	43,051,021
Intangible right-to-use assets.....	1,205,000	7,960,000	23,949,002	-	1,193,442	34,307,444
Buildings and leasehold improvements.....	17,365,000	1,143,406,000	268,687,870	2,009,000	37,193,827	1,468,661,697
Equipment, furniture and fixtures.....	4,794,000	174,768,000	43,654,858	963,000	7,436,205	231,616,063
Less accumulated depreciation.....	(15,540,000)	(662,788,000)	(244,303,580)	(2,495,000)	(32,659,276)	(957,785,856)
Total capital assets, net of depreciation.....	10,974,000	750,177,000	146,967,199	527,000	16,083,623	924,728,822
Total assets.....	580,257,000	2,284,175,000	337,974,055	486,906,000	1,553,214,229	5,242,526,284
DEFERRED OUTFLOWS OF RESOURCES						
Loss on refunding of bonds payable.....	-	5,009,000	5,445,225	-	12,602,368	23,056,593
Interest rate swaps.....	-	-	-	11,000	-	11,000
VHCB related deferred outflows.....	-	-	-	28,639,000	-	28,639,000
Pension related outflows.....	-	-	-	-	4,754,558	4,754,558
OPEB related outflows.....	-	34,660,000	35,519,806	-	20,760,880	90,940,686
Total deferred outflows of resources.....	-	39,669,000	40,965,031	28,650,000	38,117,806	147,401,837

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.....	3,318,000	98,708,000	13,937,940	650,000	4,032,723	120,646,663
Accrued interest payable.....	-	-	-	2,171,000	667,000	2,838,000
Bond interest payable.....	495,000	-	-	-	3,018,809	3,513,809
Unearned revenue.....	13,684,000	61,737,000	6,033,863	-	30,013,407	111,468,270
Other current liabilities.....	-	-	-	-	88,000,000	88,000,000
Current portion of long-term liabilities.....	12,702,000	18,015,000	6,892,613	29,420,000	95,808,069	162,837,682
Due to primary government.....	-	-	-	-	9,584,565	9,584,565
Escrowed cash deposits.....	-	-	-	12,550,000	1,025,000	13,575,000
Total current liabilities.....	30,199,000	178,460,000	26,864,416	44,791,000	232,149,573	512,463,989
Noncurrent Liabilities						
Bonds and notes payable.....	319,867,000	527,545,000	93,894,779	365,916,000	728,665,953	2,035,888,732
Lease liabilities.....	-	2,030,000	11,717,177	-	1,092,000	14,839,177
SBITA liabilities.....	84,000	961,000	694,631	-	-	1,739,631
Accounts payable and accrued liabilities.....	2,073,000	12,457,000	-	-	-	14,530,000
Accrued arbitrage rebate.....	3,750,000	-	-	-	10,184	3,760,184
Advances from primary government.....	-	-	-	-	5,500,000	5,500,000
Net pension liabilities.....	-	-	-	-	10,071,608	10,071,608
Net other postemployment benefits liabilities.....	-	186,997,000	133,937,265	-	12,005,063	332,939,328
Other liabilities.....	-	-	3,378,397	-	36,972	3,415,369
Total noncurrent liabilities.....	325,774,000	729,990,000	243,622,249	365,916,000	757,381,780	2,422,684,029
Total liabilities.....	355,973,000	908,450,000	270,486,665	410,707,000	989,531,353	2,935,148,018
DEFERRED INFLOWS OF RESOURCES						
Gain on refunding of bonds payable.....	5,846,000	-	-	-	-	5,846,000
Lease related inflows.....	1,179,000	13,708,000	-	-	1,166,076	16,053,076
Interest rate swaps.....	-	-	-	333,000	-	333,000
Service concession arrangement.....	-	642,000	-	-	-	642,000
Split interest arrangements.....	-	5,027,000	-	-	-	5,027,000
Pension related inflows.....	-	-	-	-	5,396,619	5,396,619
OPEB related inflows.....	-	273,731,000	86,301,061	-	29,426,806	389,458,867
Total deferred inflows of resources.....	7,025,000	293,108,000	86,301,061	333,000	35,989,501	422,756,562
NET POSITION						
Net investment in capital assets.....	10,863,000	203,492,000	44,863,006	527,000	14,965,623	274,710,629
Restricted						
Endowments - expendable.....	1,141,000	506,905,000	23,860,619	-	-	531,906,619
Endowments - nonexpendable.....	8,904,000	402,986,000	25,279,443	-	-	437,169,443
Grants and scholarships.....	2,244,000	-	-	-	-	2,244,000
Bond resolution.....	64,215,000	-	-	80,752,000	-	144,967,000
Investment in limited partnerships.....	-	-	-	-	5,921,000	5,921,000
Collateral for commercial paper program.....	-	-	-	-	17,175,000	17,175,000
Project and program commitments.....	-	-	-	9,880,000	190,540,915	200,420,915
Loans receivable.....	-	-	-	-	302,024,859	302,024,859
Unrestricted (deficit).....	129,892,000	8,903,000	(71,851,708)	13,357,000	35,183,784	115,484,076
Total net position.....	\$ 217,259,000	\$ 1,122,286,000	\$ 22,151,360	\$ 104,516,000	\$ 565,811,181	\$ 2,032,023,541

**STATE OF VERMONT
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2023**

	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.....	\$ 18,225,000	\$ 422,057,000	\$ 108,928,184	\$ 4,509,000	\$ 25,312,221	\$ 579,031,405
Other expenses.....	8,853,000	234,684,000	50,959,757	31,300,000	53,614,227	379,410,984
Scholarship, grants and fellowships.....	34,322,000	27,431,000	18,773,733	-	-	80,526,733
Depreciation.....	798,000	39,664,000	14,333,932	74,000	1,460,304	56,330,236
Interest on debt.....	10,741,000	20,591,000	4,426,143	12,542,000	30,791,148	79,091,291
Total expenses.....	72,939,000	744,427,000	197,421,749	48,425,000	111,177,900	1,174,390,649
Program Revenues						
Charges for services.....	32,882,000	475,922,000	102,982,754	14,348,000	61,118,405	687,253,159
Operating grants and contributions.....	42,616,000	372,519,000	112,244,982	32,201,000	106,679,070	666,260,052
Capital grants and contributions.....	-	18,124,000	3,701,024	-	-	21,825,024
Total program revenues.....	75,498,000	866,565,000	218,928,760	46,549,000	167,797,475	1,375,338,235
Net revenue (expense).....	2,559,000	122,138,000	21,507,011	(1,876,000)	56,619,575	200,947,586
General Revenues						
Property transfer tax.....	-	-	-	-	21,128,985	21,128,985
Investment income/(loss).....	3,984,000	64,752,000	4,082,139	2,327,000	(2,463,059)	72,682,080
Additions to non-expendable endowments.....	452,000	-	2,656,921	-	-	3,108,921
Miscellaneous.....	-	987,000	26,318	-	1,553,892	2,567,210
Total general revenues.....	4,436,000	65,739,000	6,765,378	2,327,000	20,219,818	99,487,196
Changes in net position.....	6,995,000	187,877,000	28,272,389	451,000	76,839,393	300,434,782
Net position - beginning, as restated	210,264,000	934,409,000	(6,121,029)	104,065,000	488,971,788	1,731,588,759
Net position - ending.....	\$ 217,259,000	\$ 1,122,286,000	\$ 22,151,360	\$ 104,516,000	\$ 565,811,181	\$ 2,032,023,541

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

**STATE OF VERMONT
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

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**STATE OF VERMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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 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, 2023.

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. Vermont has no blended component units. 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 Vermont's residents.

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 custodial 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 (d/b/a Vermont Bond Bank) 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 100 Bank Street, Suite 401, Burlington, VT 05401.

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. The VEHBFA 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 is currently inactive. 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, opioid settlements, and drug expenditure reimbursements due to the Medicaid program from drug companies and third-party insurance companies. Lease receivables include land and buildings rentals. 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, intangible assets, 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 (except for intangible right-to-use assets, the measurement of which is discussed sections below

under the sections for Leases and Subscription-Based Information Technology Arrangements). 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 Intangible right-to-use assets are found in Notes IV. E. - Capital Assets, IV. G. 3. - Leases, and IV. G. 4. - Subscription-Based Information Technology Arrangements, 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 increase 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.

Leases

The State routinely engages in lease agreements to meet operational needs or serve the general public. The State's lease contracts generally relate to land, buildings, and various machinery and equipment. For short-term leases with a maximum possible term of 12 months or less at commencement, the State recognizes periodic revenue or expense based on the provisions of the lease contract. For all other contracts where the State is the lessee, at the commencement of a lease, the State initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The intangible right-to-use lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. The intangible right-to-use lease asset is amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying asset. Intangible right-to-use lease assets are reported with capital assets, and lease liabilities are reported similar to long-term debt in the statement of net position. The State monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the intangible right-to-use lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

On a more limited basis, the State also serves as a lessor providing leases of state-owned land, buildings, and various machinery and equipment. At the commencement of a lease, the State initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or

before the lease commencement date that relate to future periods. The deferred inflow of resources is amortized evenly and recognized as revenue over the life of the lease term. The State monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

The State uses its estimated incremental borrowing rate as the discount rate for leases unless the rate the lessor charges is known. The State's incremental borrowing rate is based on the general obligation bonds' effective interest rate for a given year. Many lease contracts include increases to rent payments related to the consumer price index (CPI) or similar indices, and the available index increase is included in the present value at the commencement of the lease or upon remeasurement. Payments based on future performance are not included in the measurement of the lease liability or lease receivable but recognized as revenue or expense in the period performed. Residual value guarantees and exercise options will be included in the measurement if they are reasonably certain to be paid or exercised. The State has established a minimum dollar threshold for lease reporting of \$5,000 per individual lease annually.

Subscription-Based Information Technology Arrangements (SBITA's)

The State routinely engages in SBITA's to meet operational needs, improve efficiency, or serve the general public. The State's SBITA contracts generally are for Software as a Service (SaaS), Platform as a Service (PaaS), or Infrastructure as a Service (IaaS). For short-term SBITA's with a maximum possible term of 12 months or less at commencement, the State recognizes periodic expense based on the provisions of the SBITA contract. For all other SBITA contracts, at the commencement of a SBITA, the State initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The intangible right-to-use SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain implementation costs. The intangible right-to-use SBITA asset is amortized on a straight-line basis over the shorter of the SBITA term or useful life of the underlying information technology asset. Intangible right-to-use SBITA assets are reported with capital assets, and SBITA liabilities are reported similar to long-term debt in the statement of net position. The State monitors changes in circumstances that would require a remeasurement of its SBITA's and will remeasure the intangible right-to-use SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

The State uses its estimated incremental borrowing rate as the discount rate for SBITA's unless the rate in the SBITA contract is known. The State's incremental borrowing rate is based on the general obligation bonds' effective interest rate for a given year. Payments based on future performance are not included in the measurement of the SBITA liability but recognized as an expense in the period performed. The State has established a minimum dollar threshold for SBITA reporting of \$50,000 in subscription payments over the maximum term of the contract per individual SBITA. The State has established a minimum capitalization level of \$500,000 for implementation costs related to the SBITA.

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 assets 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 assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Primary Government has three items that qualifies for reporting in this category in the governmental funds, which are prepaid property taxes, unavailable revenue, and deferred amounts related to lease receivables. 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 six 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. The sixth item is the deferred amount related to lease receivables, which are amortized and recognized as revenue over the life of the lease term.

Additional disclosures related to deferred outflows and inflows of resources are included in Notes IV. F. - Deferred Outflows and Deferred Inflows and IV. G. 5. - 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, 2023 in the governmental funds statements is comprised of tax refunds for filed tax returns due and payable at June 30, 2023. The amount reported as tax refunds payable at June 30, 2023 in the government-wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar quarters of year 2023's tax liability that will be paid out in calendar year 2024.

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, 2023, 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. 6. - 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	\$ 52,491,072
Transportation Fund	163,125
Special Fund	82,663,024
Federal Revenue Fund	121,158,800
Global Commitment Fund	2,457,355
Non-major Governmental Funds	11,462,992
Total	<u>\$ 270,396,368</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

Effective for fiscal year 2023 reporting, the State implemented the following new GASB standards:

GASB Statement No. 91, *Conduit Debt Obligation*. This standard clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement did not have an impact on the primary governments financial statements, but did have an impact on the financial statements of the VMBB, one of the State's discretely presented non-major component units. See Note V.G. for the cumulative effect of change in accounting principles.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This standard defines public-private and public-public partnerships (PPPs) and Availability Payment Arrangements (APAs), and establishes standards of accounting and financial reporting for PPPs and APAs. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This statement did not have an impact on the financial statements.

GASB Statement No. 96, *Subscription-based information technology arrangements (SBITA's)*. This standard defines SBITA's, and establishes standards of accounting and financial reporting for these arrangements. The standard establishes that a SBITA transaction requires the recognition of an intangible right-to-use subscription asset, and a corresponding subscription liability. In addition, the standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs; and requires certain note disclosures related to SBITA's. See Notes IV.E and IV.G.4 for additional information on the financial statement impacts of the adoption of this standard.

GASB Statement No. 99, *Omnibus 2022*. The purpose of this Statement is to enhance the comparability in accounting and financial reporting and improve the consistency of authoritative literature by focusing on practice issues that have been identified during the implementation of various GASB Statements. GASB Statement No. 99 issued in April 2022 had multiple effective dates for the statements various requirements. The requirements related to leases, SBITA's, and PPPs were effective for fiscal years beginning after June 15, 2022, and were adopted by the State for fiscal year 2023 reporting. This statement did not have an impact on the financial statements.

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

The governmental fund financial statements each include a schedule that reconciles the fund balance and net changes in fund balance in the fund financial statements to the net position and changes in net position in the government-wide financial statements. Differences between the two occur because the current financial resources measurement focus and modified accrual basis of accounting that is used in governmental funds must be converted to the economic resources measurement focus and accrual basis of accounting that is used in government-wide reporting. In addition, differences will occur because balances and transactions associated with interfund activity must be eliminated in the process of preparing the government-wide financial statements, including consolidation of internal service fund data into the governmental activities in the government-wide financial statements.

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

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

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

Land	\$ 185,788,287
Works of art	127,803
Construction in progress	668,898,173
Depreciable capital assets and infrastructure, net of \$2,350,752,438 of accumulated depreciation	<u>2,591,098,264</u>
Net adjustment to increase <i>fund balances - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 3,445,912,527</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	\$ 279,097,151
Deferred outflow for unamortized loss on sale of refunding bonds	2,155,751
Deferred inflow for unamortized gain on sale of refunding bonds	(42,615)
Deferred outflow for pension related items	974,895,286
Deferred inflow for pension related items	(59,994)
Deferred outflow for OPEB related items	400,590,035
Deferred inflow for OPEB related items	<u>(1,319,378,181)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ 337,257,433</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	\$ (567,486,652)
Lease liability (net of internal service funds’ liability)	(2,231,628)
SBITA liability (net of internal service funds’ liability)	(21,227,125)
Accrued interest payable on bonds	(8,030,462)
Compensated absences (net of internal service funds’ liability)	(45,130,845)
Tax refunds payable	(105,008,204)
Net pension liabilities	(3,037,959,823)
Net other postemployment benefits liabilities	(1,502,996,907)
Other long-term liabilities	<u>(25,170,511)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (5,315,242,157)</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	\$ 465,738,532
Expensed net book value of disposed assets	(67,389,260)
Depreciation expense	<u>(232,644,530)</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>\$ 165,704,742</u>

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

Bond principal repayment	\$ 51,245,000
Lease principal repayment (net of internal service funds' liability)	718,110
SBITA principal repayment (net of internal service funds' liability)	<u>11,431,440</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>\$ 63,394,550</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:

Leases issued increases liabilities in the statement of net position (net of internal service funds' liability)	\$ (2,532,815)
SBITA's issued increases liabilities in the statement of net position (net of internal service funds' liability)	(32,658,565)
Bond premium is amortized to interest expense in the statement of activities	10,134,213
Refunding bonds deferred amounts are amortized to interest expense in the statement of activities	<u>(474,860)</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>\$ (25,532,027)</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	\$ 744,633
Increase in compensated absences	(2,055,788)
Decrease in employer pension and other postemployment benefit related costs	26,852,927
Increase in pollution remediation related costs	<u>(7,430,075)</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>\$ 18,111,697</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, 2023:

Governmental Funds

Non-major Governmental Funds:

General Obligation Bonds Project Fund.....	\$	(76,391,553)
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Proprietary Funds

Major Enterprise Funds:

Liquor Control Fund.....	(5,880,103)
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State Lottery Fund.....	(2,932,889)
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Non-major Enterprise Funds:

Federal Surplus Property Fund.....	(173,117)
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Internal Service Funds:

Property Management.....	(11,663,407)
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State Liability Insurance.....	(8,410,726)
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Communications & Information Technology.....	(5,063,287)
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Medical Insurance.....	(3,743,222)
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Workers' Compensation.....	(3,492,035)
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Postage.....	(3,191,884)
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Copy Center.....	(1,607,805)
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Human Resources.....	(749,285)
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State Surplus Property.....	(149,066)
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Offender Work Program.....	(135,459)
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Non-Major Governmental Funds

The deficit in the General Obligation Bonds Project Fund is attributed to capital spending in anticipation of a general obligation bond offering in a subsequent fiscal year.

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 would in turn allow for sale of surplus 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. An administrative service fee-based participation program will also allow for improved tracking of expenses for revenue reimbursement.

Internal Service Funds

Much of the Property Management Fund deficit is due to two buildings that have been financed over a twenty-year period with recovery of costs scheduled over fifty years. This part of the deficit should be eliminated gradually over the next twenty to thirty years. In addition, the administration has added a surcharge to existing leases which will be monitored during budgeting each year to ensure recovery of operating costs. Program management will continue to monitor financed leases and track all expenses for revenue recovery.

The State Liability Insurance Fund's deficit is due to the EB-5 Settlement reached at the end of FY2023 that was not included in current year rates. See Note V. D. for further information on the EB-5 settlement. The deficit is expected to be reduced by adjustments to billings rates in future years.

The operations of the Agency of Digital Services (ADS) are accounted for in the Communications & Information Technology Fund (CIT). The CIT fund deficit is due to a combination of billing practices and financing strategies used to recoup services provided based on the budgeted rates. ADS plans to improve tracking of expenditure for billing purposes. Improved timesheet billing methods to Agencies and Departments for services will also be utilized to further decrease the deficit fund balance going forward.

The Medical Insurance fund deficit is due to an unexpected increase in hospital fees, associated healthcare costs, and higher than expected enrollment in a new prescription drug program available to employees and retirees. The costs to the medical insurance fund exceeded projections for 2023 even with a significant increase in premiums. The Department of Human Resources is currently evaluating the premium projections for 2024 and beyond to bring this fund out of the deficit.

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 the rate to a break-even level for fiscal year 2021, 2022 and 2023. Program management will work closely with State administration to identify additional workplace safety and other risk mitigation opportunities. A reserve fulfillment surcharge or additional capitalization may need to be applied if programmatic savings cannot otherwise be realized.

The Postage Fund deficit is due to years of the marginal rate (% points saved off federal postage rates) proving insufficient to cover the actual operating costs despite management-initiated efficiencies. In addition, unbilled services (bomb screening and inter-office mail) have not been fully funded. Program management has addressed the fund deficit through improved business operations, while continuing to explore efficiencies gained through a partnership and co-location with the copy center. These initiatives have resulted in a small improvement in the deficit net position in 2023. Program management is considering additional structural and organizational changes if the deficit cannot be addressed through operational management.

The Copy Center Fund deficit net position is the result of a decline in demand, driven by digital replacements of printed materials which limits the program's revenue potential without a corresponding reduction in fixed costs. Potential rate increases and new equipment which will further technical capabilities for additional revenue producing services will be used to help reduce the deficit in 2023.

The Human Resources Services fund has carried a deficit since fiscal year 2020 as estimated revenues, via a one-time statewide allocation, proved insufficient to cover operating expenses. Expenses not covered by revenue in fiscal years 2020 - 2023 include depreciation for the upgraded talent and acquisition management system. Program management will continue to review the rate setting process to ensure that all anticipated expenses are considered while also considering opportunities for efficiencies and leveraging special funds where appropriate.

The State Surplus Property fund deficit is the result of timing of large reimbursements for the sale of vehicles and equipment at auctions. This deficit should go down since the reimbursement of auctioned items is expected to be much lower in 2024 than the previous year(s). Program management will continue to focus on increasing revenue by having more items available for sale in 2024.

The Vermont Offender Work Program includes the Vermont Correctional Industries, Facility Work Camps, and Community Work Crews. The most significant impact to this fund has been the closure of most shops and the cessation of all Community Work Crews. The program is moving away from a production model to a vocational training model with class work and lab time. It is anticipated that the transition to vocational training programs at specific facilities, collaboration with statewide partners to further training, and contributions by the remaining shops should over the next few years mitigate the deficit fund balance.

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, 2023, were \$1,155,175,526. Of these, \$25,252,279 were exposed to custodial credit risk as uninsured or collateralized with securities held in the name of pledging financial institutions.

The Unemployment Compensation Trust Fund had \$307,952,568 on deposit with the U.S. Treasury at June 30, 2023. 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, 2023, totaled \$27,254,225 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, 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, 2023 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>
Debt investments:		
US Treasuries.....	\$ 597,383	\$ 597,383
US Agencies Securities.....	25,546	25,546
Commercial Paper.....	53,113	53,113
Total debt investments.....	<u>676,042</u>	<u>676,042</u>
Equities:		
Equity Securities.....	6,002	6,002
Total equity securities.....	<u>6,002</u>	<u>6,002</u>
Total investments by fair value level.....	<u>682,044</u>	<u>\$ 682,044</u>
<u>Investments measured at amortized cost</u>		
Certificates of Deposit.....	<u>140,000</u>	
Total investments at amortized cost.....	<u>140,000</u>	
<u>Investments measured by net asset value (NAV)</u>		
Money Market Mutual Funds.....	1,082,670	Unfunded Commitments - Daily -
Fixed Income Mutual Funds.....	21,411	- Daily, monthly 1-30 days
Equity Mutual Funds.....	24,261	- Daily, monthly 1-60 days
Total investments by NAV.....	<u>1,128,342</u>	
Total investments.....	<u><u>\$ 1,950,386</u></u>	

\$1,082,614 (in thousands) of the above money market mutual funds 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, 2023 are presented as follows:

(Table on next page.)

**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
Debt Investments:				
US Treasuries.....	\$ 597,383	\$ 597,093	\$ 173	\$ 117
US Agencies Securities.....	25,546	25,546	-	-
Money Market Mutual Funds.....	1,082,670	1,082,670	-	-
Certificates of Deposit.....	140,000	140,000	-	-
Fixed Income Mutual Funds.....	21,411	21,411	-	-
Commercial Paper.....	53,113	53,113	-	-
Total Debt Investments.....	1,920,123	\$ 1,919,833	\$ 173	\$ 117
Other Investments:				
Equity Securities.....	6,002			
Equity Mutual Funds.....	24,261			
Total Investments.....	\$ 1,950,386			
Investments per maturity schedule.....		\$ 1,950,386		
Included in cash & cash equivalents:				
Money market mutual funds.....		(1,082,614)		
Financial statement investments total.....		\$ 867,772		
Governmental activities total.....		\$ 861,361		
Business activities total.....		409		
Fiduciary - private purpose trust fund.....		6,002		
Total.....		\$ 867,772		

(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, 2023, the State's investments in Certificates of Deposit at TD Bank were 7.2% of total investments in 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, 2023, 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 \$597,383 (in thousands), pension, and OPEB fund investments are as follows: as of June 30, 2023, 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)

Debt Investments	Fair Value	Quality Ratings			
		Aaa	Aa1	Aa2	Aa3
US Agencies Securities.....	\$ 25,546	\$ -	\$ 25,546	\$ -	\$ -
Money Market Mutual Funds.....	1,082,670	1,082,670	-	-	-
Certificates of Deposit.....	140,000	-	-	-	-
Fixed Income Mutual Funds.....	21,411	-	-	-	-
Commercial Paper.....	53,113	4,235	9,812	4,395	6,466
Totals.....	\$ 1,322,740	\$ 1,086,905	\$ 35,358	\$ 4,395	\$ 6,466

continued below

Debt Investments	Quality Ratings			
	A1	A2	A3	Unrated
Certificates of Deposit.....	\$ -	\$ -	\$ -	\$ 140,000
Fixed Income Mutual Funds.....	-	-	-	21,411
Commercial Paper.....	4,988	16,513	6,704	-
Totals.....	\$ 4,988	\$ 16,513	\$ 6,704	\$ 161,411

Foreign 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. The Trust Investment Account portfolio was not exposed to foreign currency risk as of June 30, 2023.

