

**CITY OF BURLINGTON, VERMONT
WASTEWATER ENTERPRISE FUND
FINANCIAL STATEMENTS**



FOR FISCAL YEARS ENDED

JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Department of Public Works
City of Burlington, Vermont

Opinion

We have audited the financial statements of the City of Burlington, Vermont Wastewater Enterprise Fund (the Fund) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprises the Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund, as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund 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 opinion.

Responsibilities of Management for the Financial Statements

The Fund's 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.

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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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 Fund'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.

Auditor's 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 auditor's report that includes our opinion. 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.
- 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 Fund'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 Fund'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 Management's Discussion and Analysis and certain pension and OPEB schedules 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Melanson

Merrimack, New Hampshire
January 26, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Burlington, Vermont Wastewater Enterprise Fund's (the Fund) annual financial report, management provides a narrative discussion and analysis of the financial activities for the year ended June 30, 2022. The Fund's performance is discussed and analyzed within the context of the accompanying financial statements and note disclosures following this section.

Overview of the Financial Statements:

The Wastewater Fund is an enterprise fund of the City of Burlington, Vermont. An enterprise fund is established to account for the operations that are financed and operated in a manner similar to business-type activities, where fees are charged to external parties to cover the costs of providing goods and services. An enterprise fund uses the accrual basis of accounting and accordingly, revenues are recognized when earned and expenses are recognized as incurred.

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements include (1) the statements of net position, (2) the statements of revenues, expenses and changes in net position, (3) the statements of cash flows, and (4) notes to financial statements.

Financial Highlights:

The Statement of Net Position is designed to indicate our financial position as of a specific point in time. At June 30, 2022, it shows our net position of \$14.983M, an increase of \$564,014 in comparison to the prior year. The unrestricted net position increased from the prior year by \$92,813 as further explained in the following paragraph.

The Statement of Revenues, Expenses, and Changes in Net Position summarizes our operating results and reveals how much, if any, of a profit was earned for the year. Operating income remained steady compared to previous years, at around \$2M. Operating revenues increased due primarily to the addition of a fixed meter fee component for all customers. For some customers this was partially offset by a drop in the volumetric rate, but did result in a projected overall modeled revenue increase of about 5.6%. Typical residential customers (5/8" meter, using 4 Ccf/month) saw an overall 16% increase in the wastewater portion of their water resources (water, wastewater, stormwater) bill, but this was completely offset by a decrease to the water bill for the typical residential customer under the tiered rate program. While usage decreased slightly from 2021, residential usage increased slightly, resulting in better revenue performance than projected. Sludge revenue decreased from 2021, which was a higher than usual sludge processing year due to processing sludge for another Vermont town. Sludge revenue for fiscal year 2022 was still higher than previous years, due to processing sludge for a different Vermont town. Septage revenue went down substantially due to an operational decision to not accept as much septage. BOD revenue increased slightly, a trend that has now continued for the past 3 years. Operating expenses increased as projected, but the increase was less than the increase in revenue. Operating expenses increased due primarily to increased staffing and cost allocations (engineering group and billing group), an electricity rate increase, increase in fuel and repair and maintenance costs for vehicles,

the initiation of a successful sewer lateral filming rebate program and a newly established \$75,000 contribution to a Wastewater Capital Reserve Fund.

The Statement of Cash Flows provides information about cash receipts and cash payments during the accounting period. It also provides information about investing and financing activities for the same period. A review of our Statement of Cash Flows indicates that cash receipts from operating activities adequately covered our operating expenses (excluding depreciation), debt service as well as providing some for capital investment.

The following table highlights the Fund's Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position as of and for the years ended June 30 (in thousands):

Statements of Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets:			
Capital assets	\$ 25,367	\$ 24,433	\$ 21,498
Other assets	<u>8,204</u>	<u>8,026</u>	<u>6,694</u>
Total assets	33,571	32,459	28,192
Deferred outflows of resources	<u>213</u>	<u>361</u>	<u>346</u>
Total assets and deferred outflows of resources	<u>\$ 33,784</u>	<u>\$ 32,820</u>	<u>\$ 28,538</u>
Liabilities:			
Long-term liabilities	\$ 13,824	\$ 12,165	\$ 12,853
Other liabilities	<u>4,594</u>	<u>6,097</u>	<u>1,581</u>
Total liabilities	18,418	18,262	14,434
Deferred inflows of resources	383	139	181
Net position:			
Net investment in capital assets	9,868	9,396	9,785
Restricted	1,433	1,433	1,508
Unrestricted	<u>3,682</u>	<u>3,590</u>	<u>2,630</u>
Total net position	<u>14,983</u>	<u>14,419</u>	<u>13,923</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 33,784</u>	<u>\$ 32,820</u>	<u>\$ 28,538</u>

