

STATE OF VERMONT

**ANNUAL
COMPREHENSIVE
FINANCIAL REPORT**

For the fiscal year ended JUNE 30, 2023



Philip B. Scott
Governor

Prepared by the Department of Finance and Management

**STATE OF VERMONT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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State of Vermont

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Adam Greshin, Commissioner

LETTER OF TRANSMITTAL

To The Honorable Philip B. Scott, Governor,
The Honorable David Zuckerman, Lieutenant Governor,
Chairs of House Committees on Appropriations, Institutions and Ways and Means,
Senate Committees on Appropriations, Finance, and Institutions, and
the residents of the State of Vermont:

Pursuant to 32 VSA § 182 (a)(8), the Department of Finance and Management is pleased to present the Annual Comprehensive Financial Report (ACFR) of the State of Vermont for the fiscal year ended June 30, 2023. The Department prepared these financial statements and is responsible for the completeness and reliability of the information presented. To provide a reasonable basis for making these representations, the Department has established a comprehensive internal control framework designed to protect the state’s assets from loss, theft, or misuse and to compile sufficient, reliable information for the presentation of this report in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The cost of internal controls should not outweigh their benefits. Vermont’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free of material misstatement. I believe the accompanying financial statements are accurate and fairly stated in all material respects and presented in a manner designed to report the State of Vermont’s financial position, results of operations and changes in net position/fund balances.

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

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

This ACFR includes the funds and entities for which the state is accountable based on GASB’s criteria for

defining the financial reporting entity. The criteria include fiscal dependence, financial accountability, and legal standing. Please refer to Note I for more information regarding the reporting entity and the component units.

State Profile

Vermont, known as the Green Mountain State, was first settled by the French in 1666, then by the English in 1690, and joined the Union as the fourteenth state in 1791. Rural in character, the state measures 9,613 square miles of land and water area, ranking the state 43rd in terms of land and water area among the 50 states. Vermont's population, as measured by the 2020 decennial Census was 643,077, ranking the state 49th among the 50 states - unchanged from the 2010 and 2000 Censuses per the U.S. Bureau of the Census. The state capital is Montpelier, and the largest city is Burlington. As of calendar year 2022, 95.0 percent of Vermonters aged 25 or older were at least high school graduates (ranked number 1 in the country) while 44.2 percent had at least a college bachelor's degree or higher (ranked number 4 in the country), per the U.S. Bureau of the Census.

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

Budget Adoption and Legal Compliance/Budgetary Results

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

The General Fund

The General Fund accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in other funds, as well as the expenditures associated with these revenues. In fiscal year 2023, General Fund tax revenues accounted for 94.0 percent of total General Fund revenues. The three principal tax revenue contributors – the personal and corporate income tax, and the meals and rooms tax – accounted for 78.4 percent of General Fund total tax revenues, or approximately 73.7 percent of total General Fund revenues. General Fund expenditures used 64.1 percent of the total revenues, and these expenditures occurred in the following major governmental functional categories: General Government, Protection to Persons and Property, Human Services, Labor, General Education, Natural Resources, Commerce and Community Development, Transportation, capital outlay, and debt service. Most of the remainder of the resources provided by 2023 General Fund revenues was transferred to other funds and used for various purposes. Please see Note IV.D for a summary of these transfers.

Economic Condition

During fiscal year 2023, Vermont's economy continued to recover from the pandemic-induced economic and labor market downturn that began in early 2020. The pace of the state's economic and labor market recovery has been uneven and slow. Vermont's fiscal year 2023 job growth lagged the national and New England regional average. However, slow labor market growth was not due to the lack of available job opportunities, it was primarily due to the lack of available workforce participants that could be paired with those available jobs. Vermont added back roughly two-thirds of the total pandemic-induced labor force downturn experienced between the end of calendar year 2019 and November 2020. Vermont is making progress on its labor market recovery with plentiful jobs for any worker wishing to participate in the labor force.

The above labor market dynamics were substantially responsible for the historically low level of the state's seasonally adjusted unemployment rate, which as of June 2023 was 1.9 percent. The unemployment rate was the second lowest unemployment rate in the New England region and tied for the second lowest unemployment rate in the nation. Based on Vermont's July 2023 consensus economic forecast, Vermont's payroll job growth is expected to increase 1.9 percent in calendar year 2023. For calendar year 2024 and 2025, Vermont's payroll job growth rate is forecasted to increase 0.8 percent and 1.1 percent, respectively. Vermont's year-over-year job growth rates are comparable to the forecasted job growth rates for the U.S. economy as a whole. The state'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 forecasted U.S. rate of unemployment over the same period. Through the calendar year 2025 time period, Vermont is expected to continue to have one of the lowest unemployment rates in the nation.

For calendar year 2023, Vermont's personal income growth is expected to increase by 5.6 percent. Increases are also anticipated for calendar years 2024 and 2025 at rates of 5.2 percent and 4.5 percent respectively, as inflation remains at historically high levels for a large part of that timeframe. Housing prices in Vermont are expected to increase approximately 10.0 percent in calendar year 2023, and another 0.3 percent in calendar year 2024. Housing prices are then forecasted to decline by 1.4 percent in calendar year 2025 due to a combination of tight monetary policy, rising interest rates and slowing household income.