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.5. - 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, which was most recently amended on January 24, 2023. 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). The two OPEB plan investments are managed in a manner similar to the three defined benefit plans described above in order to provide both growth of invested assets, and liquidity to fund current obligations. U.S. Bank serves as custodian for the two OPEB plan investment portfolios. 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 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 value of the real properties. Properties' fair 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 fair 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. The Office expects such distributions to accelerate over the lives of these funds and to be initiated at the general partners' discretion. As of June 30, 2023, it is the Office's 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, 2023, 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
Debt securities:			
US Treasuries.....	\$ 101,822	\$ 101,822	\$ -
Corporate Debt.....	79,715	-	79,715
Municipals.....	2,834	-	2,834
Asset Backed Securities.....	1,952	-	1,952
Mortgage Backed Securities.....	88,960	-	88,960
Sovereign Debt.....	244	-	244
Repurchase Agreement.....	67,800	-	67,800
Total debt securities.....	343,327	101,822	241,505
Equity investments:			
Equity Securities.....	160,562	160,418	144
Total equity securities.....	160,562	160,418	144
Total investments by fair value level.....	503,889	\$ 262,240	\$ 241,649

Investments measured at the net asset value (NAV)

	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Fixed Income Mutual & Commingled Funds.....	1,273,365	- Daily, monthly	1-30 days
Equity Mutual & Commingled Funds.....	2,346,386	- Daily, monthly	1-60 days
Mutual & Commingled Funds.....	527,110	- Monthly, quarterly	90 days
Money Market Mutual Fund.....	16,620	- Daily	-
Private Partnerships.....	1,558,688	802,208 N/A	N/A
Total investments measured at NAV.....	5,722,169		
Total investments.....	\$ 6,226,058		

Investments per maturity schedule..... \$ 6,226,058

Included in cash & cash equivalents:

Money market mutual funds..... (16,620)

Repurchase agreements..... (67,800)

Financial statement investments total..... \$ 6,141,638*(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.....	\$ 101,822	\$ 7,061	\$ 17,800	\$ 53,480	\$ 23,481
Corporate Debt.....	79,715	3,118	11,081	38,076	27,440
Money Market Mutual Fund.....	16,620	16,620	-	-	-
Municipals.....	2,834	386	2,065	383	-
Asset Backed Securities.....	1,952	-	529	292	1,131
Mortgage Backed Securities.....	88,960	5,302	83,601	38	19
Sovereign Debt.....	244	-	244	-	-
Repurchase Agreement.....	67,800	67,800	-	-	-
Fixed Income Mutual & Commingled Funds..	1,273,365	1,273,365	-	-	-
Total Debt Investments.....	1,633,312	\$ 1,373,652	\$ 115,320	\$ 92,269	\$ 52,071
Other Investments:					
Equity Mutual & Commingled Funds.....	2,346,386				
Equity Securities.....	160,562				
Mutual & Commingled Funds.....	527,110				
Private Partnerships.....	1,558,688				
Total.....	\$ 6,226,058				

(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, 2023, 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, 2023, 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 \$101,822 (in thousands) are as follows:

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

Debt Investments	Fair	Quality Ratings		
	Value	Aaa	Aa	A
Corporate Debt.....	\$ 79,715	\$ -	\$ 616	\$ 27,130
Money Market Mutual Funds.....	16,620	-	-	-
Municipals.....	2,834	-	1,790	658
Asset Backed Securities.....	1,952	-	-	847
Mortgage Backed Securities.....	88,960	2,560	-	-
Sovereign Debt.....	244	-	244	-
Repurchase Agreement.....	67,800	-	-	-
Fixed Income Mutual & Commingled Funds..	1,273,365	-	-	-
Totals.....	<u>\$ 1,531,490</u>	<u>\$ 2,560</u>	<u>\$ 2,650</u>	<u>\$ 28,635</u>

Debt Investments	Quality Ratings		
	Baa	Ba	Unrated
Corporate Debt.....	\$ 51,244	\$ 619	\$ 106
Money Market Mutual Funds.....	-	-	16,620
Municipals.....	-	-	386
Asset Backed Securities.....	381	-	724
Mortgage Backed Securities.....	-	-	86,400
Repurchase Agreement.....	-	-	67,800
Fixed Income Mutual & Commingled Funds..	-	-	1,273,365
Totals.....	<u>\$ 51,625</u>	<u>\$ 619</u>	<u>\$ 1,445,401</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:

(Table on next page.)

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>
Danish Krone.....	\$ 24	\$ 24	\$ -
Euro.....	106	106	-
Japanese Yen.....	90	90	-
United Kingdom Pound.....	99	63	36
Total.....	<u>\$ 319</u>	<u>\$ 283</u>	<u>\$ 36</u>

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, mortgage 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 pre-payment varies with the underlying assets. Risk is minimized through the purchase of high-quality instruments with limited default or prepayment risk.

C. Receivables

Receivable balances at June 30, 2023 are summarized as follows:

	Enterprise Funds		Total Business-type Activities
	Major	Non-major	
Business-type activities			
Taxes			
Unemployment.....	\$ 37,563,571	\$ -	\$ 37,563,571
Allowance for uncollectibles.....	(22,815,829)	-	(22,815,829)
Taxes receivable, net.....	\$ 14,747,742	\$ -	\$ 14,747,742
Loans and notes receivable.....	\$ -	\$ 907,091	\$ 907,091
Current receivable.....		\$ 434,601	\$ 434,601
Non-current receivable.....		472,490	472,490
Total loans and notes receivable, net.....		\$ 907,091	\$ 907,091
Federal grants			
Federal grants.....	\$ 552,372	\$ -	\$ 552,372
Other			
Accrued interest and other receivables....	\$ 5,891,402	\$ 8,874,072	\$ 14,765,474
Allowance for uncollectibles.....	(109,794)	-	(109,794)
Other receivables, net	\$ 5,781,608	\$ 8,874,072	\$ 14,655,680
Current receivable.....		\$ 14,655,680	\$ 14,655,680
Non-current receivable.....		-	-
Total other receivable, net.....		\$ 14,655,680	\$ 14,655,680

continued on following page

	Governmental Funds		Internal	Total
	Major	Non-major	Service Funds	Governmental Activities
Governmental activities				
Taxes				
Personal and corporate income.....	\$ 271,661,456	\$ -	\$ -	\$ 271,661,456
Sales and use.....	76,488,505	-	-	76,488,505
Meals and rooms.....	37,007,624	-	-	37,007,624
Purchase and use.....	2,957	-	-	2,957
Motor Fuel.....	4,002	-	-	4,002
Other taxes.....	42,601,129	46	-	42,601,175
Subtotal.....	427,765,673	46	-	427,765,719
Allowance for uncollectibles.....	(100,087,477)	-	-	(100,087,477)
Taxes receivable, net.....	\$ 327,678,196	\$ 46	\$ -	\$ 327,678,242
				Current receivable..... \$ 169,767,789
				Non-current receivable..... 157,910,453
				Total taxes receivable, net..... \$ 327,678,242
Loans and notes				
Loans and notes receivable.....	\$ 287,029,617	\$ -	\$ 2,294,742	\$ 289,324,359
Allowance for uncollectibles.....	(633,177)	-	-	(633,177)
Loans and notes receivable, net...	\$ 286,396,440	\$ -	\$ 2,294,742	\$ 288,691,182
				Current receivable..... \$ 24,979,196
				Non-current receivable..... 263,711,986
				Total loans and notes receivable, net..... \$ 288,691,182
Federal grants				
Human services.....	\$ 191,734,067	\$ -	\$ -	\$ 191,734,067
General education.....	41,744,350	-	-	41,744,350
Transportation.....	101,916,367	-	-	101,916,367
Other.....	42,426,420	-	-	42,426,420
Federal grants.....	\$ 377,821,204	\$ -	\$ -	\$ 377,821,204
Lease receivables				
Land.....	\$ 2,942,366	\$ 15,589	\$ 140,554	\$ 3,098,509
Buildings and improvements.....	347,541	60,221	901,873	1,309,635
Lease receivables.....	\$ 3,289,907	\$ 75,810	\$ 1,042,427	\$ 4,408,144
				Current receivable..... \$ 1,234,039
				Non-current receivable..... 3,174,105
				Total lease receivable..... \$ 4,408,144
Other				
Accrued interest and other receivables....	\$ 206,194,208	\$ 81,207	\$ 21,229,945	\$ 227,505,360
Allowance for uncollectibles.....	(46,421,124)	(5,908)	-	(46,427,032)
Other receivables, net.....	\$ 159,773,084	\$ 75,299	\$ 21,229,945	181,078,328
				Interfund loans receivable and due from other funds from Fiduciary Funds..... 1,883,185
				Less Internal Service Funds' receivables from Governmental Funds..... (6,081,947)
Other receivables, net.....				\$ 176,879,566
				Current receivable..... \$ 70,715,459
				Non-current receivable..... 106,164,107
				Total other receivable, net..... \$ 176,879,566

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, 2023, are as follows:

Due From Other Funds	Due to Other Funds			
	Governmental Funds			
	General Fund	Transportation Fund	Education Fund	Special Fund
General Fund	\$ -	\$ 8,469	\$ -	\$ 94,101
Transportation Fund	10,206	-	-	1,394
Special Fund	1,082,646	640,879	-	-
Federal Revenue Fund	642,587	-	-	355,919
Global Commitment Fund	68,570,255	-	-	500,535
Non-major Governmental Funds	-	-	-	14,732
Internal Service Funds	3,797,277	2,535,319	4,914	1,154,314
Fiduciary Funds	24,676	-	-	-
Total	\$ 74,127,647	\$ 3,184,667	\$ 4,914	\$ 2,120,995

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	\$ 291,474	\$ 798,796	\$ -	\$ 11,680	\$ -
Transportation Fund	-	-	200	72	-
Special Fund	4,204,965	362,336	173,982	32,186	-
Non-major Enterprise Funds	-	-	-	-	502,247
Internal Service Funds	6,051,217	155,990	92,962	-	-
Total	\$ 10,547,656	\$ 1,317,122	\$ 267,144	\$ 43,938	\$ 502,247

continued on following page

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Due From Other Funds	Due to Other Funds			
	Proprietary Funds			Total
	Liquor Control Fund	State Lottery Fund	Fiduciary Funds	
General Fund	\$ -	\$ -	\$ 13,132	\$ 1,217,652
Transportation Fund	-	-	-	11,872
Education Fund	-	1,557,611	-	1,557,611
Special Fund	25,570	18,651	1,780,870	8,322,085
Federal Revenue Fund	-	-	-	998,506
Global Commitment Fund	-	-	-	69,070,790
Non-major Governmental Funds	-	-	-	14,732
Non-major Enterprise Funds	-	2,406	-	504,653
Internal Service Funds	162,375	43,250	-	13,997,618
Fiduciary Funds	-	-	-	24,676
Total	\$ 187,945	\$ 1,621,918	\$ 1,794,002	\$ 95,720,195

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, 2023, are summarized below:

Proprietary Funds	
State Lottery Fund	\$ 300,000
Total	\$ 300,000

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, 2023, are as follows:

(Table on next page.)

<u>Interfund Payable</u>	<u>Interfund Receivable</u> <u>General Fund</u>
Governmental Funds	
Non-major Governmental Funds	\$ 65,632,915
Proprietary Funds	
Liquor Control Fund	4,387,384
Non-major Enterprise Funds	180,417
Internal Service Funds	44,541,769
Fiduciary Funds	
Custodial Funds	89,183
Total	<u>\$ 114,831,668</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, 2023, the advances to component units reported in the General Fund (\$5,500,000) are advances to Vermont Economic Development Authority. The State 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, 2023, 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	\$ 1,663,159	\$ 7,921,406	\$ 9,584,565
Due to Component Units			
General Fund	(126,193,806)	-	(126,193,806)
Education Fund	(14,268,480)	-	(14,268,480)
Federal Revenue Fund	(59,051)	-	(59,051)
Non-major Governmental Funds	(4,854,161)	-	(4,854,161)
Total	<u>\$ (143,712,339)</u>	<u>\$ 7,921,406</u>	<u>\$ (135,790,933)</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 a transfer of Liquor Control fund profits; 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 the 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, 2023, are as follows:

(Table on next page.)

Transfers in	Transfers Out			
	Governmental Funds			
	General Fund	Transportation Fund	Special Fund	Federal Revenue Fund
General Fund	\$ -	\$ -	\$ 38,660,511	\$ 4,641,960
Transportation Fund	-	-	-	-
Education Fund	-	-	10,320,754	-
Special Fund	50,054,554	4,673,832	-	20,923,913
Federal Revenue Fund	-	-	-	-
Global Commitment Fund	544,577,015	-	28,919,212	-
Non-major Governmental Funds	76,371,109	922,419	27,619	-
Unemployment Compensation Trust Fund	-	-	-	-
Liquor Control Fund	-	-	-	-
Non-major Enterprise Funds	-	-	-	-
Internal Service Funds	1,000,000	1,557,843	-	-
Total	\$ 672,002,678	\$ 7,154,094	\$ 77,928,096	\$ 25,565,873

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	\$ -	\$ -	\$ 20,400,000	\$ -
Transportation Fund	-	721,241	-	-
Education Fund	-	-	-	33,564,201
Special Fund	27,854,442	532,733	98,419	-
Federal Revenue Fund	-	5,753,070	-	-
Total	\$ 27,854,442	\$ 7,007,044	\$ 20,498,419	\$ 33,564,201

continued below

Transfers in	Transfers Out	
	Proprietary Funds	
	Non-major Enterprise Funds	Total
General Fund	\$ 383,877	\$ 64,086,348
Transportation Fund	-	721,241
Education Fund	-	43,884,955
Special Fund	996,000	105,133,893
Federal Revenue Fund	-	5,753,070
Global Commitment Fund	-	573,496,227
Non-major Governmental Funds	-	77,321,147
Internal Service Funds	-	2,557,843
Total	\$ 1,379,877	\$ 872,954,724

E. Capital Assets

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

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, not being depreciated					
Land, land use rights, and land improvements	\$ 170,322,373	\$ 15,492,070	\$ -	\$ -	\$ 185,814,443
Construction in process	761,272,009	359,793,404	(441,448,369)	(8,002,537)	671,614,507
Works of art	136,003	-	-	-	136,003
Total capital assets, not being depreciated	931,730,385	375,285,474	(441,448,369)	(8,002,537)	857,564,953
Capital assets, being depreciated					
Buildings and improvements	762,728,811	29,286,814	(3,984,587)	-	788,031,038
Machinery and equipment	605,634,999	38,447,115	(12,015,060)	-	632,067,054
Infrastructure	3,305,962,922	365,442,532	(75,221,776)	-	3,596,183,678
Total capital assets, being depreciated	4,674,326,732	433,176,461	(91,221,423)	-	5,016,281,770
Less accumulated depreciation for					
Buildings and improvements	(364,949,983)	(22,839,386)	3,146,618	-	(384,642,751)
Machinery and equipment	(479,649,902)	(53,611,774)	11,033,353	-	(522,228,323)
Infrastructure	(1,438,093,104)	(151,418,666)	75,221,776	-	(1,514,289,994)
Total accumulated depreciation	(2,282,692,989)	(227,869,826)	89,401,747	-	(2,421,161,068)
Capital assets, being depreciated, net	2,391,633,743	205,306,635	(1,819,676)	-	2,595,120,702
Governmental activities capital assets, net, excluding intangible right-to-use assets	<u>\$ 3,323,364,128</u>	<u>\$ 580,592,109</u>	<u>\$ (443,268,045)</u>	<u>\$ (8,002,537)</u>	<u>3,452,685,655</u>
Intangible right-to-use assets, net (Note IV.E, page 112)					119,798,011
Total Governmental activities capital assets, net					<u>\$ 3,572,483,666</u>

Business-type Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, being depreciated					
Buildings and improvements	\$ 59,935	\$ -	\$ (59,935)	\$ -	\$ -
Machinery and equipment	6,058,554	166,433	(114,355)	-	6,110,632
Total capital assets, being depreciated	6,118,489	166,433	(174,290)	-	6,110,632
Less accumulated depreciation for					
Buildings and improvements	(59,935)	-	59,935	-	-
Machinery and equipment	(2,749,367)	(615,763)	114,355	-	(3,250,775)
Total accumulated depreciation	(2,809,302)	(615,763)	174,290	-	(3,250,775)
Capital assets, being depreciated, net	3,309,187	(449,330)	-	-	2,859,857
Business-type activities capital assets, net, excluding intangible right-to-use assets	<u>\$ 3,309,187</u>	<u>\$ (449,330)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,859,857</u>
Intangible right-to-use assets, net (Note IV.E, page 113)					5,736,742
Total Business-type activities capital assets, net					<u>\$ 8,596,599</u>

Fiduciary Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, being depreciated					
Machinery and equipment	\$ 8,319,023	\$ -	\$ -	\$ -	\$ 8,319,023
Total capital assets, being depreciated	8,319,023	-	-	-	8,319,023
Less accumulated depreciation for					
Machinery and equipment	(6,948,577)	(650,798)	-	-	(7,599,375)
Total accumulated depreciation	(6,948,577)	(650,798)	-	-	(7,599,375)
Fiduciary activities capital assets, net	<u>\$ 1,370,446</u>	<u>\$ (650,798)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,648</u>

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Intangible right-to-use lease assets					
Land	\$ 235,660	\$ 29,030	\$ (47,535)	\$ -	\$ 217,155
Buildings and improvements	94,247,384	2,915,227	(690,979)	-	96,471,632
Machinery and equipment	574,397	2,507,062	(83,933)	-	2,997,526
Total intangible right-to-use lease assets	95,057,441	5,451,319	(822,447)	-	99,686,313
Less accumulated amortization for					
Land	(30,917)	(32,157)	9,534	-	(53,540)
Buildings and improvements	(11,923,347)	(12,405,433)	525,110	-	(23,803,670)
Machinery and equipment	(186,597)	(253,093)	83,933	-	(355,757)
Total accumulated amortization	(12,140,861)	(12,690,683)	618,577	-	(24,212,967)
Total intangible right-to-use lease assets, net	82,916,580	(7,239,364)	(203,870)	-	75,473,346
Intangible right-to-use subscription-based information technology arrangements (SBITA's) assets					
SBITA assets	-	66,342,421	(438,472)	-	65,903,949
Total intangible right-to-use SBITA assets	-	66,342,421	(438,472)	-	65,903,949
Less accumulated amortization for					
SBITA assets	-	(22,017,756)	438,472	-	(21,579,284)
Total accumulated amortization	-	(22,017,756)	438,472	-	(21,579,284)
Total intangible right-to-use SBITA assets, net	-	44,324,665	-	-	44,324,665
Total governmental activities intangible right-to-use assets	95,057,441	71,793,740	(1,260,919)	-	165,590,262
Total accumulated amortization intangible right-to-use assets	(12,140,861)	(34,708,439)	1,057,049	-	(45,792,251)
Total governmental activities intangible right-to-use assets, net	<u>\$ 82,916,580</u>	<u>\$ 37,085,301</u>	<u>\$ (203,870)</u>	<u>\$ -</u>	<u>\$ 119,798,011</u>

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Intangible right-to-use subscription-based information technology arrangements (SBITA's) assets					
SBITA assets	\$ -	\$ 6,289,604	\$ -	\$ -	\$ 6,289,604
Total intangible right-to-use SBITA assets	-	6,289,604	-	-	6,289,604
Less accumulated amortization for SBITA assets	-	(552,862)	-	-	(552,862)
Total accumulated amortization	-	(552,862)	-	-	(552,862)
Total intangible right-to-use SBITA assets, net	\$ -	\$ 5,736,742	\$ -	\$ -	\$ 5,736,742

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

Governmental Activities

General Government	\$ 25,291,963
Protection to Persons and Property	11,255,773
Human Services	39,491,625
Labor	353,371
General Education	2,100,040
Natural Resources	3,224,478
Commerce & Community Development	264,816
Transportation	150,662,465
Depreciation on capital assets held by Internal Service Funds	29,933,734
Total	\$ 262,578,265

Business-type Activities

Liquor Control Fund	\$ 681,954
State Lottery Fund	486,671

Total \$ 1,168,625

Fiduciary Activities

Pension Trust Funds	\$ 649,205
Private Purpose Trust Fund	1,593

Total \$ 650,798

F. Deferred Outflows and Deferred Inflows

Deferred outflows in the government-wide Statement of Net Position governmental activities consist of the unamortized balance of losses related to refunding of debt. Deferred inflows in the government-wide Statement of Net Position governmental activities consist of the unamortized balance of gains related to refunding of debt, the unamortized deferred inflow related to lease receivables, and property taxes collected in advance of levy date. For deferred outflows or inflows related to refunding of debt are determined by the difference between the reacquisition price (the amount placed in escrow to pay for advance refunding, and the principal 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 deferred inflow of resources related to lease receivable is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date that relate to future periods, and is amortized evenly and recognized as revenue over the life of the lease term. 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. 5.

Deferred outflows and inflows balances in the government-wide Statement of Net Position at June 30, 2023 are as follows:

	Total Governmental Activities	Total Business-type Activities	Total Primary Government
Deferred outflows of resources			
Loss on refunding of bonds payable	\$ 2,155,751	\$ -	\$ 2,155,751
Pension related outflows	974,895,286	2,288,726	977,184,012
OPEB related outflows	400,590,035	9,223,309	409,813,344
Total	<u>\$ 1,377,641,072</u>	<u>\$ 11,512,035</u>	<u>\$ 1,389,153,107</u>
	Total Governmental Activities	Total Business-type Activities	Total Primary Government
Deferred inflows of resources			
Prepaid property taxes	\$ 3,772,562	\$ -	\$ 3,772,562
Gain on refunding of bonds payable	42,615	-	42,615
Lease related inflows	4,638,677	-	4,638,677
Pension related inflows	59,994	2,031,362	2,091,356
OPEB related inflows	1,319,378,181	12,323,940	1,331,702,121
Total	<u>\$ 1,327,892,029</u>	<u>\$ 14,355,302</u>	<u>\$ 1,342,247,331</u>

Deferred inflows in the governmental funds Balance Sheet consist of prepaid property taxes, unavailable amounts related to revenue recognition, and the unamortized deferred inflow related to lease receivables. 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 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.

The changes in bonds principal payable for fiscal year 2023 are summarized in the following schedule:

(Table on next page.)