Statements of Revenues, Expenses and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenues	\$ 8,458	\$ 7,998	\$ 7,967
Operating expenses	<u>(6,438)</u>	<u>(5,998)</u>	<u>(5,875)</u>
Operating income	2,020	2,000	2,092
Nonoperating revenues (expenses)			
Other revenues	57	84	88
Other expenses	<u>(456)</u>	<u>(405)</u>	<u>(941)</u>
Total nonoperating (expenses), net	<u>(399)</u>	<u>(321)</u>	<u>(853)</u>
Net income before capital contributions and payments to City of Burlington	1,621	1,679	1,239
Capital contributions	106	-	-
Payments in lieu of taxes	(1,201)	(1,178)	(1,136)
Other payments from/(to) the City	<u>38</u>	<u>(5)</u>	<u>-</u>
Change in net position	564	496	103
Beginning net position	<u>14,419</u>	<u>13,923</u>	<u>13,820</u>
Ending net position	<u>\$ 14,983</u>	<u>\$ 14,419</u>	<u>\$ 13,923</u>

Capital Assets:

Capital Assets – Net capital assets increased by \$933,574 in the current year, after depreciation of \$1,208,164. Significant capital asset events in the current year related to construction in progress totaling \$2.14M included the upgrade of the Flynn and Fletcher Pump Stations and the continuation of the City’s largest collection system (sewer pipe) renewal project which will continue through the second quarter of FY24.

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-term Debt:

Long-term Debt - At the end of the current fiscal year, total bonds and loans outstanding were \$12,741,677, an increase of \$1,853,954 from the prior year, all of which was backed by the full faith and credit of the City of Burlington, Vermont. The increase results from the addition of two State Revolving Fund loans for the SCADA system upgrade at Main Plant and the Disinfection Systems at all three Wastewater Plants which were completed in 2021 and have entered repayment as of FY22.

Additional information on long-term debt can be found in the Notes to Financial Statements.

Economic Factors and Net Year's Budgets and Rates:

Usage is trending towards pre-pandemic levels though analysis shows that commercial/mixed use usage is still slightly depressed and residential usage remains higher than previously, presumably due to continuation of work from home patterns. Our partnership with the State of Vermont's available grant programs (VCAAP, VERAP, VHAP) and administration of the Federal LIHWAP program to assist eligible account holders with paying their past due and/or current utility bills has continued. For FY22, the total assistance to customers through these programs was \$162,188. In FY22, we implemented a new rate structure that focuses on ratepayer equity and affordability. The changes include fixed meter fees, a lower wastewater volumetric rate and an assistance program providing fixed meter fee waivers and rebate opportunities for eligible account holders. As of FY22, 43 customers had been approved for the fixed fee waiver and 96 customers had received rebates for the filming of their sewer laterals or installing a WaterSense certified plumbing fixture.

Construction was substantially completed for two sewer pump station upgrades, the Flynn and Fletcher Pump Stations, in FY22. Replacement of the force main for the Flynn Pump Station remains, with completion scheduled for the fourth quarter of FY23. A significant collection system project (\$2.611M) began in FY22 to begin addressing the system's highest risk sewer pipes.

As the result of the planning performed under State Revolving Fund Loan 1-247, it has become clear that additional substantial investments are needed for the three Wastewater Plants beyond those previously envisioned, and that a comprehensive upgrade is necessary to fully renew these plants which have reached the end of their useful life. Work is advancing for the design of "Stage 0" improvements that will leverage the Fund's remaining bonding authority to construct improvements starting in calendar year 2024 (up to \$13-15M). Meanwhile, additional planning is kicking off to finalize the preliminary engineering for "Stage 1" and "Stage 2" and generate cost estimates for an additional bond vote in March 2024. In addition to addressing aging infrastructure, the City must also make significant capital investments to reduce inputs of phosphorus from the Fund to Lake Champlain and also further reduce combined sewer overflows (CSO). Design work and cost estimate refinement is underway for the implementation of tertiary treatment for phosphorus removal at Main Plant and of a storage tank that will store combined sewer overflow for the Pine Street CSO. While the magnitude of the 2024 bond proposal has not been finalized, it will most certainly be larger than previous borrowing and will require substantial rate increases to be phased in over the subsequent years. The Water Resources Division is dedicated to minimizing the impact to ratepayers through detailed financial planning and potential enhancements to the Division's ratepayer affordability programs.