Long-term Financial Planning

As part of the state's long-term financial planning, the Legislature created a Capital Debt Affordability Advisory Committee which is required to present to the Governor and General Assembly, no later than September 30th of each year, a recommendation as to the maximum amount of net tax-supported debt the state may prudently issue for the ensuing fiscal year while maintaining the state's Aa1/AA+ debt rating. The recommendation is calculated and presented in accordance with certain debt affordability guidelines and other matters that may be relevant to the proposed debt to be authorized. At its September 2023 meeting the Committee made a recommendation of net tax-supported debt not to exceed \$108 million for the 2024-2025 fiscal year biennium, a reduction of \$15.18 million from the prior recommendation for the 2022-2023 fiscal year biennium. In the 2023 legislative session, the General Assembly authorized \$122.77 million in total capital project spending to be funded with \$108 million in new general obligation debt and \$14.77 million in transfers and reallocations.

Independent Audit of These Financial Statements

CliftonLarsonAllen LLP, an independent certified public accounting firm, performed an independent audit of the state's basic financial statements for the fiscal year ended June 30, 2023. The auditors have issued unmodified opinions, the most favorable outcome of the audit process. The audit described in the auditor's report is not intended to meet all requirements of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards rule (commonly called "Uniform Guidance") implemented in December 2014. Rather, the Uniform Guidance Audit Report for Vermont is issued under separate cover.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Vermont for its ACFR for the fiscal year ended June 30, 2022. This was the fifteenth year Vermont has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Sincerely,

Adam Greshin  Digitally signed
by Adam Greshin

Adam Greshin
Commissioner
Department of Finance and Management
January 26, 2024



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

State of Vermont

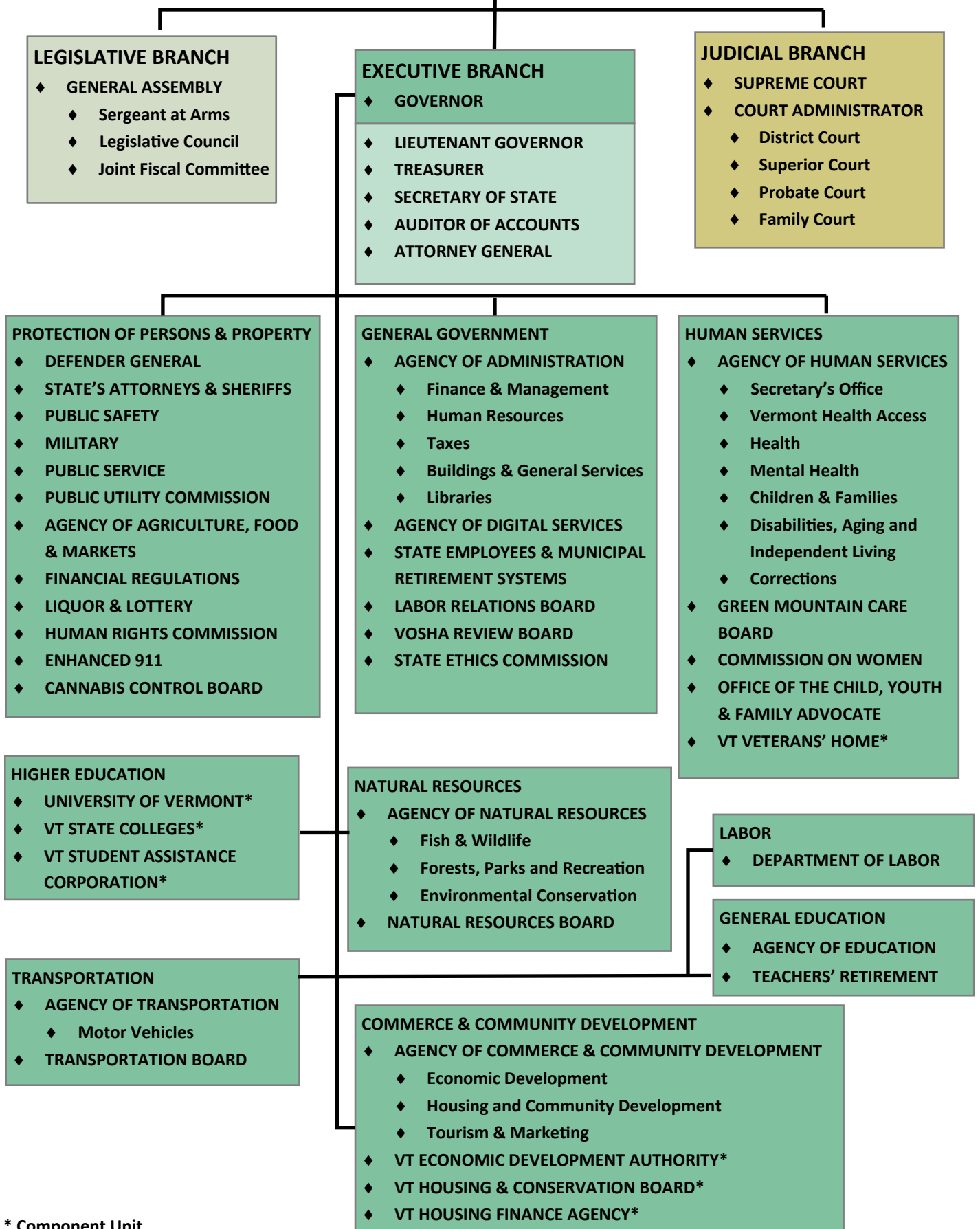
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

VERMONT RESIDENTS



* Component Unit

SELECTED STATE OFFICIALS
As of June 30, 2023

EXECUTIVE

Philip B. Scott
Governor

David Zuckerman
Lieutenant Governor

Sarah Copeland Hanzas
Secretary of State

Charity Clark
Attorney General

Douglas R. Hoffer
Auditor of Accounts

Mike Pieciak
State Treasurer

JUDICIAL

Paul L. Reiber
Chief Justice

LEGISLATIVE

Philip Baruth
President Pro Tempore of the State Senate
(30 Senators)

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