	General Obligation Bonds
Balance, July 1, 2022	\$ 579,000,000
Deductions:	
Redemptions	(51,245,000)
Total	(51,245,000)
Balance, June 30, 2023	\$ 527,755,000

General obligation outstanding at June 30, 2023, are as follows:

Date Issued	Date Series Matures	Interest Rates %	Amount of Original Issue	Maturity Value		Maturity Value
				Sources of Payments		of Bonds
				General Fund	Transportation Fund	Outstanding Total
General Obligation Current Interest Bonds:						
10/11/2012	8/15/2024	2.0 to 5.0	\$ 26,765,000	\$ 4,860,000	\$ -	\$ 4,860,000
10/11/2012	8/15/2032	2.0 to 5.0	66,420,000	41,725,000	-	41,725,000
11/14/2013	8/15/2028	2.0 to 5.0	25,000,000	5,400,000	-	5,400,000
11/14/2013	8/15/2033	2.0 to 5.0	42,810,000	31,890,000	-	31,890,000
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	6,210,000	-	6,210,000
12/9/2014	8/15/2034	5	53,245,000	37,905,000	-	37,905,000
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	14,520,000	-	14,520,000
10/22/2015	8/15/2035	2.625 to 5.0	61,345,000	43,875,000	-	43,875,000
10/22/2015	8/15/2028	2.0 to 4.0	25,720,000	13,540,000	1,560,000	15,100,000
9/13/2017	8/15/2037	2.0 to 5.0	34,700,000	23,045,000	-	23,045,000
9/13/2017	8/15/2037	2.25 to 5.0	71,395,000	56,525,000	-	56,525,000
8/15/2019	2/15/2039	3.0 to 5.0	88,255,000	70,595,000	-	70,595,000
8/15/2019	8/15/2029	2.0 to 5.0	39,525,000	21,860,000	-	21,860,000
5/18/2021	8/15/2040	2.0 to 5.0	82,185,000	77,855,000	-	77,855,000
5/18/2021	8/15/2030	5	31,560,000	25,425,000	-	25,425,000
5/18/2021	8/15/2030	4.0 to 5.0	39,580,000	27,110,000	-	27,110,000
Total General Obligation Current Interest Bonds				\$ 526,195,000	\$ 1,560,000	\$ 527,755,000

At June 30, 2023, there remains \$289,457,492 of authorized but unissued general obligation bonds.

Future general obligation debt service requirements at June 30, 2023 are as follows:

<u>Fiscal Year</u>	General Obligation Current Interest Bonds		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024.....	\$ 49,685,000	\$ 20,017,481	\$ 69,702,481
2025.....	49,730,000	17,854,763	67,584,763
2026.....	47,815,000	15,722,219	63,537,219
2027.....	46,150,000	13,685,419	59,835,419
2028.....	43,965,000	11,762,463	55,727,463
2029-2033.....	178,620,000	34,585,881	213,205,881
2034-2038.....	94,405,000	8,974,328	103,379,328
2039-2043.....	17,385,000	521,549	17,906,549
Totals	<u>\$ 527,755,000</u>	<u>\$ 123,124,103</u>	<u>\$ 650,879,103</u>

2. Bond Refundings

The State has no defeased bonds that remained outstanding on June 30, 2023.

3. Leases

A. Lease Receivable

The State, acting as lessor, leases land, buildings, machinery, and equipment under long-term, non-cancelable lease agreements. The leases expire at various dates through 2034, and many leases provide for a renewal option, the renewal terms vary depending on the lease contract. During the year ended June 30, 2023, the State recognized \$1,394,841 and \$50,091 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum or maximum increases.

Certain leases require the lessee to guarantee minimum residual values, or make termination penalties related to the cancelation of the lease. Payments required by residual value guarantees and termination penalties are recognized in the period in which the payment is received. During the year ended June 30, 2023, the State received no payments related to residual value guarantees or termination penalties.

Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease receivable. Those variable payments are recognized as inflows of resources in the periods in which the payments are received. During the year ended June 30, 2023, the State received variable payments as required by lease agreements totaling \$5,544,900.

B. Lease Liabilities

The State routinely leases land, buildings, machinery, and equipment for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2035, and many leases provide for a renewal option, the renewal terms vary depending on the lease contract.

Certain leases require the State to guarantee minimum residual values, or make termination penalties related to the cancelation of the lease. Payments required by residual value guarantees and termination penalties are recognized in the period in which the obligation is paid. During the year ended June 30, 2023, the State made no payments related to residual value guarantees or termination penalties.

Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum or maximum increases.

Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred. During the year ended June 30, 2023, the State made variable payments as required by lease agreements totaling \$77,758.

The future principal and interest lease payments as of June 30, 2023, are as follows:

<u>Fiscal Year</u>	<u>Primary Government</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024.....	\$ 11,722,390	\$ 1,156,595	\$ 12,878,985
2025.....	10,228,993	1,022,601	11,251,594
2026.....	8,537,329	892,623	9,429,952
2027.....	7,951,950	764,819	8,716,769
2028.....	7,311,390	633,814	7,945,204
2029-2033.....	28,848,076	1,421,701	30,269,777
2034-2038.....	2,605,216	31,186	2,636,402
Totals	<u>\$ 77,205,344</u>	<u>\$ 5,923,339</u>	<u>\$ 83,128,683</u>

4. Subscription-Based Information Technology Arrangements (SBITA's)

A. SBITA Liabilities

The State routinely enters in SBITA's for various terms under long-term, non-cancelable agreements. The SBITA's expire at various dates through 2032, and some SBITA's provide for a renewal option, the renewal terms vary depending on the individual SBITA.

Some SBITA's require variable payments based on future performance or usage of the underlying asset and are not included in the measurement of the SBITA liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred. During the year ended June 30, 2023, the State made variable payments as required by the SBITA's totaling \$3,449,409. Of this amount \$563,889 is related to governmental activities, and \$2,885,520 is related to business-type activities.

The future principal and interest lease payments as of June 30, 2023, are as follows:

(Table on next page.)

<u>Fiscal Year</u>	<u>Primary Government</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024.....	\$ 12,447,120	\$ 521,924	\$ 12,969,044
2025.....	6,933,697	286,711	7,220,408
2026.....	4,173,859	150,909	4,324,768
2027.....	2,509,209	65,983	2,575,192
2028.....	849,023	27,885	876,908
2029-2033.....	2,338,368	45,883	2,384,251
Totals	<u>\$ 29,251,276</u>	<u>\$ 1,099,295</u>	<u>\$ 30,350,571</u>

5. 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 Note IV.G.5.A.1. below, those relating to defined contribution pension plans are included in Note IV.G.5.B. below, and those relating to other postemployment benefits (OPEB) are included in Note IV.G.5.C.1. 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, 2023. 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 2023 employer contribution rate was 26.70% of payroll and consists of the following two components: 17.05% for Vermont State Retirement System defined benefit pension plan (VSRS) and 9.65% for the Vermont State Postemployment Benefits Trust Fund defined benefit OPEB plan (VSPB). The rates reflect estimates to fund the VSRS and the VSPB's actuarially determined contributions. Contributions to VSRS and VSPB totaled \$116.4 million and \$64.7 million, respectively, for the fiscal year ended June 30, 2023.

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, 2023, 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, 2023.

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, 2023, the retirement system consisted of 139 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, 2023, the retirement system consisted of 357 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:

Group A: General employees who did not join the non-contributory system on July 1, 1981

Group C: State police, law enforcement positions, and airport firefighters

Group D: Judges

Group F: Terminated vested members of the non-contributory system and all other general employees

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

Group A: General teachers who did not join the non-contributory system on July 1, 1981

Group C: Terminated vested members of the non-contributory system and all other general teachers

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

Group A: General employees whose legislative bodies have not elected to become a member of Group B or C

Group B & C: General employees whose legislative bodies have elected to become members of Group B or C

Group D: Sworn police officers, firefighters and emergency medical personnel

At June 30, 2023, 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	8,611	10,618	8,393
Retirees and beneficiaries currently receiving benefits	8,058	10,431	4,431
Terminated employees entitled to benefits but not yet receiving them (vested)	844	998	1,095
Inactive members	2,287	3,167	4,544
Total Members	19,800	25,214	18,463

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, 2023, 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	9.03% of gross payroll	1st Quartile - 6.65% 2nd Quartile - 7.15% 3rd Quartile - 7.15% 4th Quartile - 7.15%	1st Quartile - 6.65% 2nd Quartile - 7.15% 3rd Quartile - 7.15% 4th Quartile - 7.15%
Employer Contributions	17.05% of gross payroll	17.05% of gross payroll	17.05% of gross payroll	17.05% of gross payroll
*Contributions rates are based on where the employees' hourly pay rate falls into the 4 hourly pay rate quartiles, and is applied to all pay that is subject to retirement contributions.				

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, 2023, for the various groups are as follows:

Vermont State Teachers Retirement System	Group A	*Group C - Group #1 & #2
Employee Contributions	5.50% of gross salary	Salary Range
		\$40,000.00 or less - 6.00%
		\$40,000.01 to \$50,000.00 - 6.05%
		\$50,000.01 to \$60,000.00 - 6.10%
		\$60,000.01 to \$70,000.00 - 6.20%
		\$70,000.01 to \$80,000.00 - 6.25%
		\$80,000.01 to \$90,000.00 - 6.35%
		\$90,000.01 to \$100,000.00 - 6.50%
		\$100,000.01 or more - 6.65%
Non-employer Contributions	Appropriation based on June 2021 actuarial recommendation of amount needed to fund benefits earned during the year (5.93% of projected payroll), plus amount needed to liquidate the accrued liability over the remaining amortization period (\$163,018,686).	
*Employee Contributions are based on where employees' base salary and any additional stipends paid falls in the salary range chart.		

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, 2023, for the various groups are as follows:

Vermont Municipal Employees Retirement System	Group A	Group B	Group C	Group D
Employee Contributions	3.500% of gross salary	5.875% of gross salary	11.000% of gross salary	12.350% of gross salary
Employer Contributions	5.000% of gross salary	6.500% of gross salary	8.250% of gross salary	10.850% 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	If served 5 or more years as a judge in Group D and are 57 years of age on or before 06/30/2022, or are a Group D member with 15 or more years of service on or before 06/30/2022 - AFC is final salary at retirement. All other - average earned income from final 2 years of service	Highest 3 consecutive years, excluding unused annual leave payoff	Highest 3 consecutive years, excluding unused annual leave payoff
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	1.25% x AFC x service prior to 12/31/90 + 1.67% x AFC x service after 1/1/91
Maximum Benefit Payable	100% of AFC	If eligible for retirement on 07/01/2022 or after: 50% of AFC, but for each year of service that is completed on or after 7/1/2022, after attaining age 50 and 20 years of service, maximum retirement allowance cap increases 1.5% for each additional year of service. All others: 50% of AFC.	100% of final salary if served 5 or more years as a judge in Group D and are 57 years of age on or before 06/30/2022, or are a Group D member with 15 or more years of service on or before 06/30/2022. All other - 80% of your salary at retirement	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 at 57 years of age	If first appointed or elected on or before 06/30/2022 - Age 62 with 5 years of service, if first appointed or elected on or after 07/01/2022 - Age 65 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	Age 55 with 5 years of service
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	If eligible for retirement on 07/01/2022 or after: 100% CPI, with a ceiling of 4% and a floor of 1%, must have collected a benefit for 24 months prior to the COLA effective date. All others: Full CPI, up to a maximum of 5%, after 12 months of retirement.	If eligible for retirement on 07/01/2022 or after: 100% CPI if CPI is greater than 1%, with a ceiling of 5% for amounts equal to or less than \$75,000 annual retirement allowance, 50% CPI if CPI is greater than 1%, with a ceiling of 5% for amounts greater than \$75,000 annual retirement allowance. No COLA if CPI is less than 1%, must have collected a benefit for 24 months prior to the COLA effective date. All others: Full CPI, up to a maximum of 5%, after 12 months of retirement.	If eligible for retirement on 07/01/2022 or after: 100% CPI, with a ceiling of 4% and a floor of 1%, must have collected a benefit for 24 months prior to the COLA effective date. Will not receive a COLA until have met normal retirement age. All others: 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%.	If eligible for retirement on 07/01/2022 or after: 100% CPI, with a ceiling of 4% and a floor of 1%, must have collected a benefit for 24 months prior to the COLA effective date. Will not receive a COLA until have met normal retirement age. All others: 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, if injured on the job 50% of AFC.	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	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	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently

* 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	If retired or eligible for retirement on 06/30/2022 or before: 50% CPI, up to a maximum of 5% after 12 months of normal retirement or with 30 years, or age 62; minimum of 1%. If eligible for retirement on 07/01/2022 or after: 50% CPI, up to a maximum of 4% after 24 months of retirement prior to the COLA effective date.	If retired or eligible for retirement on 06/30/2022 or before: 50% CPI, up to a maximum of 5% minimum of 1% after 12 months of normal retirement or age 65. If eligible for retirement on 07/01/2022 or after: 50% CPI, up to a maximum of 4% after 24 months of retirement prior to the COLA effective date.
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 at least 57 years old or had at least 25 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.

*** 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 *1	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 99.1039% of the VSRS net pension liability. The Vermont Veterans' Home (a discrete component unit) is responsible for 0.8961% 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 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, 2023) and for the State's reporting period (the

year ended June 30, 2023). 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, 2023, the State has chosen to use the end of the prior fiscal year (June 30, 2022) as the measurement date, and the year ended June 30, 2022, 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, 2021, to the measurement date of June 30, 2022. 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, 2021	\$ 3,255,050	\$ 2,425,222	\$ 829,828	\$ 4,118,283	\$ 2,422,793	\$ 1,695,490
Changes for the year:						
Service cost	67,752	-	67,752	71,861	-	71,861
Interest	226,513	-	226,513	285,340	-	285,340
Benefit changes	(49,146)	-	(49,146)	(32,528)	-	(32,528)
Difference between expected and actual experience	74,201	-	74,201	52,714	-	52,714
Contributions - employer	-	197,523	(197,523)	-	-	-
Contributions - non-employer	-	-	-	-	314,664	(314,664)
Contributions - employee	-	44,655	(44,655)	-	44,597	(44,597)
Net investment income	-	(215,474)	215,474	-	(223,275)	223,275
Benefit payments, including refunds of contributions	(173,791)	(173,791)	-	(227,698)	(227,698)	-
Administrative expenses	-	(2,352)	2,352	-	(2,715)	2,715
Other changes	-	862	(862)	-	11,047	(11,047)
Net changes	145,529	(148,577)	294,106	149,689	(83,380)	233,069
Balances - June 30, 2022	\$ 3,400,579	\$ 2,276,645	\$ 1,123,934	\$ 4,267,972	\$ 2,339,413	\$ 1,928,559
Fiduciary net position as a percentage of total pension liability			66.95%			54.81%

Proportionate Share of Net Pension Liability

Vermont State Retirement System				
	Amount	Proportionate Share		
		2022	2021	Change
Governmental activities	\$ 1,109,401	98.7070%	97.7352%	0.9718%
Business type activities	4,461	0.3969%	0.6679%	-0.2710%
Discrete component unit	10,072	0.8961%	1.5969%	-0.7008%
Total net pension liability	<u>1,123,934</u>	<u>100.0000%</u>	<u>100.0000%</u>	

State Teachers' Retirement System				
	Amount	Proportionate Share		
		2022	2021	Change
Governmental activities	1,928,559	100.0000%	100.0000%	0.0000%
Total governmental activities net pension liability	<u>\$ 3,037,960</u>			

Additional information regarding the changes in the net pension liability for the year ended June 30, 2023, 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, 2024. As of June 30, 2023, the State reported the following deferred pension outflows of resources and deferred pension inflows of resources (amounts are in thousands):

Vermont State Retirement System				
Source	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	\$ 130,464	\$ -	\$ 1,180	\$ -
Changes of assumptions	103,953	-	940	-
Net differences between projected and actual earnings on plan investments	123,354	-	1,115	-
Change in proportion and the effect of certain employer contributions on the employer's net pension liability	7,430	2,091	58	5,397
Employer contributions made subsequent to the measurement date	114,926	-	1,461	-
Total	\$ 480,127	\$ 2,091	\$ 4,754	\$ 5,397

State Teachers' Retirement System		
Source	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 110,547	\$ -
Changes of assumptions	77,742	-
Net differences between projected and actual earnings on plan investments	120,672	-
Employer contributions made subsequent to the measurement date	188,096	-
Total	\$ 497,057	\$ -

Source	Primary Government	
	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 241,011	\$ -
Changes of assumptions	181,695	-
Net differences between projected and actual earnings on plan investments	244,026	-
Change in proportion and the effect of certain employer contributions on the employer's net pension liability	7,430	2,091
Employer contributions made subsequent to the measurement date	303,022	-
Total	\$ 977,184	\$ 2,091

The amounts reported as deferred pension outflows of resources resulting from employer contributions made subsequent to the measurement date (VSRS - \$114.926 million Primary Government and \$1.461 million Component Units; and STRS - \$188.096 million Primary Government), will be recognized as a reduction of the net pension liability at June 30, 2024. 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
2024	\$ 130,259	\$ 102,805	\$ 233,064	\$ (182)
2025	39,288	83,188	122,476	(418)
2026	27,612	63,894	91,506	(500)
2027	103,016	100,013	203,029	(161)
2028	8,786	13,210	21,996	(843)
Total	<u>\$ 308,961</u>	<u>\$ 363,110</u>	<u>\$ 672,071</u>	<u>\$ (2,104)</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, 2023, is as follows (amounts are in thousands):

(Table on next page.)

	State Teachers' Retirement System	Vermont State Retirement System	Total	Vermont State Retirement System
	Primary Government	Primary Government	Primary Government	Discrete Component Units
Service cost.....	\$ 71,861	\$ 67,145	\$ 139,006	\$ 607
Interest on total pension liability.....	285,340	224,484	509,824	2,030
Employee contributions.....	(44,597)	(44,255)	(88,852)	(400)
Changes in benefit terms.....	(32,528)	(48,706)	(81,234)	(440)
Plan administrative costs.....	2,715	2,332	5,047	20
Other changes.....	(11,047)	(855)	(11,902)	(8)
Projected earnings on plan investments.....	(174,492)	(170,565)	(345,057)	(1,542)
Recognition (amortization) of deferred pension outflows of resources:				
Difference between expected and actual experience.....	8,786	12,256	21,042	111
Net difference between projected and actual investment earnings...	79,553	76,822	156,375	695
Recognition of deferred outflows from prior periods.....	125,300	95,756	221,056	866
Changes in proportional share of contributions.....	-	1,647	1,647	122
Recognition (amortization) of deferred pension inflows of resources:				
Recognition of deferred inflows from prior periods.....	(75,404)	(71,629)	(147,033)	(648)
Changes in proportional share of contributions.....	-	(609)	(609)	(1,160)
Total Pension Expense.....	\$ 235,487	\$ 143,823	\$ 379,310	\$ 253

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, 2021, for VSRS and STRS.

(Table on next page.)

	VRSR	STRS
Valuation date	6/30/2021*	6/30/2021*
Inflation assumptions	2.30%	2.30%
Investment rate of return	7.00%	7.00%
Projected salary increases	3.40% - 5.55%	3.55% - 10.50%
Cost of living adjustments	The January 1, 2022 COLA: Groups A, C, D, F (retired on or after 7/1/2008) - 4.60%, Group F (retired before 7/1/2008) - 2.30%	The January 1, 2022 COLA: Group A: 4.60%; Group C: 2.30%
Post Retirement Adjustments: assumed annual rate of cost-of-living increases	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 C retiring on or after 07/01/2022: 2.15%. Group F retiring on or after 07/01/2022: 2.25%. Group D retiring on or after 07/01/2022: 2.40% on the first \$75,000 of retirement benefits, and 1.15% on amounts above \$75,000 of retirement benefits.	Group A: 2.40%; Group C: 1.35%. Group C retiring on or after 07/01/2022: 1.20%
Census Data for 2021 Valuation		
Retired members or beneficiaries currently receiving benefits	7,716	10,106
Inactive members	1,716	2,915
Active members	8,192	9,955
Terminated vested members	771	911
Total membership	18,395	23,887
*Valuation date is rolled forward to the measurement date of June 30, 2022 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, 2021 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, 2022, 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>
Passive Global Equity	24.00%	4.30%
Active Global Equity	5.00%	4.30%
US Equity – Large Cap	4.00%	3.25%
US Equity – Small/Mid Cap	3.00%	3.75%
Non-US Developed Market Equities	7.00%	5.00%
Private Equity	10.00%	6.50%
Emerging Market Debt	4.00%	3.50%
Private & Alternate Credit	10.00%	4.75%
Non-Core Real Estate	4.00%	6.00%
Core Fixed Income	19.00%	0.00%
Core Real Estate	3.00%	3.50%
US TIPS	3.00%	-0.50%
Infrastructure/Farmland	4.00%	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 2.3%.

Discount Rate (Employer Reporting)

The discount rate used to measure the total pension liability as of June 30, 2022 measurement date was 7.00% for the VSRS and STRS. The discount rate used for the prior year was 7.00% 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, 2022, measurement date was -7.42% for VSRS, and -7.41% for STRS. Amounts for the prior year were 24.59%, and 24.75% 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, 2022, 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):

(Table on next page.)

	<u>VSRS</u>	<u>STRS</u>
One-percent decrease		
Discount rate	6.00%	6.00%
Net pension liability	\$ 1,562,330	\$ 2,455,235
Net pension liability, as reported		
Discount rate	7.00%	7.00%
Net pension liability	\$ 1,123,934	\$ 1,928,559
One-percent increase		
Discount rate	8.00%	8.00%
Net pension liability	\$ 762,918	\$ 1,490,986

Payable to the Defined Benefit Pension Plan (Employer Reporting)

At June 30, 2023, the State reported a payable of \$6,049,656 for the outstanding amount of contributions to the VSRS pension plan required for the year ended June 30, 2023.

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, 2023. 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, 2022, were rolled forward to the pension plans' fiscal year end of June 30, 2023. 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, 2023, 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	\$ 3,579,984	\$ 4,397,768	\$ 1,232,407
Fiduciary net position	(2,423,230)	(2,527,709)	(912,113)
Net pension liability	<u>\$ 1,156,754</u>	<u>\$ 1,870,059</u>	<u>\$ 320,294</u>
Fiduciary net position as a percentage of total pension liability	67.69%	57.48%	74.01%

Additional information regarding changes in the net pension liability for the year ended June 30, 2023, can be found in the Required Supplementary Information section immediately following these notes to the financial statements.

Actuarial Assumptions (Plan Reporting)

The June 30, 2023, total pension liability was determined by rolling forward the total pension liability as of June 30, 2022, to June 30, 2023, using the actuarial assumptions and methods used in the June 30, 2022 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.)

	VRS	STRS	MERS
Valuation date	6/30/2022*	6/30/2022*	6/30/2022*
Inflation assumptions	2.30%	2.30%	2.30%
Investment rate of return, net of pension plan investment expenses, including inflation	7.00%	7.00%	7.00%
Projected salary increases	3.76% - 6.38%	3.19% - 8.50%	4.07% - 6.21%
Cost of living adjustments	The January 1, 2023 COLA: Groups A, C, D, F (retired on or after 7/1/2008) - 5.00%, Group F (retired before 7/1/2008) - 2.50%	The January 1, 2023 COLA: Group A: 5.00%; Group C: 2.50%	The January 1, 2023 COLA: Group A: 2.0%; Groups B, C, & D: 3.00%
Post Retirement Adjustments: assumed annual rate of cost-of-living increases	Groups A, C, & D retiring prior to 07/01/2022: 2.25%; Group F (retiring on or after 7/1/2008): 2.35%; Group F (retiring before 7/1/2008): 1.25%. Group A retiring on or after 07/01/2022: 2.25%, Group C retiring on or after 07/01/2022: 2.10%. Group D retiring on or after 07/01/2022: 2.25% on the first \$75,000 of retirement benefits, and 1.10% on amounts above \$75,000 of retirement benefits. Group F & G retiring on or after 07/01/2022: 2.15%.	Group A: 2.30%; Group C: 1.20%. Group C retiring on or after 07/01/2022: 1.20%	Group A - 1.10%, Groups B, C & D - 1.20%
<u>Census Data for 2022 Valuation</u>			
Retired members or beneficiaries currently receiving benefits	7,963	10,295	4,149
Inactive members	2,012	2,932	3,997
Active members	8,324	10,387	8,059
Terminated vested members	815	938	1,048
Total membership	19,114	24,552	17,253
*Valuation date is rolled forward to the measurement date 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: PubG-2010 General Employee Amount-Weighted Table with generational projection using scale MP-2021. Groups C & G: PubS-2010 Public Safety Employee Amount-Weighted Table with generational projection using scale MP-2021. Group D: PubG-2010 General Employee Amount-Weighted Above Median Table with generational projection using scale MP-2021.
- **Post-retirement Retiree Mortality:** Groups A & F: PubG-2010 General Healthy Retiree Amount-Weighted Table with credibility adjustments of 101% and 105% for the Male and Female tables, respectively, with generational projection using scale MP-2021. Groups C & G: PubS-2010 Public Safety Retiree Amount-Weighted Table with generational projection using scale MP-2021. Group D: PubG-2010 General Healthy

Retiree Amount-Weighted Above Median Table with generational projection using scale MP-2021.