Rates for FY23 increased by 6.60% and 5.01% respectively for the fixed meter charge and volumetric rates. This was due to the need to meet revenue requirements related to increases in operating expenses such as cost of living adjustments for employees per the union contract, the addition of staff resources (part of a plan to address understaffing within the Division in advance of the anticipated capital investment) and inflationary cost increases to treatment chemicals. The rate increase also served to generate additional contingency funds for emergency repairs which are becoming more frequent and will likely continue until systems are replaced. Lastly, additional revenue was needed to fund new debt service that was entering repayment for projects completed in previous years.

REQUESTS FOR INFORMATION:

This financial report is designed to provide a general overview of the Fund's finances for all those with an interest in the Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Office of Clerk/Treasurer
City of Burlington, City Hall
149 Church Street
Burlington, VT 05401

CITY OF BURLINGTON, VERMONT
WASTEWATER ENTERPRISE FUND
STATEMENTS OF NET POSITION
AS OF JUNE 30

	2022	2021
Assets and Deferred Outflows of Resources		
Assets:		
Current:		
Cash and short-term investments	\$ 2,886,679	\$ 2,870,611
Escrow	194,167	-
Receivables, net of allowance for uncollectibles:		
User fees	1,704,228	1,617,844
Intergovernmental	1,831,280	1,979,498
Inventory	155,398	124,317
Prepaid expenses	122	350
Total current assets	6,771,874	6,592,620
Noncurrent:		
Restricted cash	1,433,365	1,433,365
Capital assets:		
Land and construction in progress	6,992,411	4,850,674
Capital assets, net of accumulated depreciation	18,374,092	19,582,255
Total noncurrent assets	26,799,868	25,866,294
Total Assets	33,571,742	32,458,914
Deferred Outflows of Resources:		
Pension related:		
Changes in proportional share of contributions	20,791	70,649
Change in assumptions	37,214	25,008
Difference between expected and actual experience	19,324	29,590
Difference between projected and actual investment earnings	-	102,202
Deferred current year pension contributions	101,392	93,045
OPEB related:		
Change in proportional share of contributions	16,822	18,598
Change in assumptions	16,285	20,545
Difference between expected and actual experience	778	1,162
Total Deferred Outflows of Resources	212,606	360,799
Total Assets and Deferred Outflows of Resources	\$ 33,784,348	\$ 32,819,713

(continued)

CITY OF BURLINGTON, VERMONT
WASTEWATER ENTERPRISE FUND
STATEMENTS OF NET POSITION
AS OF JUNE 30

(continued)

	2022	2021
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities:		
Current:		
Accounts payable	\$ 659,077	\$ 821,847
Accrued payroll	15,320	38,045
State revolving loans payable	3,919,049	5,236,263
Current portion of long-term liabilities:		
Bond and loans	1,054,457	928,702
Equipment note payable	47,141	19,277
Compensated absences	143,654	123,529
Total current liabilities	5,838,698	7,167,663
Noncurrent:		
Bond and loans, net of current portion	11,687,220	9,959,021
Equipment note payable, net of current portion	174,734	55,090
Net pension liability	622,663	961,786
Total OPEB liability	94,264	117,660
Total noncurrent liabilities	12,578,881	11,093,557
Total Liabilities	18,417,579	18,261,220
Deferred Inflows of Resources:		
Pension related:		
Change in proportional share of contributions	42,566	71,770
Change in assumptions	-	18,314
Difference between expected and actual experience	-	3,546
Difference between projected and actual investment earnings	299,126	32,141
OPEB related:		
Change in assumptions	13,944	1,157
Difference between expected and actual experience	27,836	12,282
Total Deferred Inflows of Resources	383,472	139,210
Net Position:		
Net investment in capital assets	9,867,576	9,396,375
Restricted for contingencies	1,433,365	1,433,365
Unrestricted	3,682,356	3,589,543
Total Net Position	14,983,297	14,419,283
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 33,784,348	\$ 32,819,713