- *Post-retirement Beneficiaries Mortality:* Groups A,F,C, & G: Pub-2010 Contingent Survivor Amount-Weighted Table with generational projection using scale MP-2021. Group D: Pub-2010 Contingent Survivor Amount-Weighted Above Median Table with generational projection using scale MP-2021.
- *Disabled Post-retirement Mortality:* Groups A,F, & D: PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Table with generational projection using scale MP-2021. Groups C & G: PubS-2010 Safety Disabled Retiree Amount-Weighted Table with generational projection using Scale MP-2021.

Vermont State Teachers' Retirement System

- *Pre-retirement Mortality:* All Groups: PubT-2010 Teacher Employee Amount-Weighted Table with generational projection using scale MP-2021.
- *Post-retirement Retiree Mortality:* All Groups: PubT-2010 Teacher Healthy Retiree Amount-Weighted Table, with credibility adjustments of 103% and 93% for the Male and Female tables, respectively, with generational projection using scale MP-2021.
- *Post-retirement Beneficiaries Mortality:* All Groups: Pub-2010 Contingent Survivor Amount-Weighted Table with generational projection using scale MP-2021.
- *Disabled Post-retirement Mortality:* All Groups: PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table with generational projection using scale MP-2021.

Vermont Municipal Employees Retirement System

- *Pre-retirement Mortality:* Groups A & B: 60% PubG-2010 General Employee Amount-Weighted Below-Median and 40% of PubG-2010 General Employee Amount-Weighted, with generational projection using Scale MP-2021. Group C: PubG-2010 General Employee Amount-Weighted, with generational projection using scale MP-2021. Group D: PubS-2010 Public Safety Employee Amount-Weighted Below-Median, with generational projection using scale MP-2021.
- *Post-retirement Retiree Mortality:* Groups A & B: PubG-2010 General Healthy Retiree Amount-Weighted Below Median Table with credibility adjustments of 90% and 87% for the Male and Female tables, respectively, with generational projection using scale MP-2021. Group C: PubG-2010 General Healthy Retiree Amount-Weighted Table, with generational projection using scale MP-2021. Group D: PubS-2010 Public Safety Retiree Amount-Weighted Below-Median Table, with generational projection using scale MP-2021.
- *Post-retirement Beneficiaries Mortality:* All Groups: Pub-2010 Contingent Survivor Amount-Weighted Below-Median Table, with generational projection using scale MP-2021.
- *Disabled Post-retirement Mortality:* Groups A, B, & C: PubNS-2010 Non-Safety Disabled Retiree Amount-Weighted Table with generational projection using Scale MP-2021. Group D: PubS-2010 Safety Disabled Retiree Amount-Weighted Table with generational projection using Scale MP-2021.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the three-year period ended June 30, 2022.

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, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	44.00%	5.35%
Private Equity	10.00%	7.50%
Emerging Market Debt	2.00%	5.00%
Private & Alternate Credit	10.00%	5.50%
Non-Core Real Estate	4.00%	5.50%
Core Fixed Income	19.00%	1.50%
Core Real Estate	4.00%	3.25%
US TIPS	2.00%	1.50%
Infrastructure/Farmland	5.00%	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, 2023, was 7.65% for VSRS, 7.64% for STRS, and 7.69% for MERS. Amounts for the prior year were -7.42%, -7.41% and -7.88% 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	\$ 1,611,168	\$ 2,408,849	\$ 482,092
Net pension liability, as reported			
Discount rate	7.00%	7.00%	7.00%
Net pension liability	\$ 1,156,754	\$ 1,870,059	\$ 320,294
One-percent increase			
Discount rate	8.00%	8.00%	8.00%
Net pension liability	\$ 781,298	\$ 1,420,759	\$ 187,302

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, 2023

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Assets			
Cash and short term investments.....	\$ 36,074,483	\$ 42,410,641	\$ 15,462,004
Receivables			
Contributions - current.....	8,376,685	8,906,198	7,268,486
Contributions - non-current.....	-	-	5,362,276
Investments sold.....	28,685,223	31,655,932	11,097,953
Interest and dividends.....	603,635	660,696	535,135
Due from other funds.....	82,906	67,319	1,049,935
Other.....	5,593,767	6,677,024	869,518
Investments			
Fixed income.....	110,493,827	122,276,591	42,756,326
Equities.....	69,417,330	64,785,661	26,359,227
Mutual and commingled funds.....	1,578,834,310	1,645,190,032	588,552,646
Private partnerships.....	647,913,594	673,337,940	236,391,293
Prepaid expenses.....	70,506	80,298	45,045
Capital assets, net of depreciation.....	274,204	324,177	119,924
Total assets.....	<u>2,486,420,470</u>	<u>2,596,372,509</u>	<u>935,869,768</u>
Liabilities			
Accounts payable.....	1,581,667	1,467,751	138,902
Investments purchased.....	60,135,629	66,417,521	23,265,579
Due to other funds.....	1,472,769	777,839	352,256
Total liabilities.....	<u>63,190,065</u>	<u>68,663,111</u>	<u>23,756,737</u>
Net position restricted			
for employees' pension benefits.....	<u>\$ 2,423,230,405</u>	<u>\$ 2,527,709,398</u>	<u>\$ 912,113,031</u>

Statement of Changes in Fiduciary Net Position
Defined Benefit Plans
For the Fiscal Year Ended June 30, 2023

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Additions			
Contributions			
Employer - pension benefit.....	\$ 116,387,502	\$ -	\$ 28,456,017
Non-employer - pension benefit.....	-	188,096,219	-
Plan member.....	48,580,695	51,997,621	29,695,944
Transfers from other pension trust funds.....	1,389,818	554,696	90,901
Other revenues.....	-	13,829,042	-
Total contributions.....	166,358,015	254,477,578	58,242,862
Investment Income			
Net appreciation in fair value of investments.....	151,421,250	160,568,333	56,401,353
Dividends.....	15,884,224	16,688,762	5,862,581
Interest income.....	4,226,078	4,515,443	2,066,059
Other income.....	3,724	-	-
Total investment income.....	171,535,276	181,772,538	64,329,993
Less Investment Expenses			
Investment managers and consultants.....	3,025,871	3,280,586	1,234,811
Total investment expenses.....	3,025,871	3,280,586	1,234,811
Net investment income.....	168,509,405	178,491,952	63,095,182
Total additions.....	334,867,420	432,969,530	121,338,044
Deductions			
Retirement benefits.....	180,735,163	238,260,128	49,180,570
Refunds of contributions.....	3,911,594	2,750,714	2,541,299
Death claims.....	812,777	196,950	597,113
Transfers to other pension trust funds.....	244,593	419,273	1,582,866
Depreciation.....	247,627	291,835	109,743
Administration expenses.....	2,330,385	2,754,177	1,192,893
Total deductions.....	188,282,139	244,673,077	55,204,484
Change in net position.....	146,585,281	188,296,453	66,133,560
Net position restricted for employees' pension benefits			
July 1, 2022.....	2,276,645,124	2,339,412,945	845,979,471
June 30, 2023.....	\$ 2,423,230,405	\$ 2,527,709,398	\$ 912,113,031

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, 2023, member contributions totaled \$777,419 with State employer contributions at \$2,007,303. As of June 30, 2023, the Vermont State Defined Contribution Plan's net position totaled \$79,151,982 and there were 542 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, 2023, member contributions totaled \$490,466 and employer contributions at \$500,808. As of June 30, 2023, the Municipal Employees' Defined Contribution Plan's net position totaled \$27,161,259 and there were 438 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 their employment. At June 30, 2023 there were 775 members, with a net position of \$25,583,646 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, 2023**

	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
Assets			
Cash and short term investments.....	\$ 129,623	\$ -	\$ 54,244
Receivables			
Contributions.....	94,246	-	15,553
Investments			
Mutual and commingled funds.....	79,008,100	25,583,646	27,402,503
Prepaid expenses.....	<u>35,440</u>	<u>-</u>	<u>221</u>
Total assets.....	<u>79,267,409</u>	<u>25,583,646</u>	<u>27,472,521</u>
Liabilities			
Accounts payable.....	38,765	-	623
Due to other funds.....	<u>76,662</u>	<u>-</u>	<u>310,639</u>
Total liabilities.....	<u>115,427</u>	<u>-</u>	<u>311,262</u>
Net position restricted for employees' pension benefits.....	<u>\$ 79,151,982</u>	<u>\$ 25,583,646</u>	<u>\$ 27,161,259</u>

Statement of Changes in Fiduciary Net Position
Defined Contribution Plans
For the Fiscal Year Ended June 30, 2023

	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
Additions			
Contributions			
Employer - pension benefit.....	\$ 2,007,303	\$ -	\$ 500,808
Plan member.....	777,419	-	490,466
Transfers from other pension trust funds.....	153,018	-	58,299
Transfers from non-state systems.....	3,646	-	212,158
Total contributions.....	2,941,386	-	1,261,731
Investment Income			
Net appreciation in fair value of investments.....	6,785,596	-	2,452,089
Dividends.....	1,560,083	665,321	545,512
Interest income.....	3,411	-	2,369
Other income.....	3,011	-	609
Total investment income.....	8,352,101	665,321	3,000,579
Less Investment Expenses			
Investment managers and consultants.....	-	38,401	-
Total investment expenses.....	-	38,401	-
Net investment income.....	8,352,101	626,920	3,000,579
Total additions.....	11,293,487	626,920	4,262,310
Deductions			
Retirement benefits.....	923,994	2,599,112	324,671
Refund of contributions.....	-	-	-
Transfers to other pension trust funds.....	-	-	-
Transfers to non-state systems.....	4,191,541	892,443	2,495,654
Operating expenses.....	127,687	-	104,250
Total deductions.....	5,243,222	3,491,555	2,924,575
Change in net position.....	6,050,265	(2,864,635)	1,337,735
Net position restricted for employees' pension benefits			
July 1, 2022.....	73,101,717	28,448,281	25,823,524
June 30, 2023.....	<u>\$ 79,151,982</u>	<u>\$ 25,583,646</u>	<u>\$ 27,161,259</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 employer 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, 2023.

Plan Descriptions and Contribution Information

Vermont State Postemployment Benefits Trust Fund

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

The VSPB is managed by the VSRS Retirement Board (see VSRS in Note IV.G.5.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 annually as necessary to achieve and preserve the financial integrity of the fund and the VSRS Retirement Board submits this recommendation to the Governor and both houses of the Legislature. State contributions for the fiscal year ended June 30, 2023, were \$64,698,572, which is 10.69% 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 Note IV.G.5.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 annually as necessary to achieve and preserve the financial integrity of the fund and the STRS Retirement Board submits this recommendation to the Governor and both houses of the Legislature. State contributions for the fiscal year ended June 30, 2023, were \$57,168,208, which is 8.15% 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 the plan information are available from 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 2023 there were 139 participating employers in the STRS - RTHMB plan.

Membership in the plans consisted of the following at June 30, 2023:

	<u>VSRS - VSPB</u>	<u>STRS - RTHMB</u>
Retired members or beneficiaries currently receiving benefits	5,702	7,368
Retired members or beneficiaries not receiving benefits	-	3,063
Vested terminated members entitled to but not yet receiving benefits	-	4,165
Active members	8,925	10,618
Total	<u>14,627</u>	<u>25,214</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 98.5041% of the VSPB net OPEB liability. The Vermont Veterans’ Home (a discrete component unit) is responsible for 1.4959% 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 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, 2023) and for the State’s reporting period (the year ended June 30, 2023). 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, 2023, the State has chosen to use the end of the prior fiscal year (June 30, 2022) as the measurement date, and the year ended June 30, 2022, 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, 2021, to the measurement date of June 30, 2022. There were no material changes in assumptions or benefit terms that occurred between the actuarial valuation date and the measurement date.

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, 2021	\$ 1,593,341	\$ 120,268	\$ 1,473,073	\$ 1,290,221	\$ 14,634	\$ 1,275,587
Changes for the year:						
Service cost	67,476	-	67,476	53,507	-	53,507
Interest	39,605	-	39,605	29,254	-	29,254
Benefit changes	(11,431)	-	(11,431)	-	-	-
Difference between expected and actual experience	241	-	241	18,750	-	18,750
Changes of assumptions	(746,859)	-	(746,859)	(605,232)	-	(605,232)
Contributions - non-employer	-	-	-	-	54,203	(54,203)
Contributions - employer	-	35,170	(35,170)	-	-	-
Net investment income	-	(15,580)	15,580	-	(186)	186
Benefit payments, including refunds of contributions	(35,056)	(35,056)	-	(28,141)	(28,141)	-
Administrative expenses	-	(2)	2	-	(2)	2
Net changes	<u>(686,024)</u>	<u>(15,468)</u>	<u>(670,556)</u>	<u>(531,862)</u>	<u>25,874</u>	<u>(557,736)</u>
Balances - June 30, 2022	<u>\$ 907,317</u>	<u>\$ 104,800</u>	<u>\$ 802,517</u>	<u>\$ 758,359</u>	<u>\$ 40,508</u>	<u>\$ 717,851</u>
Fiduciary net position as a percentage of total OPEB liability			11.55%			5.34%

VSRS - VSPB

		Proportionate Share		
	Amount	2022	2021	Change
Governmental activities	\$ 785,146	97.8354%	99.0449%	-1.2096%
Business type activities	5,366	0.6687%	0.2828%	0.3859%
Discrete component unit	<u>12,005</u>	<u>1.4959%</u>	<u>0.6722%</u>	0.8237%
Total net OPEB liability	802,517	100.0000%	100.0000%	

Proportionate Share

	Amount	2022	2021	Change
Governmental activities	717,851	100.0000%	100.0000%	0.0000%
Total governmental activities net OPEB liability	\$ 1,502,997			

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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, 2023.

As of June 30, 2023, 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	\$ 21,083	\$ -	\$ 320	\$ -
Changes of assumptions	106,526	789,826	1,618	11,995
Net differences between projected and actual earnings on plan investments	18,336	-	278	-
Change in proportion and the effect of certain employer contributions on the employer's net OPEB liability	32,147	32,409	17,694	17,432
Employer contributions made subsequent to the measurement date	63,848	-	851	-
Total	\$ 241,940	\$ 822,235	\$ 20,761	\$ 29,427

Source	STRS - RTHMB	
	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,805	\$ -
Changes of assumptions	59,939	509,467
Net differences between projected and actual earnings on plan investments	1,962	-
Employer contributions made subsequent to the measurement date	57,168	-
Total	\$ 167,874	\$ 509,467

Source	Primary Government	
	Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 69,888	\$ -
Changes of assumptions	166,465	1,299,293
Net differences between projected and actual earnings on plan investments	20,298	-
Change in proportion and the effect of certain employer contributions on the employer's net OPEB liability	32,147	32,409
Employer contributions made subsequent to the measurement date	121,016	-
Total	\$ 409,814	\$ 1,331,702

The amounts reported as deferred OPEB outflows of resources resulting from employer contributions made subsequent to the measurement date (VSRS-VSPB - \$63.848 million Primary Government and \$0.851 million Component Units; and STRS - RTHMB - \$57.168 million Primary Government), will be recognized as a reduction of the net OPEB liability at June 30, 2024. 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
2024	\$ (33,922)	\$ (134,431)	\$ (168,353)	\$ (2,502)
2025	(75,636)	(125,311)	(200,947)	(2,369)
2026	(84,545)	(95,593)	(180,138)	(1,983)
2027	(84,698)	(71,000)	(155,698)	(937)
2028	(90,265)	(85,234)	(175,499)	(1,049)
Thereafter	(29,695)	(132,574)	(162,269)	(677)
Total	<u>\$ (398,761)</u>	<u>\$ (644,143)</u>	<u>\$ (1,042,904)</u>	<u>\$ (9,517)</u>

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, 2023, is as follows (amounts are in thousands):

	Primary Government		Primary Government		Component Units
	STRS - RTHMB	VSRS - VSPB	TOTAL	VSRS - VSPB	
Service cost	\$ 53,507	\$ 66,466	\$ 119,973	\$ 1,009	
Interest on total OPEB liability	29,254	39,013	68,267	592	
Changes in benefit terms	-	(11,260)	(11,260)	(171)	
Plan administrative costs	2	2	4	-	
Projected earnings on plan investments	(1,936)	(8,297)	(10,233)	(126)	
Recognition (amortization) of deferred OPEB outflows of resources:					
Difference between expected and actual experience	2,967	32	2,999	-	
Difference between projected and actual investment earnings	424	4,729	5,153	72	
Recognition of deferred outflows from prior periods	80,985	28,221	109,206	429	
Changes in Proportions	-	6,719	6,719	3,311	
Recognition (amortization) of deferred OPEB inflows of resources:					
Change in assumptions	(95,765)	(100,229)	(195,994)	(1,522)	
Recognition of deferred inflows from prior periods	(4,643)	(67,488)	(72,131)	(1,025)	
Changes in Proportions	-	(6,266)	(6,266)	(3,764)	
Total OPEB Expense	<u>\$ 64,795</u>	<u>\$ (48,358)</u>	<u>\$ 16,437</u>	<u>\$ (1,195)</u>	

Actuarial Methods and Assumptions (Employer Reporting)**Actuarial Assumptions (Employer Reporting)**

Total OPEB liability at the June 30, 2022, measurement date was determined using the June 30, 2021, actuarial valuation and applying roll forward procedures. The actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified were as follows:

	VSRS - VSPB	STRS - RTHMB
Inflation	2.50%	2.50%
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	7.00%	7.00%
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	7.12% graded to 4.50% over 12 years	7.12% graded to 4.50% over 12 years
Medicare	6.50% graded to 4.50% over 12 years	6.50% graded to 4.50% over 12 years
Medicare STRS 65	N/A	4.50%
Retiree contributions	Equal to health trend	Equal to health trend
<u>Plan membership - 6/30/2021</u>		
Retired members or beneficiaries currently receiving benefits	5,484	7,280
Retired members or beneficiaries not receiving benefits	-	2,656
Vested terminated members entitled to but not yet receiving benefits	-	2,001
Active members	<u>8,448</u>	<u>9,955</u>
Total	<u>13,932</u>	<u>21,892</u>

The actuarial assumptions used in the June 30, 2021; 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:

(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%	4.30%
Active Global Equity	5.00%	4.30%
US Equity – Large Cap	4.00%	3.25%
US Equity – Small/Mid Cap	3.00%	3.75%
Non-US Developed Market Equities	7.00%	5.00%
Private Equity	10.00%	6.50%
Emerging Market Debt	4.00%	3.50%
Private & Alternate Credit	10.00%	4.75%
Non-Core Real Estate	4.00%	6.00%
Core Fixed Income	19.00%	0.00%
Core Real Estate	3.00%	3.50%
US TIPS	3.00%	-0.50%
Infrastructure/Farmland	4.00%	4.25%
Total	<u>100.00%</u>	

Discount Rate (Employer Reporting)

The discount rate used to measure the total OPEB liability was 7.00% for the VSPB's OPEB and RTHMB's OPEB plans. 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. 74. The discount rate used in the prior year was 2.41% for VSPB OPEB plan, and 2.20% for the RTHMB OPEB plan.

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	6.00%	6.00%
Net OPEB liability	\$ 913,625	\$ 818,278
Net OPEB liability, as reported		
Discount rate	7.00%	7.00%
Net OPEB liability	\$ 802,517	\$ 717,851
One-percent increase		
Discount rate	8.00%	8.00%
Net OPEB liability	\$ 709,898	\$ 634,326

**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	6.12% graded to 3.50%	6.12% graded to 3.50%
Medicare	5.50% graded to 3.50%	5.50% graded to 3.50%
Medicare VSTRS 65	N/A	3.50%
Net OPEB liability	\$ 702,767	\$ 624,266
Net OPEB liability, as reported		
Healthcare cost trend rate		
Non-medicare	7.12% graded to 4.50%	7.12% graded to 4.50%
Medicare	6.50% graded to 4.50%	6.50% graded to 4.50%
Medicare VSTRS 65	N/A	4.50%
Net OPEB liability	\$ 802,517	\$ 717,851
One-percent increase		
Healthcare cost trend rate		
Non-medicare	8.12% graded to 5.50%	8.12% graded to 5.50%
Medicare	7.50% graded to 5.50%	7.50% graded to 5.50%
Medicare VSTRS 65	N/A	5.50%
Net OPEB liability	\$ 925,080	\$ 833,974

Payable to the OPEB Plans (Employer Reporting)

At June 30, 2023, the State reported a payable of \$130,541 for the outstanding amount of contributions to the VSPB plan required for the year ended June 30, 2023.

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, 2022, 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, 2023, were as follows (amounts in thousands):

(Table on next page.)

	<u>VSRS - VSPB</u>	<u>STRS - RTHMB</u>
Total OPEB liability.....	\$ 1,029,530	\$ 851,763
Fiduciary net position.....	(137,759)	(72,228)
Net OPEB liability.....	<u>\$ 891,771</u>	<u>\$ 779,535</u>
Fiduciary net position as a percentage of total OPEB liability	13.38%	8.48%

Additional information regarding changes in net OPEB liability for the year ended June 30, 2023, can be found in the Required Supplementary Information section of these financial statements.

Actuarial Assumptions (Plan Reporting)

The total OPEB liability at June 30, 2023 was determined using the June 30, 2022 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	2.30%	2.30%
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	7.00%	7.00%
Salary increase rate	Varies by age from age 20 - 6.38%, to age 60 - 3.76%.	Varies by age from age 20 - 8.50%, to age 65 - 3.19%.
Health care cost trend rate		
Non-Medicare	7.39% graded to 4.50% over 12 years	7.39% graded to 4.50% over 12 years
Medicare	6.90% graded to 4.50% over 12 years	6.90% graded to 4.50% over 12 years
Medicare STRS 65	N/A	4.50%
Retiree contributions	Equal to health trend	Equal to health trend
<u>Plan membership - 6/30/2022</u>		
Retired members or beneficiaries currently receiving benefits	5,475	7,313
Retired members or beneficiaries not receiving benefits	-	2,813
Vested terminated members entitled to but not yet receiving benefits	-	1,816
Active members	<u>8,590</u>	<u>10,387</u>
Total	<u>14,065</u>	<u>22,329</u>

The actuarial assumptions used in the June 30, 2022; valuation were based on the results of the following actuarial experience studies:

Vermont State Retirement System

Experience Study: July 1, 2019 – June 30, 2022, completed in September 2023 by Segal

Vermont State Teachers' Retirement System

Experience Study: July 1, 2019 – June 30, 2022, completed in September 2023 by Segal

Mortality rates are based on the following:

Vermont State Retirement System

- *Pre-retirement Mortality:* Groups A, F & DC: PubG-2010 General Employee Headcount-Weighted with generational projection using scale MP-2021. Group C: PubS-2010 Public Safety Employee Headcount-Weighted with generational projection using scale MP 2021. Group D: PubG-2010 General Employee Headcount-Weighted Above Median, with generational projection using scale MP-2021.
- *Post-retirement Retiree Mortality:* Groups A, F & DC: PubG-2010 General Healthy Retiree Headcount-Weighted with credibility adjustments of 101% and 105% for the Male and Female tables, respectively, with generational projection using scale MP-2021. Group C: PubS-2010 Public Safety Retiree Headcount-Weighted with generational projection using scale MP-2021. Group D: PubG-2010 General Healthy Retiree Headcount-Weighted Above Median with generational projection using scale MP 2021.
- *Post-retirement Beneficiaries Mortality:* Groups A, F, DC, & C Pub-2010 Contingent Survivor Headcount-Weighted with generational projection using MP 2021. Group D: Pub-2010 Contingent Survivor Headcount-Weighted Above Median with generational projection using MP 2021.
- *Disabled Mortality:* Groups A, F & DC: PubNS-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table with generational projection using scale MP-2021. Group C: PubS-2010 Safety Disabled Retiree Headcount-Weighted Mortality Table with generational projection using scale MP-2021.