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

CITY OF BURLINGTON, VERMONT
WASTEWATER ENTERPRISE FUND
STATEMENTS OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Charges for services	\$ 8,458,113	\$ 7,997,538
Operating Expenses		
Personnel	1,619,228	1,576,936
Non-personnel	3,610,658	3,208,640
Depreciation	<u>1,208,164</u>	<u>1,212,003</u>
Total Operating Expenses	<u>6,438,050</u>	<u>5,997,579</u>
Operating Income	2,020,063	1,999,959
Nonoperating Revenues/(Expenses)		
Intergovernmental	15,060	44,400
Interest income	1,433	433
Interest expense	(455,600)	(405,517)
Other income /(expenses)	<u>40,082</u>	<u>39,022</u>
Total Nonoperating Revenues/(Expenses), net	<u>(399,025)</u>	<u>(321,662)</u>
Net income before contributions and other items	1,621,038	1,678,297
Capital contributions	106,546	-
Payments in lieu of taxes to the City of Burlington	(1,201,208)	(1,177,655)
Other payments to the City of Burlington	<u>37,638</u>	<u>(4,649)</u>
Change in Net Position	564,014	495,993
Net Position, Beginning of Year	<u>14,419,283</u>	<u>13,923,290</u>
Net Position, End of Year	<u><u>\$ 14,983,297</u></u>	<u><u>\$ 14,419,283</u></u>

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

CITY OF BURLINGTON, VERMONT
WASTEWATER ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30

	2022	2021
Cash Flows from Operating Activities		
Receipts from users and customers	\$ 8,371,729	\$ 8,065,582
Payments for wages and benefits	(1,591,892)	(1,566,011)
Payments to suppliers	(3,804,280)	(2,795,619)
Other revenues	40,083	40,497
Net cash provided by operating activities	3,015,640	3,744,449
Cash Flows from Noncapital Financing Activities		
Intergovernmental revenues	15,060	44,400
Payment in lieu of taxes	(1,201,208)	(1,177,655)
Reimbursement to City of Burlington	37,638	(4,649)
Net cash used by noncapital financing activities	(1,148,510)	(1,137,904)
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(2,141,737)	(4,148,514)
Proceeds of short term state revolving loans	1,843,530	2,606,014
Principal payments on state revolving loans	(1,052,029)	(732,281)
Principal paid on equipment financing notes	(46,659)	(18,567)
Interest paid on outstanding debt	(455,600)	(405,517)
Net cash used by capital and related financing activities	(1,852,495)	(2,698,865)
Cash Flows from Investing Activities		
Interest income	1,433	433
Net cash provided by investing activities	1,433	433
Net change in cash	16,068	(91,887)
Cash and short-term investments, beginning of year	4,303,976	4,395,863
Cash and short-term investments, end of year	\$ 4,320,044	\$ 4,303,976
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 2,020,063	\$ 1,999,959
Adjustments to reconcile operating income to net cash provided from operating activities:		
Depreciation	1,208,164	1,212,003
Other (revenues) / expenses	40,083	40,497
Changes in assets, liabilities, and deferred outflows/inflows:		
Accounts receivable	(86,383)	68,044
Inventory	(31,081)	(23,379)
Prepaid expenses	228	1,150
Deferred outflows related to pensions	141,773	(22,999)
Deferred outflows related to OPEB	6,420	8,034
Accounts payable	(162,770)	435,250
Accrued payroll	(22,725)	4,972
Accrued compensated absences	20,125	13,716
Net pension liability	(339,123)	43,237
Total OPEB liability	(23,396)	6,004
Deferred inflows related to pensions	215,921	(44,533)
Deferred inflows related to OPEB	28,341	2,494
Net cash provided by operating activities	\$ 3,015,640	\$ 3,744,449
Schedule of Noncash Activities		
Debt forgiveness	\$ 106,546	\$ -

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

CITY OF BURLINGTON, VERMONT
WASTEWATER ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The City of Burlington, Vermont, Wastewater Enterprise Fund (the Fund) is a municipally owned utility organized in 1865 to provide maintenance and treatment of wastewater to the residents of Burlington, Vermont.