Vermont State Teachers' Retirement System

Pre-retirement Mortality: All Groups: PubT-2010 Teacher Employee Headcount-Weighted Table with generational projection using scale MP-2021.

- *Post-retirement Retiree Mortality:* All Groups: PubT-2010 Teacher Healthy Retiree Headcount-Weighted Table, with credibility adjustments of 103% and 93% for the Male and Female tables, respectively, with generational projection using scale MP-2021.
- *Post-retirement Beneficiaries Mortality:* All Groups: Pub-2010 Contingent Survivor Headcount-Weighted Table with generational projection using scale MP-2021.
- *Disabled Mortality:* All Groups: PubNS-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table with generational using scale MP-2021.

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>
Global Equity	43.00%	5.35%
US Aggregate Fixed Income	19.00%	1.50%
Emerging Markets Debt	4.00%	5.00%
US TIPS	3.00%	1.50%
Private Credit	10.00%	5.50%
Real Estate	11.00%	3.25%
Private Equity	10.00%	7.50%
Total	<u>100.00%</u>	

Discount Rate (Plan Reporting)

The discount rate used to measure the total OPEB liability was 7.00% for the VSPB's OPEB and RTHMB's OPEB plans. 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. 74. The discount rate used in the prior year was 7.00% for VSPB OPEB and the RTHMB OPEB plans.

For the year ended June 30, 2023, the annual money-weighted rate return of investments, net of investment expense, was 8.70% for the VSPB, and 11.90% 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	6.00%	6.00%
Net OPEB liability	\$ 1,016,662	\$ 895,472
Net OPEB liability, as reported		
Discount rate	7.00%	7.00%
Net OPEB liability	\$ 891,771	\$ 779,535
One-percent increase		
Discount rate	8.00%	8.00%
Net OPEB liability	\$ 787,396	\$ 683,230

**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):

	<u>VSRS - VSPB</u>	<u>STRS - RTHMB</u>
One-percent decrease		
Healthcare cost trend rate		
Non-medicare	6.39% graded to 3.50%	6.39% graded to 3.50%
Medicare	5.90% graded to 3.50%	5.90% graded to 3.50%
Medicare STRS 65	N/A	3.50%
Net OPEB liability	\$ 778,671	\$ 670,244
Net OPEB liability, as reported		
Healthcare cost trend rate		
Non-medicare	7.39% graded to 4.50%	7.39% graded to 4.50%
Medicare	6.90% graded to 4.50%	6.90% graded to 4.50%
Medicare STRS 65	N/A	4.50%
Net OPEB liability	\$ 891,771	\$ 779,535
One-percent increase		
Healthcare cost trend rate		
Non-medicare	8.39% graded to 5.50%	8.39% graded to 5.50%
Medicare	7.90% graded to 5.50%	7.90% graded to 5.50%
Medicare STRS 65	N/A	5.50%
Net OPEB liability	\$ 1,030,515	\$ 916,061

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, 2023, there were 3,409 active and retired members participating in the MERS RHS plan. The net position of the MERS RHS plan at June 30, 2023 was \$13,998,482.

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

**Statement of Fiduciary Net Position
Other Postemployment Benefit Funds
June 30, 2023**

	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.....	\$ 13,627,189	\$ 2,636,266	\$ 1,601,319
Receivables			
Contributions.....	132,175	-	-
Other receivables.....	15,244	2,795,798	-
Investments			
Mutual funds.....	123,368,507	66,523,954	12,397,163
Private partnerships.....	658,367	386,660	-
Prepaid expenses.....	-	25,687	-
Total assets.....	137,801,482	72,368,365	13,998,482
Liabilities			
Accounts payable.....	42,159	139,980	-
Due to other funds.....	27	-	-
Total liabilities.....	42,186	139,980	-
Net position restricted for employee's other postemployment benefits.....	\$ 137,759,296	\$ 72,228,385	\$ 13,998,482

**Statement of Changes in Fiduciary Net Position
Other Postemployment Benefit Funds
For the Fiscal Year Ended June 30, 2023**

	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.....	\$ 64,698,572	\$ -	\$ -
Non-employer - healthcare benefit.....	-	57,168,208	-
Total contributions.....	<u>64,698,572</u>	<u>57,168,208</u>	<u>-</u>
Investment Income			
Net appreciation in fair value of investments.....	8,407,468	7,296,346	489,482
Dividends.....	1,024,223	98,538	310,099
Interest income.....	413,101	766,291	59,672
Other income.....	-	900,883	-
Total investment income.....	<u>9,844,792</u>	<u>9,062,058</u>	<u>859,253</u>
Less Investment Expenses			
Investment managers and consultants.....	35,114	19,401	-
Total investment expenses.....	<u>35,114</u>	<u>19,401</u>	<u>-</u>
Net investment income.....	<u>9,809,678</u>	<u>9,042,657</u>	<u>859,253</u>
Total additions.....	<u>74,508,250</u>	<u>66,210,865</u>	<u>859,253</u>
Deductions			
Other postemployment benefits.....	41,548,556	34,489,027	619,191
Operating expenses.....	441	1,303	119,335
Total deductions.....	<u>41,548,997</u>	<u>34,490,330</u>	<u>738,526</u>
Change in net position.....	32,959,253	31,720,535	120,727
Net position restricted for employees postemployment benefits			
July 1, 2022.....	104,800,043	40,507,850	13,877,755
June 30, 2023.....	<u>\$ 137,759,296</u>	<u>\$ 72,228,385</u>	<u>\$ 13,998,482</u>

6. Changes in 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, 2023, the following changes occurred in the governmental activities long-term liabilities:

	Total Liability July 1, 2022	Additions	Reductions	Total Liability June 30, 2023	Amounts due within one year
Governmental activities					
Bonds payable					
Bonds.....	\$ 579,000,000	\$ -	\$ (51,245,000)	\$ 527,755,000	\$ 49,685,000
Bond premium.....	49,865,865	-	(10,134,213)	39,731,652	8,563,415
Total bonds payable.....	628,865,865	-	(61,379,213)	567,486,652	58,248,415
Lease liabilities.....	84,099,716	5,451,319	(12,345,691)	77,205,344	11,722,390
SBITA liabilities.....	-	49,900,169	(25,626,222)	24,273,947	11,928,781
Compensated absences.....	47,605,629	50,674,977	(48,354,301)	49,926,305	46,108,004
Claims and judgments.....	65,792,366	278,051,375	(251,309,098)	92,534,643	47,973,883
Contingent liabilities.....	7,000,000	-	-	7,000,000	-
Net pension liabilities.....	2,506,523,421	1,222,681,091	(691,244,689)	3,037,959,823	-
Net other postemployment liabilities.....	2,734,591,594	221,942,900	(1,453,537,587)	1,502,996,907	-
Pollution remediation obligations.....	10,740,436	9,889,673	(2,459,598)	18,170,511	2,391,461
Total governmental activities long-term liabilities.....	<u>\$ 6,085,219,027</u>	<u>\$ 1,838,591,504</u>	<u>\$ (2,546,256,399)</u>	<u>\$ 5,377,554,132</u>	<u>\$ 178,372,934</u>

During the year ended June 30, 2023, the changes occurred in the business-type activities and fiduciary funds long-term liabilities are as follows:

	Total Liability July 1, 2022	Additions	Reductions	Total Liability June 30, 2023	Amounts due within one year
Business-type activities					
Compensated absences.....	\$ 351,717	\$ 369,159	\$ (304,492)	\$ 416,384	\$ 355,072
Lottery prize awards payable.....	8,035,675	104,910,000	(104,488,116)	8,457,559	8,171,782
SBITA liabilities.....	-	5,454,604	(477,275)	4,977,329	518,339
Net pension liabilities.....	5,542,643	2,327,164	(3,408,588)	4,461,219	-
Net other postemployment liabilities.....	4,166,022	6,506,455	(5,305,956)	5,366,521	-
Other liabilities.....	2,774,234	2,491,921	(101,886)	5,164,269	1,381,391
Total business-type activities long-term liabilities	<u>\$ 20,870,291</u>	<u>\$ 122,059,303</u>	<u>\$ (114,086,313)</u>	<u>\$ 28,843,281</u>	<u>\$ 10,426,584</u>
Fiduciary					
Compensated absences.....	\$ 26,707	\$ 22,561	\$ (18,787)	\$ 30,481	\$ 23,783

The compensated absences for the Business-type activities are included as part of accrued salaries and benefits on the proprietary 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. There are no viable potentially responsible parties or insurance available to reduce the remediation costs. Overall, the state has recorded a pollution remediation liability of \$18,170,511 of which \$2,391,461 is due within one year.

Pollution remediation liability activity in fiscal year 2023 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 four 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. The Superfund sites in Vermont are in various stages of cleanup, from initial assessment to cleanup activities. The PRO as of June 30, 2023 is \$2,061,352 and the estimated current amount due is \$228,099.

There are three 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, a former capacitor manufacturing facility where groundwater cleanup is required due to releases of polychlorinated biphenyls (PCBs), and future operation and maintenance related to contaminated soil and groundwater from former industrial manufacturing facility.

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 potentially responsible Party (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 largest potential obligation includes a former manufacturing facility with perfluorooctanoic acid (PFOA) impacting surrounding private drinking wells and public water systems. Additional sites include a former mining facility with waste rock piles that are discharging asbestos into downstream waters. The PRO as of June 30, 2023 is \$11,577,031; the estimated current amount due is \$2,128,380.

Other State Agencies and Departments

The Vermont Agency of Transportation has multiple sites where investigation or cleanup is underway. The projects include remediation for soil and groundwater contamination detected during construction and infrastructure bridge improvements. Although not under federal Superfund law, the agencies and departments work with regulators, including the USEPA, to ensure the remediation of contaminated sites. The PRO as of June 30, 2023 is \$4,532,128 with an estimated \$34,982 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, 2023, are as follows:

(Table on next page.)

	<u>Restricted Purposes</u>	<u>Committed Purposes</u>	<u>Assigned Purposes</u>
General Fund			
Government Operations			
Governor and other Elected Officials.....	\$ -	\$ -	\$ 17
Legislature.....	-	-	101,800
Administrative Services.....	-	-	1,930,058
Public Safety and Regulatory Services.....	-	-	2,059,947
Courts.....	-	-	4,368,069
Health and Human Services.....	-	-	16,056,182
Correctional Services.....	-	-	847,131
Educational Services.....	-	-	51,000
Natural Resources Protection and Preservation...	-	-	6,480,266
Economic and Community Development.....	-	-	19,495,853
Tourism and Marketing.....	-	-	1,100,749
Total General Fund.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,491,072</u>
Transportation Fund			
Transportation.....	<u>\$ 9,014,297</u>	<u>\$ 38,701,655</u>	<u>\$ -</u>
Total Transportation Fund.....	<u>\$ 9,014,297</u>	<u>\$ 38,701,655</u>	<u>\$ -</u>
Education Fund			
Educational Services.....	<u>\$ -</u>	<u>\$ 233,419,015</u>	<u>\$ -</u>
Total Education Fund.....	<u>\$ -</u>	<u>\$ 233,419,015</u>	<u>\$ -</u>

(Table continues on the next page.)

	<u>Restricted Purposes</u>	<u>Committed Purposes</u>	<u>Assigned Purposes</u>
Special Fund			
Government Operations			
Governor and Other Elected Officials.....	\$ -	\$ 363,289	\$ -
Legislature.....	2,134	109,476	-
Administrative Services.....	263,736	171,357,956	-
Public Safety and Regulatory Services.....	1,511,323	46,087,210	-
Courts.....	-	1,811,882	-
Health and Human Services.....	14,721,614	-	-
Correctional Services.....	-	743,813	-
Employment and Training.....	-	18,065,711	-
Educational Services.....	-	2,568,249	-
Natural Resources Protection and Preservation...	11,880,650	97,969,543	-
Economic and Community Development.....	-	988,372	-
Tourism and Marketing.....	-	241,316	-
Total Special Fund.....	<u>\$ 28,379,457</u>	<u>\$ 340,306,817</u>	<u>\$ -</u>
Federal Revenue Fund			
Government Operations			
Governor and Other Elected Officials.....	\$ 132,115	\$ -	\$ -
Administrative Services.....	1,143,383	-	-
Public Safety and Regulatory Services.....	12,144,865	-	-
Courts.....	59,386	-	-
Health and Human Services.....	64,504,339	-	-
Employment and Training.....	4,502,168	-	-
Natural Resources Protection and Preservation...	476,245,169	-	-
Economic and Community Development.....	14,817	-	-
Total Federal Revenue Funds.....	<u>\$ 558,746,242</u>	<u>\$ -</u>	<u>\$ -</u>
Global Commitment Fund			
Health and Human Services.....	<u>\$ 25,939,262</u>	<u>\$ -</u>	<u>\$ -</u>
Total Global Commitment Fund.....	<u>\$ 25,939,262</u>	<u>\$ -</u>	<u>\$ -</u>
Non-major Governmental Funds			
Government Operations			
Administrative Services.....	\$ 20,617	\$ -	\$ -
Health and Human Services.....	14,320	-	-
Educational Services.....	-	27,158,192	-
Natural Resources Protection and Preservation...	87,171	19,743,289	-
Economic and Community Development.....	5,836	-	-
Capital Outlays.....	1,647,488	-	-
Debt Service.....	-	3,534,678	-
Total Non-major Governmental Funds.....	<u>\$ 1,775,432</u>	<u>\$ 50,436,159</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 allocations are prepared by the actuary by reviewing their loss forecast and determining an experience modification factor by department that considers the claim experience of the individual department.

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 suits and other non-tort suits is potentially unlimited. The State has a per claim self-insured retention (SIR) for the first \$1,000,000 of exposure. The State purchases an excess commercial liability insurance policy up to \$1,000,000 per occurrence, \$1,000,000 aggregate for a policy that provides insurance coverage for a claim or suit arising out of those occurrences, wrongful acts, employment practices wrongful acts or employee benefit wrongful acts to which maximum limits of liability are applicable under the Vermont Tort Claims Act. The State purchases another policy with limits of \$5,000,000 per occurrence, \$5,000,000 aggregate in excess of the \$1,000,000 SIR for claims that are not subject to the Vermont Tort Claims Act. A third excess policy provides coverage of \$5,000,000 per occurrence, \$5,000,000 aggregate over the \$5,000,000 underlying policy limits. 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. The actuary prepares reserve fund allocations to each State department for general liability and automobile liability by reviewing their loss forecast and determining an experience modification factor by department that considers the claim experience of the individual department.

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. The actuary prepares a reserve fund allocation to each State department for property insurance by reviewing their loss forecast and determining an experience modification factor by department that considers the claim experience of the individual department. The actuary's flood insurance premium allocation is based upon loss exposure. The actuary's cyber liability insurance premium allocation is based on claims history and a risk score due to cyber exposure.

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. In addition, employees can supplement their basic life coverage up to 8 times their annual salary up to a maximum of \$1,000,000. This supplemental plan also provides coverage for spouses and domestic partners up to \$250,000 and children up to \$20,000. This supplemental coverage is paid 100% by the employee.

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

<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				
2021	\$ 28,935,665	\$ 12,068,748	\$ (11,142,016)	\$ 29,862,397
2022	29,862,397	12,186,742	(12,584,108)	29,465,031
2023	29,465,031	12,051,405	(11,994,264)	29,522,172
State Liability Insurance Fund				
2021	7,801,679	2,544,684	(332,343)	10,014,020
2022	10,014,020	3,472,741	(1,857,809)	11,628,952
2023	11,628,952	17,047,978	(2,301,595)	26,375,335
Medical Insurance Fund				
2021	21,104,782	193,796,889	(190,941,994)	23,959,677
2022	23,959,677	206,992,627	(206,590,073)	24,362,231
2023	24,362,231	242,348,575	(230,574,765)	36,136,041
Dental Insurance Fund				
2021	214,398	6,544,385	(6,387,114)	371,669
2022	371,669	6,180,559	(6,216,076)	336,152
2023	336,152	6,603,417	(6,438,474)	501,095

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 2023, 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, 2023 are as follows: \$106,668,844 in the General Fund's Budget Stabilization Reserve; \$15,359,542 in the Transportation Fund's Budget Stabilization Reserve; and \$41,832,210 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 2023, 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, 2023, the State of Vermont had contractual obligations of \$2,029,683,006, of which \$726,424,959 are funded from federal sources. The Agency of Human Services (AHS) had contractual commitments of approximately \$720,121,846. The Agency of Transportation had contractual commitments of approximately \$591,863,895. The combined total for AHS and Transportations is 65% of the total contractual obligation of the State at fiscal year-end. 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.

Remaining contractual obligations include:

- The AHS contracts remaining obligations are used for the Department of Children and Families (32%), the Department of Vermont Health Access (30%), the Department of Corrections (19%), Department of Aging and Independent Living (10%) and the Department of Health (5%). 78% of the Human Services contracts will expire by June 30, 2024.
- The Agency of Transportation contracts are mainly used for infrastructure construction; of which 77% of Transportation's contracts have end dates of June 30, 2024.
- Of the contracts in the Agency of Administration, 62% have end dates that expire by the end of fiscal year 2024. The Agency of Administration contract obligations are for human resource benefit administration services (64%) and capital construction (31%).
- The Agency of Digital Services (ADS), 67% of their contract obligations are for project management consulting and development, 12% for Cyber Security, and 5% for Web Portal Services. 49% of ADS's contracts will expire by the end of fiscal year 2024.
- The State Treasurer's Office contracts are mostly investment management services and health insurance for the retirement plans; of which 69% have end dates that will expire by the end of fiscal year 2024.
- Of the contract obligations for the Department of Liquor and Lottery (DLL), 99% are distributor vendor contracts. 95% of DLL's contracts have end dates of June 30, 2024.

Following is a summary of contractual obligations by agency, department, or office at June 30, 2023:

(Table on next page.)

Agency, Department, or Office	Total Contractual Obligation	Funded by Federal Sources	Funded by Other Sources
Agency of Human Services	\$ 720,121,846	\$ 342,650,215	\$ 377,471,631
Agency of Transportation	591,863,895	314,179,837	277,684,058
Agency of Administration	221,351,780	593,656	220,758,124
Department of Liquor & Lottery	162,741,987	-	162,741,987
State Treasurer's Office	92,143,912	-	92,143,912
Agency of Digital Services	86,980,591	-	86,980,591
Agency of Natural Resources	31,696,484	10,452,000	21,244,484
Agency of Education	29,076,408	25,417,555	3,658,854
Military Department	17,575,477	15,259,895	2,315,582
Secretary of State's Office	11,014,012	3,856,670	7,157,342
Department of Public Safety	9,068,613	2,680,686	6,387,927
Financial Regulation	9,028,636	227,338	8,801,298
Department of Labor	8,740,320	8,740,320	-
Green Mountain Care Board	8,682,250	-	8,682,250
Office of the Defender General	6,151,091	-	6,151,091
Public Service Department	5,463,637	791,199	4,672,438
Auditor of Accounts' Office	4,588,587	-	4,588,587
Enhanced 911 Board	3,867,248	-	3,867,248
Agency of Agriculture, Food & Markets	3,683,733	980,835	2,702,898
Agency of Commerce & Community Development	2,917,528	445,209	2,472,319
Office of the Attorney General	1,613,375	47,696	1,565,679
Public Utility Commission	321,071	-	321,071
Criminal Justice Training Council	253,915	-	253,915
Center Crime Victim Services	240,172	101,850	138,322
Cannabis Control Board	197,550	-	197,550
Joint Fiscal Office	163,035	-	163,035
Judiciary	68,509	-	68,509
State's Attorneys and Sheriffs	45,315	-	45,315
Legislative Council	22,030	-	22,030
Total	\$ 2,029,683,006	\$ 726,424,959	\$ 1,303,258,047

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 \$1,198,433,355. The award adjustments column includes an increase of \$25,278,015 for amendments to grants that commenced in prior fiscal years and a reduction of \$22,433,016 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 \$1,067,325,501 includes payments issued to grantees on both current year awards and prior year grant awards. The award balances on June 30, 2023, represents the remaining unexpended award amounts.

(Table on next page.)

	Number of Grants Awarded in 2023	Total Grant Obligation				
		Award	Current Year Awards	Award Adjustments	Grants Expended	Award
		Balances at June 30, 2022				Balances at June 30, 2023
Agency of Administration	1,157	\$ -	\$ 290,573,600	\$ -	\$ 290,573,600	\$ -
Agency of Agriculture, Food & Markets	743	16,399,532	26,209,041	53,548	21,878,874	20,783,247
Agency of Commerce & Community Development	593	77,618,758	105,645,096	(1,331,244)	89,720,720	92,211,890
Agency of Education	797	104,229,902	151,286,590	-	113,551,195	141,965,297
Agency of Human Services	1,241	142,690,726	326,154,449	(40,331,709)	271,552,675	156,960,791
Agency of Natural Resources	227	96,322,145	62,028,063	(2,556,669)	47,791,522	108,002,017
Agency of Transportation	910	207,048,372	136,182,602	39,598,751	124,741,502	258,088,223
Center Crime Victim Services	179	298,366	8,846,148	-	8,854,472	290,042
Department of Labor	40	3,643,392	4,473,924	3,717,534	6,253,666	5,581,184
Department of Liquor & Lottery	1	33,276	93,600	29,124	124,800	31,200
Department of Public Safety	224	17,902,047	18,863,742	3,673,685	38,109,923	2,329,551
Enhanced 911 Board	-	239,567	-	6,108	37,286	208,389
Financial Regulation	-	150,000	-	-	-	150,000
Judiciary	1	-	70,000	-	70,000	-
Military Department	11	-	113,400	-	95,400	18,000
Office of the Attorney General	12	81,991	3,089,862	3,308	2,968,267	206,894
Public Service Department	32	36,267,044	62,806,203	(33,609)	49,004,564	50,035,074
State Treasurer's Office	17	114,160	277,154	16,172	277,154	130,332
State's Attorneys and Sheriffs	41	-	1,719,881	-	1,719,881	-
Total	6,226	\$ 703,039,278	\$ 1,198,433,355	\$ 2,844,999	\$ 1,067,325,501	\$ 836,992,131

The Agency of Administration includes the Department of Libraries who awarded 280 grants in the amount of \$276.6 thousand to Public Libraries throughout the State. The agency also awarded over \$166.8 million to help fund higher education in Vermont, \$3.4 million to promote cultural development and \$120 million to support communities across the State by providing direct economic and emergency funding under the American Rescue Plan. The Agency of Education awarded 797 grants totaling \$151.3 million. The Agency of Human Services issued 1,241 awards or 19.9% of the total number of grants issued by the state and expended \$242.8 million to improve the conditions and wellbeing of Vermonters. The Agency of Human Services also awarded \$51.2 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 \$22.4 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 910 grants, totaling \$136.2 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.