The Fund is an enterprise fund within the City of Burlington, Vermont (the City). As such, these financial statements are not intended to present the financial position and results of operations of the City of Burlington, Vermont as a whole.

The accounting policies of the Fund conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

B. Basis of Presentation

Enterprise funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Based on the above definition, the Fund is accounted for utilizing enterprise fund accounting.

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary fund financial statements are reported using the economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds (whether current or noncurrent) are included on the balance sheet (or statement of net position). Fund equity (i.e., total net position) is segregated into net investment in capital assets, restricted net position, and unrestricted net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The financial statements are prepared utilizing the accrual basis of accounting. Accordingly, revenues and expenses are recognized at the time goods and services are provided or received. In general, wastewater revenue is determined by water consumption multiplied by the wastewater rate. Under this method, wastewater revenues that have not been billed are recorded as estimated unbilled revenues.

Operating revenues are defined as income received from consumption by customers, as well as service revenue for new customers and repairs for old customers.

Nonoperating revenues are defined as income received from sources other than sales. Nonoperating revenues include interest income and gain on sale of assets.

Operating expenses are defined as the ordinary costs and expenses for the operation, maintenance and repair of the wastewater facilities. Operating expenses include the cost of wastewater treatment, maintenance of collection and pumping systems, administrative and general expenses, and depreciation. Operating expenses do not include the interest on bonds, notes, and revolving loans, or indebtedness and related costs.

E. Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

F. Cash and Short-term Investments

Cash includes amounts in demand deposits and cash on hand, as well as short-term investments with a maturity date within three (3) months of the date of acquisition.

G. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

H. Inventory

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventory of the Fund consists of construction materials, meters, fuel, and chemicals.

I. Capital Assets

Capital assets, which include land, land improvements, building, and building improvements, vehicles, machinery, equipment and furniture, and distribution and collection systems, are recorded at cost. Contributed assets are recorded at acquisition value at the time received. The cost of normal maintenance and repairs that do not add to the value or materially extend the asset's lives are not capitalized. The Fund's capitalization policy considers two factors. Property will be capitalized when:

1. The combined cost to put a unit in service comes to more than \$10,000
2. The unit estimated life is greater than five (5) years

The Fund follows the policy of charging to expenses annual amounts of depreciation which allocates the cost of plant and equipment over their estimated useful lives. The Fund employs the straight-line method for determining the annual charge for depreciation.

The depreciable lives of capital assets are as follows:

	<u>Depreciable Lives</u>
Land improvements	30 Years
Buildings and improvements	25 - 150 Years
Infrastructure	10 - 40 Years
Machinery, equipment, vehicles and furniture	5 - 15 Years

J. Long-Term Obligations

In the Fund's statements, revenue bonds, state revolving loans, net pension liability, compensated absences payable, and total OPEB liability are reported as long-term liabilities.

2. CASH AND SHORT-TERM INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Cash received by the Fund is placed in the custody of the City Clerk/Treasurer’s Office. Disclosures related to collateralization are included in the City’s Annual Comprehensive Financial Report.

3. USER FEES RECEIVABLE

Receivables at June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
Billed user fees	\$ 1,067,891	\$ 982,069
Unbilled at year end	639,337	638,775
Less: allowance for doubtful accounts	<u>(3,000)</u>	<u>(3,000)</u>
Net user fees receivable	<u>\$ 1,704,228</u>	<u>\$ 1,617,844</u>

4. INTERGOVERNMENTAL RECEIVABLE

The June 30, 2022 and June 30, 2021 balances represent reimbursements requested from Federal and State agencies for expenses incurred in fiscal year 2022 and fiscal year 2021, respectively.

5. INVENTORY

Inventory at June 30 consisted of the following:

	<u>2022</u>	<u>2021</u>
Fuel stock	\$ 21,500	\$ 14,870
Chemicals	92,228	62,561
Miscellaneous	<u>41,670</u>	<u>46,886</u>
Total	<u>\$ 155,398</u>	<u>\$ 124,317</u>

6. PROPERTY, PLANT, AND EQUIPMENT

Capital asset activity for the years ended June 30 was as follows:

	2022			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 847,952	\$ -	\$ -	\$ 847,952
Construction in progress	4,002,722	2,141,737	-	6,144,459
Total capital assets, not being depreciated	4,850,674	2,141,737	-	6,992,411
Capital assets, being depreciated:				
Land improvements	29,919,035	-	-	29,919,035
Buildings and building improvements	160,027	-	-	160,027
Vehicles, machinery, equipment and furniture	12,408,001	-	-	12,408,001
Distribution and collection systems	18,410,510	-	-	18,410,510
Total capital assets, being depreciated	60,897,573	-	-	60,897,573
Less accumulated depreciation for:				
Land improvements	(19,956,407)	(732,301)	-	(20,688,708)
Buildings and building improvements	(32,336)	(6,401)	-	(38,737)
Vehicles, machinery, equipment and furniture	(11,626,526)	(107,258)	-	(11,733,784)
Distribution and collection systems	(9,700,049)	(362,203)	-	(10,062,252)
Totals	(41,315,318)	(1,208,163)	-	(42,523,481)
Total capital assets, being depreciated	19,582,255	(1,208,163)	-	18,374,092
Capital assets, net	\$ 24,432,929	\$ 933,574	\$ -	\$ 25,366,503
	2021			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 847,952	\$ -	\$ -	\$ 847,952
Construction in progress	25,793	3,976,929	-	4,002,722
Total capital assets, not being depreciated	873,745	3,976,929	-	4,850,674
Capital assets, being depreciated:				
Land improvements	29,919,035	-	-	29,919,035
Buildings and building improvements	160,027	-	-	160,027
Vehicles, machinery, equipment and furniture	12,396,799	37,530	(26,328)	12,408,001
Distribution and collection systems	18,276,455	134,055	-	18,410,510
Total capital assets, being depreciated	60,752,316	171,585	(26,328)	60,897,573
Less accumulated depreciation for:				
Land improvements	(19,224,105)	(732,302)	-	(19,956,407)
Buildings and building improvements	(25,935)	(6,401)	-	(32,336)
Vehicles, machinery, equipment and furniture	(11,539,021)	(112,358)	24,853	(11,626,526)
Distribution and collection systems	(9,339,107)	(360,942)	-	(9,700,049)
Totals	(40,128,168)	(1,212,003)	24,853	(41,315,318)
Total capital assets, being depreciated	20,624,148	(1,040,418)	(1,475)	19,582,255
Capital assets, net	\$ 21,497,893	\$ 2,936,511	\$ (1,475)	\$ 24,432,929

7. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources represent the consumption of net position by the Fund that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statement No. 68 and 75 are more fully discussed in the corresponding pension and OPEB notes.

8. NOTES PAYABLE

The Fund had State Revolving Loans from the State of Vermont EPA Clean Water State Revolving Fund outstanding at year-end. The notes will be permanently financed upon completion.

Notes payable activity for the years ended June 30 consisted of the following:

<u>Description</u>	<u>Series Maturities Through</u>	<u>Interest Rate</u>	<u>Amount Issued</u>	<u>Balance at 7/1/21</u>	<u>Additions</u>	<u>Finalized</u>	<u>Adjustments</u>	<u>Balance at 6/30/22</u>
SRL RF1-187	8/1/2035	0.00%	\$ 997,204	\$ 457,289	\$ 472,682	\$ -	\$ -	\$ 929,971
SRL RF1-196	8/1/2038	0.00%	1,138,020	799,885	-	-	(136,107)	663,778
SRL RF1-247	8/1/2028	0.00%	463,000	321,923	-	-	(40,223)	281,700
SRL RF1-254	1/1/2034	0.00%	224,120	145,439	-	-	(19,160)	126,279
SRL RF1-246	7/1/2040	0.00%	2,689,000	2,496,050	71,317	(2,527,910)	(39,457)	-
SRL RF1-248	3/1/2041	0.00%	1,663,802	470,118	1,006,530	-	-	1,476,648
SRL RF1-249	8/1/2040	0.00%	425,000	349,592	40,471	(390,063)	-	-
SRL RF1-268	5/1/2035	0.00%	266,403	142,204	94,284	-	-	236,488
SRL RF1-279	5/1/2035	0.00%	350,000	53,763	120,025	-	-	173,788
SRL RF1-315	6/1/2036	0.00%	296,832	-	30,397	-	-	30,397
				<u>\$ 5,236,263</u>	<u>\$ 1,835,706</u>	<u>\$ (2,917,973)</u>	<u>\$ (234,947)</u>	<u>\$ 3,919,049</u>