EB-5 Settlement

The State of Vermont, 63 individual plaintiffs who have sued the State, and the federal receiver for Jay Peak, Inc *et al.*, have reached an agreement to settle all pending and potential lawsuits against the State related to the eight

Jay Peak EB-5 projects. The terms of the settlement include a current payment by the State into the receivership of \$9.5 million, a payment of \$3 million by July 1, 2024, and conditional payment of an additional \$4 million by July 1, 2025, for a maximum total payment of \$16.5 million. Under the terms of the settlement, the State will continue its support of investors' pursuit of Green Cards. If those efforts are successful, the State will not be obligated to pay the final \$4 million payment in 2025. In a separate June 2023 agreement, the State settled the claims of eight individual Jay Peak investors for a total payment of \$750,000. The State believes the payments related to the EB-5 settlements will not have a material impact on 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, 2023 and 2022 are as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Increase (Decrease)</u>
Comparative Financial Information			
Assets	\$ 29,603,646	\$ 28,236,516	\$ 1,367,130
Liabilities	25,653,511	23,813,354	1,840,157
Operating revenues	91,296,265	87,306,397	3,989,868
Interest income	705,520	143,840	561,680
Gain/(loss) on the sale of investments	(37,116)	282,976	(320,092)
Commissions, fees and bonus expense	7,186,881	6,735,787	451,094
Prize awards	56,585,648	53,087,870	3,497,778
Other operating expenses	4,147,186	4,351,422	(204,236)
Total transfers to member states	24,044,954	23,558,135	486,819
Transfer to Vermont	4,072,601	3,210,070	862,531

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, 2023, the State provided tax abatements through the following programs:

<u><i>Vermont Affordable Housing Tax Credit</i></u>	
Purpose of program	The program encourages construction or rehabilitation of affordable housing projects in the State.
Tax being abated	Personal income, corporate income, bank franchise, and insurance premium taxes
Authority to abate taxes	32 V.S.A. 5930u
Criteria to be eligible to receive abatements and commitment of the taxpayer	Any municipality, private sector developer, State agency as defined in 10 V.S.A. 6301a, the Vermont Housing Finance Agency, or a nonprofit organization qualifying under 26 U.S.C. 501(c)(3), or a cooperative housing organization, the purpose of which is to create and retain affordable housing for Vermonters with lower income and which has in its bylaws a requirement that the housing the organization creates be maintained as affordable housing for Vermonters with lower income on a perpetual basis. The taxpayer applies to and must be approved by the allocating agency to receive the credit. In return, the taxpayer agrees to construct or rehabilitate affordable housing projects as specified in the application submitted. Vermont's designated allocating agency for this tax credit is the Vermont Housing Finance Agency. The participant is required to ensure that eligible housing is maintained as affordable housing by subsidy covenant, as defined in 27 V.S.A. 610 on a perpetual basis.
How taxes are reduced	Taxpayer will claim credit on tax return. Unused credits may be carried forward for fourteen years.
How is the amount of the tax abatement determined	The amount of the credit is determined by the allocating agency based on the amount of eligible investment in the affordable housing project.
Provisions for recapturing abated taxes	N/A
Type of commitments other than taxes	N/A
Dollar amount of taxes abated during reporting period	\$3,912,215

<u><i>Agricultural and Managed Forest Land Use Program</i></u>	
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 2023 payments are \$18,075,693.
Dollar amount of taxes abated during reporting period	\$47,551,977

<u>Vermont Downtown and Village Center Tax Credit Program</u>	
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	\$3,813,928

<u>Vermont Employment Growth Incentive (VEGI)</u>	
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	\$2,798,955

G. Accounting Changes

Accounting changes related to the implemented of GASB Statement No. 91, Conduit Debt Obligation

During fiscal year 2023, Vermont Municipal Bond Bank (VMBB), a non-major discretely presented component unit, implemented GASB Statement No. 91, *Conduit Debt Obligation*. GASB 91 clarifies the existing definition of a conduit debt obligation and provides guidance on the accounting and financial reporting for conduit debt obligations. VMBB's beginning net position was restated for the effects of the implementation of GASB Statement No. 91. The effect of the restatement is shown below.

Restatement of net position

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

	Non-major Component Units
As originally reported	\$ 498,332,805
Restatements	
Adjustment for the implementation of GASB 91 as of July 1, 2022	(9,361,017)
Restated amount	<u>\$ 488,971,788</u>

H. Subsequent Events

Debt Issuances

2023 Series A - General Obligation Bonds

The State issued \$62,765,000 of 2023 Series A - General Obligation Bonds, dated September 7, 2023. The bonds are general obligations of the State of Vermont, and the full faith and credit of the State are pledged to the payment of principal and interest on these bonds. The interest rates on these bonds vary from 4% to 5%, and payment to bondholders is scheduled to commence on February 15, 2024, and terminate on August 15, 2043.

The issuance of these bonds is authorized by capital acts from legislative sessions: Act 50 (2021) as amended by Act 180 (2022), Act 139 (2020), Act 42 (2019) as amended by Act 139 (2020), and Act 84 (2017) as amended by Act 190 (2018). The proceeds are to be used for various purposes including capital projects, major maintenance at the State buildings, Vermont State Colleges, University of Vermont, various projects in the areas of natural resources, public safety, agriculture, clean water initiatives, various grant purposes, and other projects.

2023 Series B – General Obligation Refunding Bonds

The State issued \$27,285,000 of 2023 Series B - General Obligation Refunding Bonds, dated September 7, 2023, for the purpose of current refunding of \$2,430,000 outstanding principal of the 2012 Series E - General Obligation Bonds, \$305,000 outstanding principal of the 2012 Series F - General Obligation Bonds, \$3,375,000 outstanding principal of the 2013 Series A - General Obligation Bonds, and \$23,745,000 outstanding principal of the 2013 Series B - General Obligation Bonds. Interest rates on the bonds are 5%, and payments to bondholders are scheduled to commence on February 15, 2024, and terminate on August 15, 2033. As a result of the bond refunding transaction, the State reduces its total debt service payments over the next 11 state fiscal years by \$1,589,596, and achieves an economic gain of \$1,289,061.

July 2023 Flooding Event

In early July 2023, the State experienced a series of rain and resultant flooding events, which led to extreme flood damage, mudslides, water runoff, erosion and resulting damage. On July 9, the Governor declared a state of emergency for the State in response to these severe storms. On July 10, the President of the United States declared that an emergency existed in the State. Once it became clear damages from mudslides, excessive rain, flooding, water runoff, and erosion from the July storms were not going to be isolated incidents but rather part of a series of events that would be ongoing statewide, the Governor requested, and on July 14, the President granted, a Declaration of a Major Disaster for the period July 7, 2023 and continuing. As of the date of this ACFR, the incident period end date has not yet been finalized.

The President's Disaster Declaration qualifies the State, communities, and individuals for FEMA financial and other support. All counties in the State have been determined to be eligible for FEMA Public Assistance, and FEMA Individual Assistance has been declared for the nine counties of Caledonia, Chittenden, Lamoille, Orange, Orleans, Rutland, Washington, Windham, and Windsor. In addition to the assistance from FEMA, the Federal Highway Administration also provided relief to the Agency of Transportation for State road and highway repairs, with costs for this work reimbursable at 100% for the first 270 days of the disaster, and up to two years thereafter at 80%.

The July 2023 Flooding damaged over 273 miles of roads and bridges across the State, as well as Vermont's rail lines, with 303 miles of rail closed due to flood damage, including 188 miles of state railroad and 115 miles of private railroad. Twenty State office buildings were damaged during the July 2023 Flooding, primarily in Montpelier's Capitol District. Full cost estimates for the damage to these State-owned buildings is not yet determined, however the State has insurance coverage in place that it expects will cover a portion of the real property losses suffered by the State office buildings that were damaged. The Department of Liquor and Lottery estimates a loss of inventory and equipment of approximately \$1.7 million, and they are working on submitting a claim to FEMA for the losses.

The longer-term impacts of the July 2023 Flooding are yet to be fully undetermined. In particular, it is too early to estimate the total impacts of the flood-related damage, the total cost of repairing State buildings, roads, highways and other infrastructure, the federal funding available to the State and the overall economic impact of the July 2023 Flooding on the State. The State is currently compiling information relative to any asset impairments that need to be recorded. Any adjustments will be included in the financial statements for the year ending June 30, 2024.



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 TEN FISCAL YEARS

(Dollar amounts expressed in thousands)
(Unaudited)

	2023	2022	2021	2020
Total pension liability				
Service cost.....	\$ 73,319	\$ 67,752	\$ 70,993	\$ 53,010
Interest.....	236,673	226,513	214,277	204,548
Differences between expected and actual experience.....	38,771	74,201	59,818	5,123
Changes of assumptions.....	16,346	-	-	209,787
Changes of benefit terms.....	-	(49,146)	-	-
Benefit payments, including refunds of member contributions.....	(185,704)	(173,791)	(160,291)	(153,026)
Net change in total pension liability.....	179,405	145,529	184,797	319,442
Total pension liability, July 1.....	3,400,579	3,255,050	3,070,253	2,750,811
Total pension liability, June 30.....	3,579,984	3,400,579	3,255,050	3,070,253
Fiduciary net position				
Contributions - employer.....	116,388	197,523	88,944	84,430
Contributions - member.....	48,581	44,655	42,113	40,902
Net investment income (loss).....	168,509	(215,474)	497,423	78,965
Benefit payments, including refunds of member contributions.....	(185,704)	(173,791)	(160,291)	(153,026)
Administrative expenses.....	(2,579)	(2,352)	(2,281)	(2,268)
Other.....	1,390	862	247	594
Net change in fiduciary net position.....	146,585	(148,577)	466,155	49,597
Fiduciary net position, beginning of year.....	2,276,645	2,425,222	1,959,067	1,909,470
Fiduciary net position, end of year.....	2,423,230	2,276,645	2,425,222	1,959,067
Net pension liability, June 30.....	\$ 1,156,754	\$ 1,123,934	\$ 829,828	\$ 1,111,186
Fiduciary net position as a percentage of the total pension liability.....	67.69%	66.95%	74.51%	63.81%
Covered payroll.....	\$ 576,952	\$ 552,317	\$ 551,981	\$ 527,571
Net pension liability as a percentage of covered payroll.....	200.49%	203.49%	150.34%	210.62%
Notes to Schedule				
Change in assumptions:				
Discount rate.....	7.00%	7.00%	7.00%	7.00%
Assumed inflation.....	2.30%	2.30%	2.30%	2.30%
Assumed COLA increase				
Groups A, and D.....	2.25%	2.40%	2.40%	2.40%
Group C (retired prior to 7/1/2022).....	2.25%	2.40%	2.40%	2.40%
Group C (retired on or after 7/1/2022).....	2.10%	2.15%	n/a	n/a
Group F (retired before 7/1/2008).....	1.25%	1.35%	1.35%	1.35%
Group F (retired on or after 7/1/2008).....	2.35%	2.40%	2.40%	2.40%
Group F (retired on or after 7/1/2022).....	2.15%	2.25%	n/a	n/a

Plan Type: single employer

See Notes to the Required Supplementary Information.

See Independent Auditors' Report.

2019	2018	2017	2016	2015	2014
\$ 51,946	\$ 49,744	\$ 42,704	\$ 47,012	\$ 41,786	\$ 39,369
194,127	180,860	178,959	171,563	164,405	156,635
40,476	83,266	19,283	25,051	3,979	-
-	-	42,725	(21,853)	62,247	-
-	-	-	-	-	-
(144,297)	(134,090)	(126,480)	(120,094)	(111,396)	(104,493)
142,252	179,780	157,191	101,679	161,021	91,511
2,608,559	2,428,779	2,271,588	2,169,909	2,008,888	1,917,377
2,750,811	2,608,559	2,428,779	2,271,588	2,169,909	2,008,888
66,618	64,564	60,280	54,347	55,881	56,483
40,818	40,423	35,967	34,055	33,296	31,746
106,778	123,632	170,358	17,962	(8,485)	203,722
(144,297)	(134,090)	(126,480)	(120,094)	(111,396)	(104,493)
(2,246)	(1,720)	(1,777)	(1,467)	(1,858)	(1,158)
299	249	444	(14)	177	454
67,970	93,058	138,792	(15,211)	(32,385)	186,754
1,841,500	1,748,442	1,609,650	1,624,861	1,657,246	1,470,492
1,909,470	1,841,500	1,748,442	1,609,650	1,624,861	1,657,246
\$ 841,341	\$ 767,059	\$ 680,337	\$ 661,938	\$ 545,048	\$ 351,642
69.41%	70.59%	71.99%	70.86%	74.88%	82.50%
\$ 521,671	\$ 504,553	\$ 471,268	\$ 462,057	\$ 437,676	\$ 416,766
161.28%	152.03%	144.36%	143.26%	124.53%	84.37%
7.50%	7.50%	7.50%	7.95%	7.95%	8.22%
2.50%	2.50%	2.50%	3.00%	3.00%	3.00%
2.55%	2.55%	2.55%	3.00%	3.00%	3.00%
2.55%	2.55%	2.55%	3.00%	3.00%	3.00%
n/a	n/a	n/a	n/a	n/a	n/a
1.40%	1.40%	1.40%	1.50%	1.50%	1.50%
2.55%	2.55%	2.55%	3.00%	3.00%	3.00%
n/a	n/a	n/a	n/a	n/a	n/a

**STATE OF VERMONT
VERMONT STATE RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

Fiscal Year 2023

Mortality improvement scales were updated to MP-2021.

Fiscal Year 2022

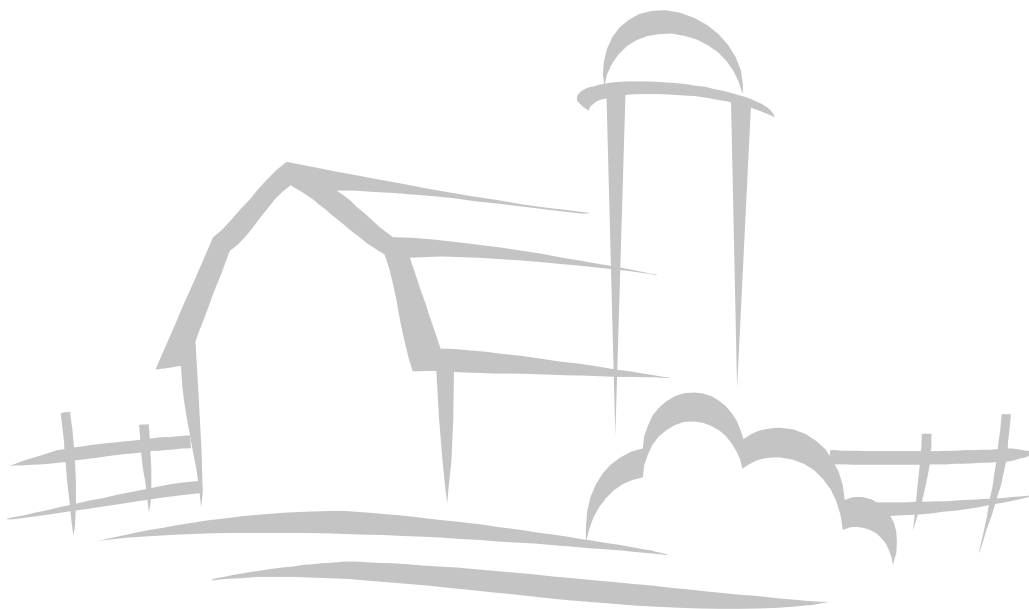
Changes in plan provisions for average final compensation, normal retirement eligibility and amount, early retirement amount, post retirement adjustments, and member contribution rates.

Fiscal Year 2020

Mortality tables updated from variations of RP-2006 with generational improvement to variations of PubG-2010 with generational projection.

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.

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Vermont

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
STATE TEACHERS' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST TEN FISCAL YEARS

(Dollar amounts expressed in thousands)
(Unaudited)

	2023	2022	2021	2020
Total pension liability				
Service cost.....	\$ 78,228	\$ 71,861	\$ 72,149	\$ 40,744
Interest.....	295,777	285,340	270,700	255,393
Differences between expected and actual experience.....	15,227	52,714	88,065	31,637
Changes of assumptions.....	(17,809)	-	-	310,968
Changes of benefit terms.....	-	(32,528)	-	-
Benefit payments, including refunds of member contributions.....	(241,627)	(227,698)	(215,249)	(201,237)
Net change in total pension liability.....	129,796	149,689	215,665	437,505
Total pension liability, July 1.....	4,267,972	4,118,283	3,902,618	3,465,113
Total pension liability, June 30.....	4,397,768	4,267,972	4,118,283	3,902,618
Fiduciary net position				
Contributions - non-employer.....	188,096	314,664	125,910	120,247
Contributions - member.....	51,998	44,597	42,199	40,599
Net investment income (loss).....	178,492	(223,275)	512,194	83,105
Benefit payments, including refunds of member contributions.....	(241,627)	(227,698)	(215,249)	(201,237)
Administrative expenses.....	(3,047)	(2,715)	(2,782)	(2,815)
Other.....	14,384	11,047	9,031	7,103
Net change in fiduciary net position.....	188,296	(83,380)	471,303	47,002
Fiduciary net position, beginning of year.....	2,339,413	2,422,793	1,951,490	1,904,488
Fiduciary net position, end of year.....	2,527,709	2,339,413	2,422,793	1,951,490
Net pension liability, June 30.....	\$ 1,870,059	\$ 1,928,559	\$ 1,695,490	\$ 1,951,128
Fiduciary net position as a percentage of the total pension liability.....	57.48%	54.81%	58.83%	50.00%
Covered payroll.....	\$ 701,567	\$ 657,935	\$ 645,903	\$ 624,908
Net pension liability as a percentage of covered payroll.....	266.55%	293.12%	262.50%	312.23%
Notes to Schedule				
Change in assumptions:				
Discount rate.....	7.00%	7.00%	7.00%	7.00%
Assumed inflation.....	2.30%	2.30%	2.30%	2.30%
Assumed COLA increase				
Group A.....	2.30%	2.40%	2.40%	2.40%
Group C.....	1.20%	1.35%	1.35%	1.35%
Groups C (retired on or after 7/1/2022).....	1.20%	1.20%	n/a	n/a

Plan Type: cost sharing multiple employer with a special funding situation

See Notes to the Required Supplementary Information.

See Independent Auditors' Report.

2019	2018	2017	2016	2015	2014
\$ 39,766	\$ 40,117	\$ 35,383	\$ 34,979	\$ 33,614	\$ 33,144
246,468	237,747	228,939	222,185	215,447	206,150
28,998	59,469	12,523	3,613	20,003	-
-	(32,957)	185,849	(7,224)	57,489	-
-	-	-	-	-	-
(193,197)	(182,259)	(172,156)	(162,751)	(150,734)	(140,846)
122,035	122,117	290,538	90,802	175,819	98,448
3,343,078	3,220,961	2,930,423	2,839,621	2,663,802	2,565,354
3,465,113	3,343,078	3,220,961	2,930,423	2,839,621	2,663,802
113,748	110,354	78,664	73,225	72,909	72,668
39,075	37,889	36,142	35,409	34,864	32,559
109,429	125,566	173,167	19,877	(7,567)	212,338
(193,197)	(182,259)	(172,156)	(162,751)	(150,734)	(140,847)
(2,715)	(2,084)	(2,214)	(1,797)	(2,259)	(26,116)
5,775	4,349	4,055	3,821	538	411
72,115	93,815	117,658	(32,216)	(52,249)	151,013
1,832,373	1,738,558	1,620,900	1,653,116	1,705,365	1,554,352
1,904,488	1,832,373	1,738,558	1,620,900	1,653,116	1,705,365
\$ 1,560,625	\$ 1,510,705	\$ 1,482,403	\$ 1,309,523	\$ 1,186,505	\$ 958,437
54.96%	54.81%	53.98%	55.31%	58.22%	64.02%
\$ 612,899	\$ 607,355	\$ 586,397	\$ 557,708	\$ 567,074	\$ 563,623
254.63%	248.74%	252.80%	234.80%	209.23%	170.05%
7.50%	7.50%	7.50%	7.95%	7.95%	8.15%
2.50%	2.50%	2.50%	3.00%	3.00%	3.00%
2.55%	2.55%	2.55%	3.00%	3.00%	3.00%
1.40%	1.40%	1.40%	1.50%	1.50%	1.50%
n/a	n/a	n/a	n/a	n/a	n/a

**STATE OF VERMONT
STATE TEACHERS' RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

Fiscal Year 2023

Mortality improvement scales were updated to MP-2021.

Fiscal Year 2022

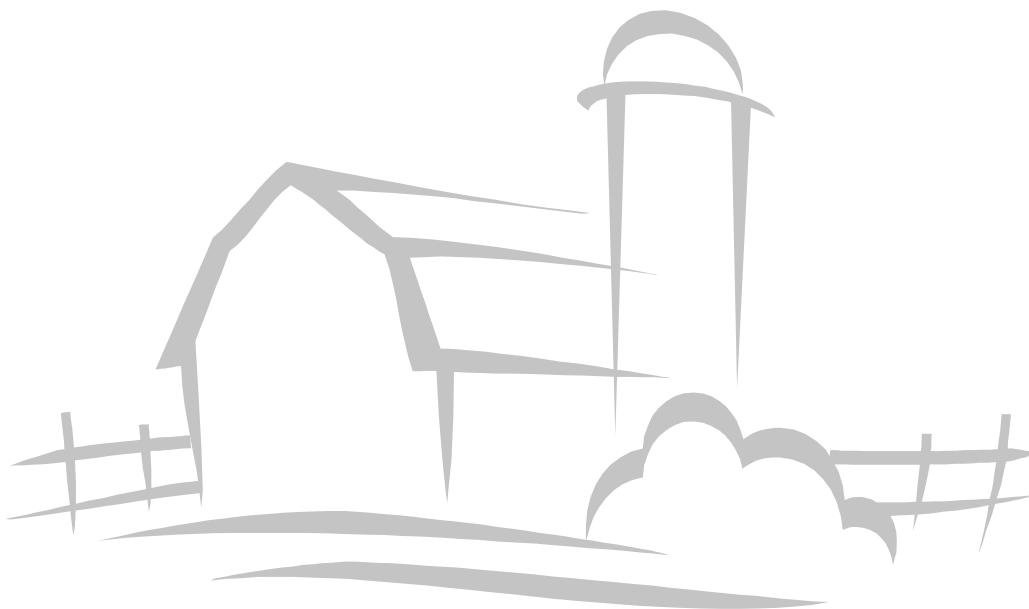
Changes in plan provisions for post-retirement adjustments, and member contribution rates.

Fiscal Year 2020

Mortality tables updated from variations of RP-2006 with generational improvement to variations of PubG-2010 with generational projection.

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.

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Vermont

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST TEN FISCAL YEARS

(Dollar amounts expressed in thousands)
(Unaudited)

	2023	2022	2021	2020
Total pension liability				
Service cost.....	\$ 42,204	\$ 39,576	\$ 37,158	\$ 34,726
Interest.....	81,522	76,211	70,595	67,361
Differences between expected and actual experience.....	9,652	8,120	15,795	8,292
Changes of assumptions.....	3,580	-	-	38,774
Changes of benefit terms.....	-	364	-	-
Benefit payments, including refunds of member contributions.....	(53,902)	(48,138)	(43,357)	(39,084)
Net change in total pension liability.....	83,056	76,133	80,191	110,069
Total pension liability, July 1.....	1,149,351	1,073,218	993,027	882,958
Total pension liability, June 30.....	1,232,407	1,149,351	1,073,218	993,027
Fiduciary net position				
Contributions - employer.....	28,456	25,218	22,298	20,681
Contributions - member.....	29,696	25,025	23,074	20,771
Net investment income (loss).....	63,095	(81,508)	184,850	29,114
Benefit payments, including refunds of member contributions.....	(53,902)	(48,138)	(43,357)	(39,084)
Administrative expenses.....	(1,302)	(1,303)	(1,249)	(1,355)
Other.....	91	651	365	460
Net change in fiduciary net position.....	66,134	(80,055)	185,981	30,587
Fiduciary net position, beginning of year.....	845,979	926,034	740,053	709,466
Fiduciary net position, end of year.....	912,113	845,979	926,034	740,053
Net pension liability, June 30.....	\$ 320,294	\$ 303,372	\$ 147,184	\$ 252,974
Fiduciary net position as a percentage of the				
total pension liability.....	74.01%	73.60%	86.29%	74.52%
Covered payroll.....	\$ 355,709	\$ 331,960	\$ 327,492	\$ 306,103
Net pension liability as a percentage of				
covered payroll.....	90.04%	91.39%	44.94%	82.64%
Notes to Schedule				
Changes in assumptions and methods:				
Discount rate.....	7.00%	7.00%	7.00%	7.00%
Assumed inflation.....	2.30%	2.30%	2.30%	2.30%
Assumed COLA increase				
Group A.....	1.10%	1.10%	1.10%	1.10%
Group B, C, and D.....	1.20%	1.20%	1.20%	1.20%

Plan Type: cost sharing multiple employer

See Notes to the Required Supplementary Information.

See Independent Auditors' Report.

2019	2018	2017	2016	2015	2014
\$ 30,744	\$ 28,434	\$ 27,246	\$ 25,264	\$ 24,366	\$ 22,519
61,618	56,504	54,780	49,744	46,058	42,139
17,468	14,172	(3,749)	1,088	3,046	-
-	-	14,481	12,204	19,192	-
-	194	-	-	-	-
(35,397)	(31,445)	(27,803)	(25,589)	(23,314)	(20,601)
74,433	67,859	64,955	62,711	69,348	44,057
808,525	740,666	675,711	613,000	543,652	499,595
882,958	808,525	740,666	675,711	613,000	543,652
19,203	17,520	16,482	15,236	14,136	12,806
19,778	19,167	25,210	15,227	13,588	13,234
38,740	43,889	59,487	6,777	(2,359)	64,346
(35,397)	(31,445)	(27,803)	(25,589)	(23,315)	(20,601)
(1,158)	(929)	(875)	(755)	(950)	(588)
451	137	(6)	215	279	2,143
41,617	48,339	72,495	11,111	1,379	71,340
667,849	619,510	547,015	535,904	534,525	463,186
709,466	667,849	619,510	547,015	535,904	534,526
\$ 173,492	\$ 140,676	\$ 121,156	\$ 128,696	\$ 77,096	\$ 9,126
80.35%	82.60%	83.64%	80.95%	87.42%	98.32%
\$ 289,839	\$ 274,814	\$ 256,730	\$ 249,811	\$ 230,969	\$ 220,372
59.86%	51.19%	47.19%	51.52%	33.38%	4.14%
7.50%	7.50%	7.50%	7.95%	7.95%	8.23%
2.50%	2.50%	2.50%	3.00%	3.00%	3.00%
1.15%	1.15%	1.15%	1.50%	1.50%	1.50%
1.30%	1.30%	1.30%	1.80%	1.80%	1.80%

**STATE OF VERMONT
VERMONT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

Fiscal Year 2023

Mortality improvement scales were updated to MP-2021.

Fiscal Year 2022

Changes in plan provisions for member contribution rates, a 0.25% increase each year for four years, starting 07/01/2022.

Fiscal Year 2020

Mortality tables updated from variations of RP-2006 with generational improvement to variations of PubG-2010 with generational projection.

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.

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

Retirement System	Year Ended 6/30	Actuarially Determined Contribution⁽¹⁾ (ADC)	Contributions in Relation to ADC	Contribution (Excess) Deficiency	Covered Payroll (CP)	Contribution as a Percent of CP
Vermont State Retirement System	2023	\$ 116,038	\$ 116,388	\$ (350)	\$ 576,952	20.17%
	2022	119,968	197,523	(77,555)	552,317	35.76%
	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⁾	2023	\$ 194,962	\$ 201,925	\$ (6,963)	\$ 701,567	28.78%
	2022	196,207	325,245	(129,038)	657,935	49.43%
	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	2023	\$ 43,344	\$ 28,456	\$ 14,888	\$ 355,709	8.00%
	2022	39,451	25,218	14,233	331,960	7.60%
	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.

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	Entry Age Normal
Amortization method	Installments increasing 3% per year	Installments increasing 3% per year	Installments increasing 3% per year
Remaining amortization period All closed basis	17 years	17 years	16 years
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⁾	7.00%	7.00%	7.00%
Inflation rate	2.30%	2.30%	2.30%
Projected salary increases	3.40%-5.55%	3.55%-10.50%	4.50%-7.00%
Cost of living adjustments ⁽²⁾	Groups A, C & D - 2.40% Group F - 1.35% Group F retiring after 7/1/2008 - 2.40%	Group A - 2.40% Group C - 1.35%	Group A - 1.10% Groups B, C & D - 1.20%

Mortality Rates

VSRS

Pre-retirement:

Group A/F - 60% of PubG-2010 General Employee Amount-Weighted Above Median, and
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, and
30% of PubG-2010 General Employee with generational projection using scale MP-2019

Post-retirement Retiree

Group 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, and
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

Group 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, and
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 Retiree:

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

STRS

Pre-retirement:

All Groups - PubT-2010 Teacher Employee Amount-Weighted Table with generational projection using scale MP-2019

Post-retirement Retiree

All Groups - PubT-2010 Teacher Healthy Retiree Amount-Weighted Table with generational projection using scale MP-2019

Post-retirement Beneficiaries

All Groups - 109% of the Pub-2010 Contingent Survivor Amount-Weighted Table 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

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.

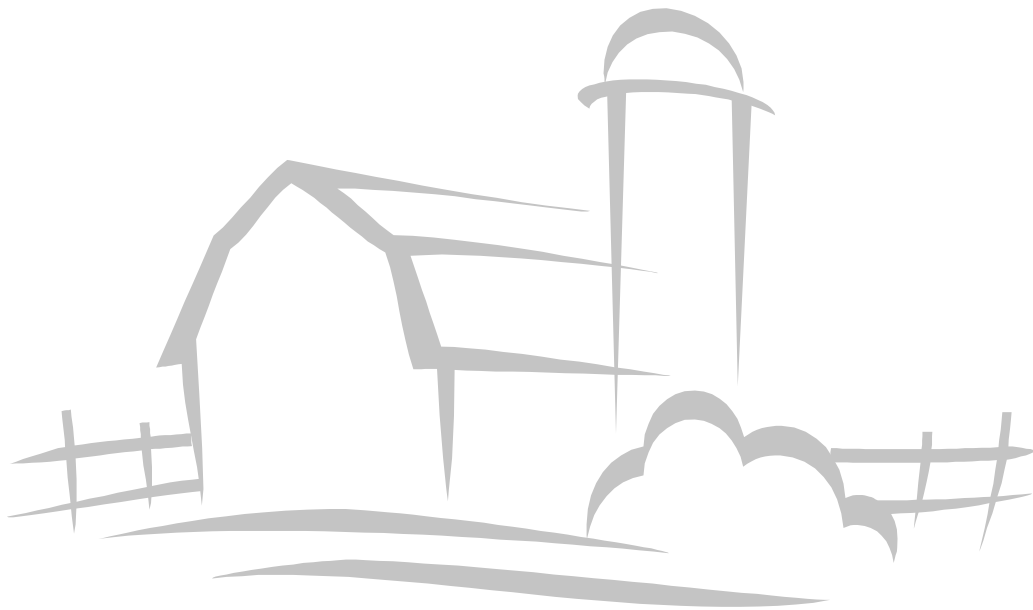
For MERS rates - 2016 - 7.95%, 2018 and 2019 - 7.50%

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.

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Vermont

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST TEN YEARS⁽¹⁾
(Dollar amounts expressed in thousands)
(Unaudited)

	Vermont State Retirement System			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
State's proportion of net pension liability	99.1039%	98.4031%	98.3248%	98.3137%
State's proportionate share of the net pension liability	\$ 1,113,862	\$ 816,577	\$ 1,092,572	\$ 827,153
Fiduciary net position as a percentage of the total pension liability	66.95%	74.51%	63.81%	69.41%
	State Teachers' Retirement System⁽²⁾			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
State's proportion of net pension liability	100%	100%	100%	100%
State's proportionate share of the net pension liability	\$ 1,928,559	\$ 1,695,490	\$ 1,951,128	\$ 1,560,625
Fiduciary net position as a percentage of the total pension liability	54.81%	58.83%	50.00%	54.96%

⁽¹⁾The amounts presented for each fiscal year were determined by an actuarial valuation on June 30 two years prior to to the fiscal year. The measurement period and measurement date is one year prior to the fiscal year.

⁽²⁾The State Teacher's Retirement System has a special funding situation where the State, as the non-employer contributing entity, is responsible for the net pension liability.

See Independent Auditors' Report.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
98.2187%	98.2850%	98.3625%	98.3289%	98.2355%	98.1400%
\$ 753,395	\$ 668,669	\$ 651,099	\$ 535,939	\$ 345,437	\$ 438,573
70.59%	71.99%	70.86%	74.88%	82.50%	76.69%

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
100%	100%	100%	100%	100%	100%
\$ 1,510,705	\$ 1,482,403	\$ 1,309,523	\$ 1,186,505	\$ 958,437	\$ 1,011,002
54.81%	53.98%	55.31%	58.22%	64.02%	60.59%

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
VERMONT STATE RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	7.65%	-7.42%	24.59%	3.90%
STATE TEACHERS' RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	7.64%	-7.41%	24.75%	4.10%
VERMONT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM				
Annual money-weighted rate of return, net of investment expense	7.69%	-7.88%	24.32%	3.90%

See Independent Auditors' Report.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
5.90%	6.73%	10.33%	1.44%	-0.50%	14.05%
6.10%	6.99%	10.17%	1.69%	-0.40%	13.83%
5.80%	6.75%	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 SEVEN FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2023	2022	2021	2020
Total OPEB liability				
Service cost.....	\$ 22,817	\$ 67,476	\$ 63,318	\$ 45,691
Interest.....	63,680	39,605	34,088	45,754
Changes of benefit terms.....	-	(11,431)	-	-
Differences between expected and actual experience.....	(19,724)	241	4,953	20,361
Changes of assumptions.....	96,989	(746,859)	43,573	127,633
Benefit payments, net of retiree contributions, including administrative expense...	(41,549)	(35,056)	(35,561)	(35,768)
Net change in total OPEB liability.....	122,213	(686,024)	110,371	203,671
Total OPEB liability, July 1.....	907,317	1,593,341	1,482,970	1,279,299
Total OPEB liability, June 30.....	1,029,530	907,317	1,593,341	1,482,970
Fiduciary net position				
Contributions - employer.....	64,699	35,170	90,463	38,600
Net investment income (loss).....	9,810	(15,580)	7,775	3,030
Benefit payments, including refunds of member contributions.....	(41,549)	(35,056)	(35,561)	(35,768)
Administrative expenses.....	(1)	(2)	(1)	(3)
Net change in fiduciary net position.....	32,959	(15,468)	62,676	5,859
Fiduciary net position, beginning of year.....	104,800	120,268	57,592	51,733
Fiduciary net position, end of year.....	137,759	104,800	120,268	57,592
Net OPEB liability, June 30.....	\$ 891,771	\$ 802,517	\$ 1,473,073	\$ 1,425,378
Fiduciary net position as a percentage of the total OPEB liability.....	13.38%	11.55%	7.55%	3.88%
Covered payroll.....	\$ 605,398	\$ 579,629	\$ 578,702	\$ 554,292
Net OPEB liability as a percentage of covered-payroll.....	147.30%	138.45%	254.55%	257.15%
Notes to Schedule				
Discount rate.....	7.00%	7.00%	2.41%	2.23%
Assumed inflation.....	2.30%	2.50%	2.00%	2.00%
Plan Type: single employer				
GASB No. 74 required supplementary information is not available for fiscal years prior to 2017. Data for future years will be added prospectively.				
See Notes to the Required Supplementary Information.				
See Independent Auditors' Report.				

2019	2018	2017
\$ 44,590	\$ 52,326	\$ 66,841
49,041	54,401	46,868
-	(20,233)	-
6,284	7,140	-
(25,551)	(303,322)	(190,151)
<u>(35,340)</u>	<u>(34,559)</u>	<u>(33,346)</u>
39,024	(244,247)	(109,788)
<u>1,240,275</u>	<u>1,484,522</u>	<u>1,594,310</u>
<u>1,279,299</u>	<u>1,240,275</u>	<u>1,484,522</u>
63,750	32,957	33,123
1,554	872	1,372
(35,340)	(34,559)	(33,346)
<u>(2)</u>	<u>(1)</u>	<u>-</u>
29,962	(731)	1,149
<u>21,771</u>	<u>22,502</u>	<u>21,353</u>
<u>51,733</u>	<u>21,771</u>	<u>22,502</u>
<u>\$ 1,227,566</u>	<u>\$ 1,218,504</u>	<u>\$ 1,462,020</u>
4.04%	1.76%	1.52%
\$ 548,512	\$ 531,543	\$ 497,201
223.80%	229.24%	294.05%
3.50%	3.87%	3.58%
2.75%	2.75%	2.75%

**STATE OF VERMONT
VERMONT STATE POSTEMPLOYMENT BENEFIT TRUST FUND
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

Fiscal Year 2023

Mortality improvement scales were updated to MP-2021.

Fiscal Year 2022

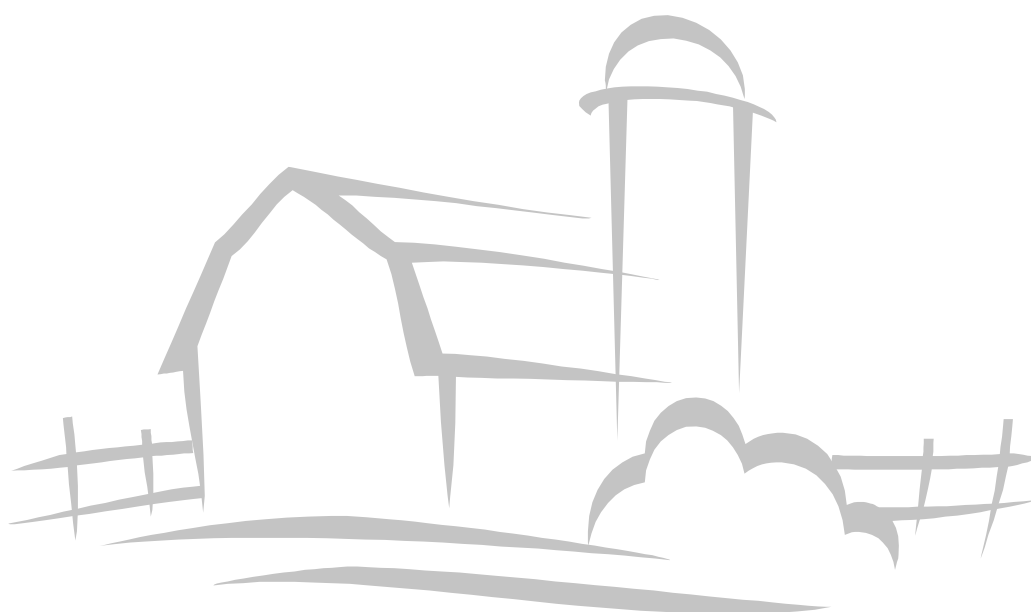
Benefit changes: Changes were made to the eligibility requirements.

Changes in assumptions: The valuation-year per capita health costs and retiree contribution rates were updated; The percentage of active employees eligible to retire and receive the maximum premium subsidy who are assumed to participate in the plan increased from 80% to 85%; The percentage of active employees eligible to retire and receive less than the maximum premium subsidy who are assumed to participate in the plan decreased from 80% to 50%; The percentage of eligible future retirees covering a spouse that are assumed to elect the Premium Reduction Option decreased from 35% to 25%; The percentage of future female retirees assumed to have an eligible spouse who also opts for health coverage decreased from 60% to 55%; Retirement rates were updated for Group C to reflect the best estimate of anticipated future experience.

Fiscal Year 2018

Benefit changes: medical copays were modified, and pharmacy deductible and maximum out of pocket expenses were increased

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Vermont

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 SEVEN FISCAL YEARS
(Dollar amounts expressed in thousands)
(Unaudited)

	2023	2022	2021	2020
Total OPEB liability				
Service cost.....	\$ 16,347	\$ 53,507	\$ 50,729	\$ 30,590
Interest.....	53,043	29,254	28,809	37,030
Changes of benefit terms.....	-	-	(75,248)	-
Differences between expected and actual experience.....	11,434	18,750	33,179	31,061
Changes of assumptions.....	47,069	(605,232)	15,408	155,924
Benefit payments, net of retiree contributions, including administrative expense...	(34,489)	(28,141)	(30,775)	(27,551)
Net change in total OPEB liability.....	93,404	(531,862)	22,102	227,054
Total OPEB liability, July 1.....	758,359	1,290,221	1,268,119	1,041,065
Total OPEB liability, June 30.....	851,763	758,359	1,290,221	1,268,119
Fiduciary net position				
Contributions - non-employer.....	57,168	54,203	36,639	35,176
Net investment income (loss).....	9,043	(186)	53	283
Benefit payments, including refunds of member contributions.....	(34,489)	(28,141)	(30,775)	(27,551)
Administrative expenses.....	(2)	(2)	(2)	(2)
Other.....	-	-	-	501
Net change in fiduciary net position.....	31,720	25,874	5,915	8,407
Fiduciary net position, beginning of year.....	40,508	14,634	8,719	312
Fiduciary net position, end of year.....	72,228	40,508	14,634	8,719
Net OPEB liability, June 30.....	\$ 779,535	\$ 717,851	\$ 1,275,587	\$ 1,259,400
Fiduciary net position as a percentage of the total OPEB liability.....	8.48%	5.34%	1.13%	0.69%
Covered payroll.....	\$ 701,567	\$ 657,935	\$ 645,903	\$ 624,908
Net OPEB liability as a percentage of covered payroll.....	111.11%	109.11%	197.49%	201.53%
Notes to Schedule				
Discount rate.....	7.00%	7.00%	2.20%	2.21%
Assumed inflation.....	2.30%	2.50%	2.00%	2.00%

Plan Type: cost sharing multiple employer with a special funding situation

GASB No. 74 required supplementary information is not available for fiscal years prior to 2017. Data for future years will be added prospectively.

See Notes to the Required Supplementary Information.

See Independent Auditors' Report.

2019	2018	2017
\$ 20,786	\$ 26,273	\$ 32,511
36,139	32,838	26,425
(21,209)	-	-
24,665	42,621	-
82,448	(50,192)	(33,192)
<u>(29,607)</u>	<u>(29,329)</u>	<u>(29,577)</u>
113,222	22,211	(3,833)
<u>927,843</u>	<u>905,632</u>	<u>909,465</u>
<u>1,041,065</u>	<u>927,843</u>	<u>905,632</u>
56,594	29,803	23,839
31	20	41
(29,607)	(29,329)	(29,348)
(263)	(279)	(229)
<u>-</u>	<u>-</u>	<u>-</u>
26,755	215	(5,697)
<u>(26,443)</u>	<u>(26,658)</u>	<u>(20,961)</u>
<u>312</u>	<u>(26,443)</u>	<u>(26,658)</u>
<u>\$ 1,040,753</u>	<u>\$ 954,286</u>	<u>\$ 932,290</u>
0.03%	-2.85%	-2.94%
\$ 612,899	\$ 607,355	\$ 586,397
169.81%	157.12%	158.99%
3.50%	3.87%	3.58%
2.75%	2.75%	2.75%

**STATE OF VERMONT
RETIRED TEACHERS' HEALTH AND MEDICAL BENEFITS TRUST FUND
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

Fiscal Year 2023

Mortality improvement scales were updated to MP-2021.

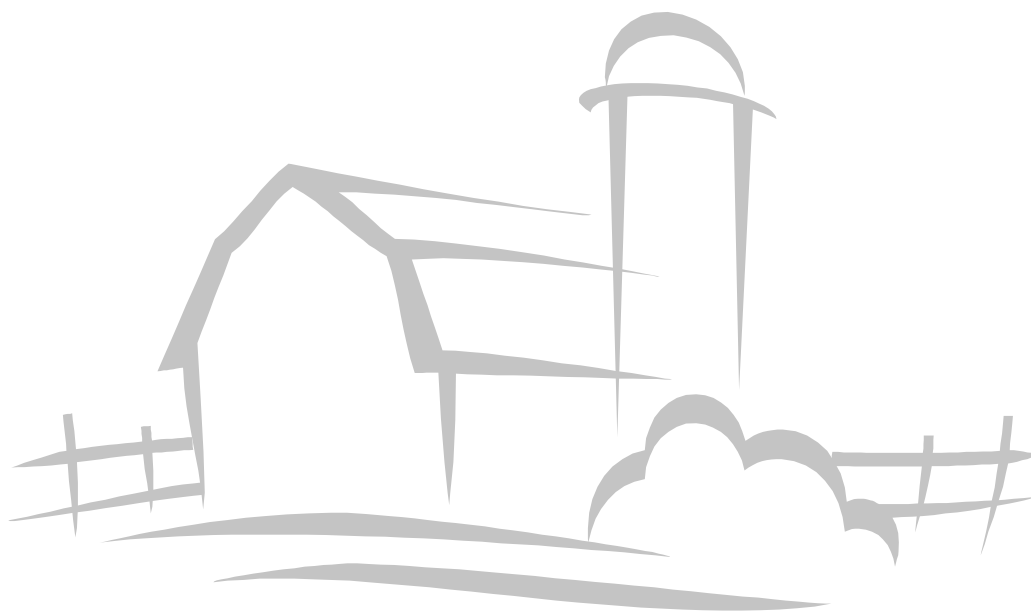
Fiscal Year 2022

Changes in assumptions: the per capita valuation-year claims and retiree contribution rates were updated; The assumed health trend rates were modified; The percentage of future retirees at retirement assumed to have an eligible spouse who also opts for health coverage was increased from 40% to 60% for males and 25% to 40% for females.

Fiscal Year 2019

Benefit changes: 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.

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Vermont

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Vermont State Postemployment Benefit Trust Fund				
Annual money-weighted rate of return, net of investment expense	8.70%	-13.09%	13.90%	6.20%
Retired Teachers' Health and Medical Benefits Fund *				
Annual money-weighted rate of return, net of investment expense	11.90%	-3.31%	0.30%	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.

<u>2019</u>	<u>2018</u>	<u>2017</u>
6.90%	4.00%	6.50%
N/A	N/A	N/A

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF EMPLOYER AND NONEMPLOYER CONTRIBUTIONS
LAST SEVEN 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)	2023	\$ 64,578	\$ 64,699	\$ (121)	\$ 605,398	10.69%
	2022	109,708	35,170	74,538	579,629	6.07%
	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)	2023	\$ 54,814	\$ 57,168	\$ (2,354)	\$ 701,567	8.15%
	2022	102,153	54,203	47,950	657,935	8.24%
	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)**

	<u>VSPB</u>	<u>RTHMB</u>
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	26 years	26 years
Asset valuation method	Fair Value	Fair Value
<u>Actuarial assumptions</u>		
Investment rate of return	7.00%	7.00%
Discount rate	2.41%	2.20%
Projected salary increases	Varies by age from age 20 - 5.55%, to age 60 - 3.40%.	Varies by age from age 20 - 10.50%, to age 60 - 3.30%
Inflation	2.00%	2.00%
<u>Health care cost trend rates</u>		
Non-Medicare	6.700% graded to 4.50% over 10 years	6.700% graded to 4.50% over 10 years
Medicare	6.000% graded to 4.50% over 12 years	6.000% graded to 4.50% over 11 years

Mortality Rates

VSPB

Pre-retirement:

- Group A/F - 60% of PubG-2010 General Employee Headcount-Weighted Above Median, and 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, and 30% of PubG-2010 General Employee with generational projection using scale MP-2019

Post-retirement Retiree

- Group A/F - 109% of PubG-2010 General Healthy Retiree Headcount-Weighted with generational projection using scale MP-2019
- Group C - 40% of PubS-2010 Public Safety Retiree Headcount-Weighted Above Median, and 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

- Group A/F - : Pub-2010 Contingent Survivor Headcount-Weighted with generational projection using MP-2019
- Group C - 40% of Pub-2010 Contingent Survivor Headcount-Weighted Above Median, and 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 Retiree:

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

RTHMB

Pre-retirement:

- All Groups - PubT-2010 Teacher Employee Headcount-Weighted Table with generational projection using scale MP-2019

Post-retirement Retiree

- All Groups - PubT-2010 Teacher Healthy Retiree Headcount-Weighted Table with generational projection using scale MP-2019

Post-retirement Beneficiaries

- All Groups - 109% of the Pub-2010 Contingent Survivor Headcount-Weighted Table with generational projection using scale MP-2019

Disabled Retiree:

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

See Independent Auditors' Report.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF STATE'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST SIX FISCAL YEARS⁽¹⁾
(Dollar amounts expressed in thousands)
(Unaudited)

Vermont State Postemployment Benefit Trust Fund

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
State's proportion of net OPEB liability	98.5041%	99.3278%	98.3218%	98.9933%
State's proportionate share of the net OPEB liability	\$ 790,512	\$ 1,463,170	\$ 1,401,457	\$ 1,215,208
Fiduciary net position as a percentage of the total OPEB liability	11.55%	7.55%	3.88%	4.04%

Retired Teachers' Health and Medical Benefits Fund⁽²⁾

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
State's proportion of net OPEB liability	100%	100%	100%	100%
State's proportionate share of the net OPEB liability	\$ 717,851	\$ 1,275,587	\$ 1,259,400	\$ 1,040,753
Fiduciary net position as a percentage of the total OPEB liability	5.34%	1.13%	0.69%	0.03%

⁽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.