<u>Description</u>				<u>Balance at 7/1/20</u>	<u>Additions</u>	<u>Finalized</u>	<u>Adjustments</u>	<u>Balance at 6/30/21</u>
SRL RF1-187	8/1/2035	0.00%	\$ 997,204	\$ 457,289	\$ -	\$ -	\$ -	\$ 457,289
SRL RF1-196	8/1/2038	0.00%	1,138,020	400,741	399,144	-	-	799,885
SRL RF1-247	8/1/2028	0.00%	463,000	108,658	213,265	-	-	321,923
SRL RF1-254	1/1/2034	0.00%	224,120	23,080	122,359	-	-	145,439
SRL RF1-246	7/1/2040	0.00%	2,689,000	94,556	2,401,494	-	-	2,496,050
SRL RF1-248	3/1/2041	0.00%	1,663,802	77,475	392,643	-	-	470,118
SRL RF1-249	8/1/2040	0.00%	425,000	-	349,592	-	-	349,592
SRL RF1-268	5/1/2035	0.00%	266,403	-	142,204	-	-	142,204
SRL RF1-279	5/1/2035	0.00%	350,000	-	53,763	-	-	53,763
				<u>\$ 1,161,799</u>	<u>\$ 4,074,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,236,263</u>

9. LONG-TERM DEBT

Revenue Bonds (Direct Borrowing) - The Fund issues bonds where the City pledges the Fund's revenues to pay the debt service.

Loans Payable (Direct Borrowing) - The Fund has special revolving loans payable with the State of Vermont.

Revenue bonds and loans payable outstanding at June 30 were as follows:

<u>Description</u>	<u>Original Issue Amount</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s)</u>	<u>Amount Outstanding as of 6/30/22</u>
State of VT-EPA '06 Series 1 (Siphon)	\$ 1,650,000	2/1/2027	0.00%	\$ 511,500
State of VT-EPA '09 Series I (Turbo)	120,000	10/1/2031	0.00%	34,094
State of VT-EPA '01 Series 1 (Digester)	2,500,000	8/1/2027	0.00%	626,138
VT Municipal Bond Bank '14 Series 1	14,645,620	11/15/2033	0.643-4.723%	8,787,372
State of VT-EPA '20 Series	390,063	6/1/2041	0.00%	372,571
State of VT-EPA (Disinfection Systems)	2,622,466	4/1/2041	0.00%	<u>2,410,002</u>
Total				<u>\$ 12,741,677</u>

<u>Description</u>	<u>Original Issue Amount</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s)</u>	<u>Amount Outstanding as of 6/30/21</u>
State of VT-EPA '06 Series 1 (Siphon)	\$ 1,650,000	2/1/2027	0.00%	\$ 607,862
State of VT-EPA '09 Series I (Turbo)	120,000	10/1/2031	0.00%	36,757
State of VT-EPA '01 Series 1 (Digester)	2,500,000	8/1/2027	0.00%	723,451
VT Municipal Bond Bank '14 Series 1	14,645,620	11/15/2033	0.643-4.723%	<u>9,519,653</u>
Total				<u>\$ 10,887,723</u>

Maturities for revenue bond and state revolving fund loans were as follows at June 30, 2022:

<u>Fiscal Year</u>	<u>Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 1,054,457	\$ 345,881
2024	1,060,900	320,766
2025	1,067,473	294,273
2026	1,074,177	266,546
2027	1,081,015	237,819
2028 - 2032	4,487,067	729,873
2033 - 2037	2,240,804	62,858
2038 - 2041	<u>675,784</u>	<u>-</u>
	<u>\$ 12,741,677</u>	<u>\$ 2,258,016</u>

Equipment Notes (Direct Borrowing): In fiscal year 2018, the Fund entered into a purchase financing agreement for a wastewater pump truck at an annual interest rate of 3.76%, maturing on February 20, 2025. In fiscal year 2022, a second pump truck (tanker) was purchased with a financing purchase agreement, with an annual interest rate of 0.975% maturing on May 1, 2028.