<u>2019</u>	<u>2018</u>
98.2292%	98.2979%
\$ 1,196,927	\$ 1,437,135
1.76%	1.52%

<u>2019</u>	<u>2018</u>
100%	100%
\$ 954,286	\$ 932,290
-2.85%	-2.94%

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
Revenues				
Taxes.....	\$ 1,981,000,000	\$ 2,086,700,000	\$ 2,094,421,906	\$ 7,721,906
Earnings of Departments.....	45,200,000	43,000,000	45,598,179	2,598,179
Other.....	35,000,000	51,600,000	84,560,598	32,960,598
Total revenues.....	<u>2,061,200,000</u>	<u>2,181,300,000</u>	<u>2,224,580,683</u>	<u>43,280,683</u>
Expenditures				
General Government				
Agency of Administration.....	90,173,399	109,788,981	57,412,862	(52,376,119)
Agency of Digital Services.....	699,872	5,734,113	1,549,755	(4,184,358)
Executive Office.....	1,716,379	2,449,904	2,346,920	(102,984)
Legislature.....	16,472,885	20,011,093	16,605,045	(3,406,048)
Joint Fiscal Office.....	2,970,924	3,501,907	2,804,907	(697,000)
Sergeant at Arms.....	1,509,761	1,690,006	1,395,498	(294,508)
Lieutenant Governor's Office.....	249,252	287,252	284,758	(2,494)
Auditor of Accounts.....	357,074	399,408	352,063	(47,345)
State Treasurer.....	1,809,658	26,608,296	6,226,484	(20,381,812)
State Labor Relations Board.....	285,511	306,877	283,873	(23,004)
VOSHA Review Board.....	47,961	72,062	59,128	(12,934)
Homeowner Property Tax Assistance.....	16,500,000	16,500,000	15,846,156	(653,844)
Renter Rebate Tax Assistance.....	9,500,000	9,500,000	7,056,513	(2,443,487)
State Ethics Commission.....	37,000	37,000	37,000	-
Protection to Persons and Property				
Attorney General.....	9,549,785	9,964,872	9,515,032	(449,840)
Defender General.....	21,785,076	24,638,799	23,031,096	(1,607,703)
Judiciary.....	56,335,433	80,846,940	64,048,701	(16,798,239)
State's Attorneys and Sheriffs.....	23,940,871	28,154,880	24,886,595	(3,268,285)
Department of Public Safety.....	77,619,365	84,734,511	62,357,549	(22,376,962)
Military Department.....	6,044,332	9,587,215	6,522,267	(3,064,948)
Center for Crime Victim Services.....	2,895,348	3,597,252	2,924,635	(672,617)
Criminal Justice Training Council.....	3,280,282	3,888,904	3,055,202	(833,702)
Agency of Agriculture, Food and Markets.....	12,966,273	20,483,662	13,525,228	(6,958,434)
Secretary of State.....	1,060,000	1,519,295	897,895	(621,400)
Public Service Department.....	8,600,000	40,100,000	600,000	(39,500,000)
Human Rights Commission.....	700,290	785,263	783,943	(1,320)
Department of Liquor and Lottery.....	-	15,000	-	(15,000)
Human Services				
Agency of Human Services.....	1,120,376,272	1,355,688,932	1,152,450,562	(203,238,370)
Green Mountain Care Board.....	7,361,362	9,319,957	3,765,153	(5,554,804)
Governor's Commission on Women.....	430,793	447,366	421,215	(26,151)
Human Services Board.....	490,779	528,319	391,381	(136,938)
Office of the Child, Youth, & Family Advocate	120,000	120,000	55,049	(64,951)
Vermont Veterans' Home.....	4,068,733	5,940,375	5,940,375	-
Labor				
Department of Labor.....	13,449,258	19,979,168	4,414,394	(15,564,774)
General Education				
Agency of Education.....	17,029,316	19,427,433	16,700,159	(2,727,274)
State Teacher's Retirement.....	189,451,806	189,751,806	189,751,806	-
Higher Education.....	127,848,685	142,548,685	134,548,685	(8,000,000)

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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, 2023
(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.....	42,406,171	72,225,535	45,102,233	(27,123,302)
Natural Resources Board.....	673,554	780,743	760,677	(20,066)
Commerce and Community Development				
Agency of Commerce and Community Development.....	39,401,328	75,920,767	25,290,395	(50,630,372)
Cultural Development.....	2,250,831	2,320,393	2,320,393	-
Housing and Conservation Board.....	200,000	138,395,864	12,109,366	(126,286,498)
Transportation				
Agency of Transportation.....	<u>23,400,000</u>	<u>34,322,362</u>	<u>14,098,037</u>	<u>(20,224,325)</u>
Total expenditures.....	<u>1,956,065,619</u>	<u>2,572,921,197</u>	<u>1,932,528,985</u>	<u>(640,392,212)</u>
Excess of revenues over expenditures.....	<u>105,134,381</u>	<u>(391,621,197)</u>	<u>292,051,698</u>	<u>683,672,895</u>
Other Financing Sources (Uses)				
Transfers in.....	87,087,070	89,473,540	89,473,540	-
Transfers out.....	<u>(98,439,352)</u>	<u>(127,522,356)</u>	<u>(127,522,356)</u>	<u>-</u>
Total other financing sources (uses).....	<u>(11,352,282)</u>	<u>(38,048,816)</u>	<u>(38,048,816)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses.....	93,782,099	(429,670,013)	254,002,882	683,672,895
Fund balance, July 1.....	<u>1,012,239,630</u>	<u>1,012,239,630</u>	<u>1,012,239,630</u>	<u>-</u>
Fund balance, June 30.....	<u>\$ 1,106,021,729</u>	<u>\$ 582,569,617</u>	<u>\$ 1,266,242,512</u>	<u>\$ 683,672,895</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, 2023
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
Revenues				
Taxes.....	\$ 191,200,000	\$ 190,200,000	\$ 188,787,564	\$ (1,412,436)
Motor vehicle fees.....	87,800,000	87,800,000	88,742,914	942,914
Federal.....	438,299,601	446,964,926	410,728,071	(36,236,855)
Other.....	<u>44,730,000</u>	<u>42,900,000</u>	<u>44,848,959</u>	<u>1,948,959</u>
Total revenues.....	<u>762,029,601</u>	<u>767,864,926</u>	<u>733,107,508</u>	<u>(34,757,418)</u>
Expenditures				
General Government				
Agency of Administration.....	5,561,763	4,284,728	4,100,775	(183,953)
Protection to Persons and Property				
Department of Public Safety.....	20,250,000	21,779,926	21,533,163	(246,763)
Transportation				
Agency of Transportation.....	<u>761,747,505</u>	<u>779,261,507</u>	<u>717,744,993</u>	<u>(61,516,514)</u>
Total expenditures.....	<u>787,559,268</u>	<u>805,326,161</u>	<u>743,378,931</u>	<u>(61,947,230)</u>
Excess of revenues over (under) expenditures	<u>(25,529,667)</u>	<u>(37,461,235)</u>	<u>(10,271,423)</u>	<u>27,189,812</u>
Other financing sources (uses)				
Transfers in.....	-	721,241	721,241	-
Transfers out.....	<u>(4,041,739)</u>	<u>(4,041,739)</u>	<u>(4,041,739)</u>	<u>-</u>
Total other financing sources (uses).....	<u>(4,041,739)</u>	<u>(3,320,498)</u>	<u>(3,320,498)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses.....	<u>(29,571,406)</u>	<u>(40,781,733)</u>	<u>(13,591,921)</u>	<u>27,189,812</u>
Fund balance, July 1.....	<u>18,501,010</u>	<u>18,501,010</u>	<u>18,501,010</u>	<u>-</u>
Fund balance, June 30.....	<u>\$ (11,070,396)</u>	<u>\$ (22,280,723)</u>	<u>\$ 4,909,089</u>	<u>\$ 27,189,812</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, 2023
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
Revenues				
Taxes.....	\$ 1,873,001,528	\$ 1,901,601,528	\$ 1,897,684,086	\$ (3,917,442)
Interest and premiums.....	460,000	1,800,000	5,776,510	3,976,510
Total revenues.....	<u>1,873,461,528</u>	<u>1,903,401,528</u>	<u>1,903,460,596</u>	<u>59,068</u>
Expenditures				
General Education				
Agency of Education.....	1,896,693,134	1,952,331,029	1,895,367,800	(56,963,229)
State Teachers' Retirement.....	48,028,104	48,528,104	48,528,104	-
Total expenditures.....	<u>1,944,721,238</u>	<u>2,000,859,133</u>	<u>1,943,895,904</u>	<u>(56,963,229)</u>
Excess of revenues over (under) expenditures.....	<u>(71,259,710)</u>	<u>(97,457,605)</u>	<u>(40,435,308)</u>	<u>57,022,297</u>
Other financing sources (uses)				
Transfers in.....	42,443,661	42,443,661	42,443,661	-
Transfers out.....	-	(10,633)	(10,633)	-
Total other financing sources (uses).....	<u>42,443,661</u>	<u>42,433,028</u>	<u>42,433,028</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses.....	<u>(28,816,049)</u>	<u>(55,024,577)</u>	<u>1,997,720</u>	<u>57,022,297</u>
Fund balance, July 1.....	<u>234,036,807</u>	<u>234,036,807</u>	<u>234,036,807</u>	<u>-</u>
Fund balance, June 30.....	<u>\$ 205,220,758</u>	<u>\$ 179,012,230</u>	<u>\$ 236,034,527</u>	<u>\$ 57,022,297</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, 2023
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
Revenues				
Special Fund Revenues.....	\$ 456,954,963	\$ 787,945,281	\$ 597,639,621	\$ (190,305,660)
Total revenues.....	<u>456,954,963</u>	<u>787,945,281</u>	<u>597,639,621</u>	<u>(190,305,660)</u>
Expenditures				
General Government				
Agency of Administration.....	17,682,839	29,488,329	23,243,607	(6,244,722)
Agency of Digital Services.....	17,159,341	40,460,474	791,703	(39,668,771)
Executive Office.....	230,751	230,751	197,500	(33,251)
Sergeant at Arms.....	-	361,654	243,483	(118,171)
Auditor of Accounts.....	53,145	53,145	52,477	(668)
State Treasurer.....	3,020,379	3,295,379	3,088,641	(206,738)
Vermont Pension Investment Commission.....	2,136,685	2,136,685	1,758,064	(378,621)
State Labor Relations Board.....	9,576	9,576	6,788	(2,788)
VOSHA Review Board.....	47,961	50,218	50,218	-
Unorganized Towns and Gores.....	-	525,000	358,972	(166,028)
Ethics Commission.....	-	4,927	200	(4,727)
Protection to Persons and Property				
Attorney General.....	6,092,441	6,761,004	6,403,096	(357,908)
Defender General.....	589,653	870,354	490,661	(379,693)
Judiciary.....	5,355,833	12,878,341	4,946,653	(7,931,688)
State's Attorneys and Sheriffs.....	303,248	748,746	533,998	(214,748)
Department of Public Safety.....	23,131,148	24,307,170	19,998,370	(4,308,800)
Military Department.....	225,175	402,748	252,089	(150,659)
Center for Crime Victim Services.....	3,461,971	3,624,471	3,046,785	(577,686)
Criminal Justice Training Council.....	330,500	824,016	518,224	(305,792)
Agency of Agriculture, Food and Markets.....	17,542,663	25,531,282	16,689,205	(8,842,077)
Department of Financial Regulation.....	17,295,131	17,395,131	16,523,344	(871,787)
Secretary of State.....	13,242,272	14,775,703	13,380,002	(1,395,701)
Public Service Department.....	13,132,917	144,800,706	55,276,113	(89,524,593)
Public Utility Commission.....	4,099,690	4,545,190	4,530,026	(15,164)
Enhanced 911 Board.....	4,587,898	4,587,898	4,576,977	(10,921)
Human Rights Commission.....	-	99,468	34,708	(64,760)
Department of Liquor and Lottery.....	213,843	835,843	631,076	(204,767)
Cannabis Control Board.....	3,490,522	4,880,833	4,302,037	(578,796)
Human Services				
Agency of Human Services.....	173,583,182	268,571,023	206,615,774	(61,955,249)
Green Mountain Care Board.....	4,950,368	6,870,716	5,414,392	(1,456,324)
Governor's Commission on Women.....	3,848	3,848	1,660	(2,188)
Labor				
Department of Labor.....	11,022,259	11,022,259	3,969,947	(7,052,312)
General Education				
Agency of Education.....	20,566,203	20,711,404	19,305,300	(1,406,104)

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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, 2023
(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.....	85,611,773	124,120,701	67,232,613	(56,888,088)
Natural Resources Board.....	2,608,765	2,608,765	2,608,757	(8)
Commerce and Community Development				
Agency of Commerce and Community Development.....	15,642,972	43,476,079	20,779,420	(22,696,659)
Cultural Development.....	-	45,865	45,865	-
Transportation				
Agency of Transportation.....	7,964,675	15,067,920	4,183,010	(10,884,910)
Total expenditures.....	<u>475,389,627</u>	<u>836,983,622</u>	<u>512,081,755</u>	<u>(324,901,867)</u>
Excess of revenues over expenditures.....	<u>(18,434,664)</u>	<u>(49,038,341)</u>	<u>85,557,866</u>	<u>134,596,207</u>
Other Financing Sources (Uses)				
Transfers in.....	71,577,521	104,183,791	104,183,791	-
Transfers out.....	(53,142,857)	(55,145,450)	(55,145,450)	-
Total other financing sources (uses).....	<u>18,434,664</u>	<u>49,038,341</u>	<u>49,038,341</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses.....	<u>-</u>	<u>-</u>	<u>134,596,207</u>	<u>134,596,207</u>
Fund balance, July 1.....	<u>306,918,624</u>	<u>306,918,624</u>	<u>306,918,624</u>	<u>-</u>
Fund balance, June 30.....	<u>\$ 306,918,624</u>	<u>\$ 306,918,624</u>	<u>\$ 441,514,831</u>	<u>\$ 134,596,207</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, 2023
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
Revenues				
Federal.....	\$ 3,045,923,053	\$ 4,293,811,581	\$ 2,639,965,279	\$ (1,653,846,302)
Interest and premiums.....	-	372,290	372,290	-
Other.....	-	2,138,445	2,138,445	-
Total revenues.....	3,045,923,053	4,296,322,316	2,642,476,014	(1,653,846,302)
Expenditures				
General Government				
Agency of Administration.....	73,808,858	230,025,574	128,082,745	(101,942,829)
Agency of Digital Services	-	1,298,753	603,723	(695,030)
State Treasurer.....	-	277,154	277,154	-
Protection to Persons and Property				
Attorney General.....	1,490,970	1,669,292	1,541,653	(127,639)
Defender General.....	-	140,000	140,000	-
Judiciary.....	953,928	1,307,343	1,293,907	(13,436)
State's Attorneys and Sheriffs.....	224,319	2,031,450	247,022	(1,784,428)
Department of Public Safety.....	60,948,606	204,766,723	149,503,926	(55,262,797)
Military Department.....	56,892,993	69,061,652	36,978,083	(32,083,569)
Center for Crime Victim Services.....	5,005,689	6,532,882	6,198,691	(334,191)
Agency of Agriculture, Food and Markets.....	17,580,839	26,783,918	15,721,537	(11,062,381)
Department of Financial Regulation.....	15,180,000	5,331,770	283,707	(5,048,063)
Secretary of State.....	5,408,587	5,910,000	2,756,976	(3,153,024)
Public Service Department.....	158,567,256	218,521,402	15,695,940	(202,825,462)
Human Rights Commission.....	80,257	80,257	78,082	(2,175)
Department of Liquor and Lottery.....	184,484	319,484	254,212	(65,272)
Human Services				
Agency of Human Services.....	1,703,716,218	2,189,422,821	1,958,838,583	(230,584,238)
Human Services Board.....	364,929	402,127	274,569	(127,558)
Vermont Veterans' Home.....	-	373,680	373,680	-
Labor				
Department of Labor.....	40,639,531	57,886,539	33,680,366	(24,206,173)
General Education				
Higher Education.....	14,900,000	29,318,259	24,159,570	(5,158,689)
Agency of Education.....	512,572,265	556,159,490	273,965,600	(282,193,890)
Natural Resources				
Agency of Natural Resources.....	153,822,768	263,418,975	43,744,380	(219,674,595)
Natural Resources Board.....	1,050,000	1,539,518	211,834	(1,327,684)

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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, 2023
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
Expenditures				
Commerce and Community Development				
Agency of Commerce and Community Development.....	167,880,642	273,391,212	76,124,238	(197,266,974)
Housing and Conservation Board.....	30,600,000	101,799,274	19,993,406	(81,805,868)
Transportation				
Agency of Transportation.....	<u>2,000,000</u>	<u>19,961,748</u>	<u>4,617,414</u>	<u>(15,344,334)</u>
Total expenditures.....	<u>3,023,873,139</u>	<u>4,267,731,297</u>	<u>2,795,640,998</u>	<u>(1,472,090,299)</u>
Excess of revenues over expenditures.....	<u>22,049,914</u>	<u>28,591,019</u>	<u>(153,164,984)</u>	<u>(181,756,003)</u>
Other Financing Sources (Uses)				
Transfers out.....	<u>(22,049,914)</u>	<u>(26,080,284)</u>	<u>(26,080,284)</u>	<u>-</u>
Total other financing sources (uses).....	<u>(22,049,914)</u>	<u>(26,080,284)</u>	<u>(26,080,284)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses.....	<u>-</u>	<u>2,510,735</u>	<u>(179,245,268)</u>	<u>(181,756,003)</u>
Fund balance, July 1.....	<u>877,785,898</u>	<u>877,785,898</u>	<u>877,785,898</u>	<u>-</u>
Fund balance, June 30.....	<u>\$ 877,785,898</u>	<u>\$ 880,296,633</u>	<u>\$ 698,540,630</u>	<u>\$ (181,756,003)</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
GLOBAL COMMITMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Over (Under)</u>
Revenues				
Global Commitment Premiums.....	\$ 1,872,314,618	\$ 2,030,691,575	\$ 1,915,400,365	\$ (115,291,210)
Total revenues.....	<u>1,872,314,618</u>	<u>2,030,691,575</u>	<u>1,915,400,365</u>	<u>(115,291,210)</u>
Expenditures				
Human Services				
Agency of Human Services.....	1,843,790,715	2,002,167,672	1,886,934,928	(115,232,744)
General Education				
Higher Education.....	409,461	409,461	409,461	-
Agency of Education.....	260,000	260,000	200,588	(59,412)
Total expenditures.....	<u>1,844,460,176</u>	<u>2,002,837,133</u>	<u>1,887,544,977</u>	<u>(115,292,156)</u>
Excess of revenues over (under) expenditures.....	<u>27,854,442</u>	<u>27,854,442</u>	<u>27,855,388</u>	<u>946</u>
Other financing sources (uses)				
Transfers out.....	(27,854,442)	(27,854,442)	(27,854,442)	-
Total other financing sources (uses).....	<u>(27,854,442)</u>	<u>(27,854,442)</u>	<u>(27,854,442)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses.....	<u>-</u>	<u>-</u>	<u>946</u>	<u>946</u>
Fund balance, July 1.....	<u>16,041</u>	<u>16,041</u>	<u>16,041</u>	<u>-</u>
Fund balance, June 30.....	<u>\$ 16,041</u>	<u>\$ 16,041</u>	<u>\$ 16,987</u>	<u>\$ 946</u>

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, 2023:

	General Fund	Transportation Fund	Education Fund	Special Fund	Federal Revenue Fund	Global Commitment Fund
Fund Balance - Budgetary Basis.....	\$ 1,266,242,512	\$ 4,909,089	\$ 236,034,527	\$ 441,514,831	\$ 698,540,630	\$ 16,987
Basis differences						
Cash not in budget balances.....	(613,512,902)	10,914	3,752,348	1,715,361	(353,879)	(3,178)
Investments.....	490,845,504	-	-	-	-	-
Taxes receivable.....	257,773,666	413,217	67,359,346	2,131,967	-	-
Notes and loans receivable.....	5,120,353	-	-	2,048,709	-	-
Other receivables.....	12,683,328	7,815,451	570,970	70,436,283	577,479	37,546,999
Interest receivable.....	2,369,863	25,169	-	79,132	-	-
Lease receivable.....	-	2,859,216	-	430,691	-	-
Due from other funds.....	1,217,652	11,872	1,557,611	8,322,085	998,506	69,070,790
Due from federal government.....	-	101,916,367	-	-	179,170,994	92,875,816
Due from component units.....	9,584,565	-	-	-	-	-
Interfund receivable.....	113,653,819	-	-	-	-	-
Advances to other funds.....	(188,996)	-	-	-	-	-
Advances to component units.....	5,500,000	-	-	-	-	-
Accounts payable.....	(51,732,248)	(55,240,877)	(51,820,613)	(24,746,532)	(99,745,762)	(159,288,642)
Accrued liabilities.....	(17,314,968)	(4,745,331)	-	(5,713,369)	(8,065,533)	(1,250,711)
Retainage payable.....	(330,350)	(78,660)	(48,532)	(443,285)	(1,962,529)	-
Unearned revenue.....	-	(144,613)	-	(88,092,623)	(666,369,131)	-
Tax refunds payable.....	(32,575,661)	-	(346,025)	(62,045)	-	-
Intergovernmental payables - federal government..	-	-	-	-	(8,650,275)	-
Due to other funds.....	(74,127,647)	(3,184,667)	(4,914)	(2,120,995)	(10,547,656)	(1,317,122)
Due to component units.....	(126,193,806)	-	(14,268,480)	-	(59,051)	-
Unavailable revenue.....	(184,700,313)	(7,803,335)	(5,594,661)	(68,952,501)	(315,811)	(11,711,677)
Prepaid property taxes.....	-	-	(3,772,562)	-	-	-
Lease receivable deferred inflows.....	-	(3,071,173)	-	(446,648)	-	-
Entity differences						
Blended non-budgeted funds.....	-	4,023,313	-	5,138,842	474,591,763	-
Perspective differences						
Component unit included in budgeted funds.....	-	-	-	(4,435)	936,497	-
Fund Balance - GAAP Basis.....	<u>\$ 1,064,314,371</u>	<u>\$ 47,715,952</u>	<u>\$ 233,419,015</u>	<u>\$ 341,235,468</u>	<u>\$ 558,746,242</u>	<u>\$ 25,939,262</u>