Maturities for equipment note were as follows at June 30, 2022:

Fiscal Year	Principal	Interest
2023	\$ 47,141	\$ 3,289
2024	48,171	2,258
2025	41,952	1,229
2026	27,929	757
2027	28,202	484
2028	28,480	208
	<u>\$ 221,875</u>	<u>\$ 8,225</u>

Changes in long-term debt and other obligations were as follows for the years ended June 30:

	2022						
	Total				Total	Less	Equals
	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022	Current Portion	Long-Term Portion	
Direct borrowing bond and loans	\$ 10,887,723	\$ 3,012,529	\$ (1,158,575)	\$ 12,741,677	\$ (1,054,457)	\$ 11,687,220	
Direct borrowing equipment note payable	74,367	194,167	(46,659)	221,875	(47,141)	174,734	
Net pension liability	961,786	-	(339,123)	622,663	-	622,663	
Total OPEB liability	117,660	-	(23,396)	94,264	-	94,264	
Compensated absences	123,529	20,125	-	143,654	(143,654)	-	
Total	<u>\$ 12,165,065</u>	<u>\$ 3,226,821</u>	<u>\$ (1,567,753)</u>	<u>\$ 13,824,133</u>	<u>\$ (1,245,252)</u>	<u>\$ 12,578,881</u>	

	2021						
	Total				Total	Less	Equals
	Balance 7/1/2020	Additions	Reductions	Balance 6/30/2021	Current Portion	Long-Term Portion	
Direct borrowing bond and loans	\$ 11,620,004	\$ -	\$ (732,281)	\$ 10,887,723	\$ (928,702)	9,959,021	
Direct borrowing equipment note payable	92,934	-	(18,567)	74,367	(19,277)	55,090	
Net pension liability	918,549	43,237	-	961,786	-	961,786	
Total OPEB liability	111,656	6,004	-	117,660	-	117,660	
Compensated absences	109,813	13,716	-	123,529	(123,529)	-	
Total	<u>\$ 12,852,956</u>	<u>\$ 62,957</u>	<u>\$ (750,848)</u>	<u>\$ 12,165,065</u>	<u>\$ (1,071,508)</u>	<u>\$ 11,093,557</u>	

The revenue bonds have been issued pursuant to General Bond Resolutions and are collateralized by a pledge of revenues. Pursuant to the General Bond Resolutions, revenues (as defined) means all rates, fees, charges or other income and includes rentals, proceeds of insurance or condemnation or other disposition of assets, proceeds of bonds or notes and earnings from the investment of revenues.

10. RESTRICTED NET POSITION

The Fund established a contingency reserve fund for the Vermont Municipal Bond Bank Series 2014 bond payable pursuant to the General Bond Resolution adopted December 9, 2013. At June 30, 2022 and 2021, restricted net position was \$1,433,365.

11. RETIREMENT BENEFITS AND RESULTING NET PENSION LIABILITY

Defined Benefit Plan: All full-time employees of the Fund participate in the City of Burlington Employees' Retirement System (the Plan), a cost-sharing, single-employer defined benefit plan. The Fund follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, with respect to the Plan.

Plan Description: Substantially all employees of the Fund are members of the Plan and are classified as Class B members. Eligible employees must participate in the Plan. The City Council has the authority to amend the benefit terms of the Plan by enacting ordinances and sending them to the Mayor for approval.

At June 30, 2022 and 2021, the Fund reported a net pension liability for its proportionate share of the City's net pension liability per GASB 68. The net pension liability was measured as of June 30, 2021. At June 30, 2022 and 2021, the Fund's portion was 1.01% and 0.98%, respectively. For more information on the City's plan, see the City of Burlington, Vermont Annual Comprehensive Financial Report.

Benefits Provided: Class B retirees who has attained the age of 55 or older and completed 7 or more years of creditable service (age and years of creditable service vary depending on agreements) are eligible for benefits based on average final earnable compensation (AFC) during either the highest 5 or 3 non-overlapping 12-month periods depending on hiring dates. For details on agreements and AFC, see the City of Burlington, Vermont Annual Comprehensive Financial Report.

Contributions: The Fund contributed \$92,190 and \$102,185, for the fiscal years ended June 30, 2022 and 2021, respectively. The Fund's contributions were based on full time equivalents and wages. Employer and employee contribution rates are governed by the respective collective bargaining agreements. The employer and plan members share the cost of benefits. The plan members contributed 5.34% and 5.51% of the employee's base pay for fiscal year ended June 30, 2022 and 2021, respectively.

Summary of Significant Accounting Policies: For purposes of measuring the net pension liability, deferred outflows of resources and deferred (inflows) of resources related to pension, and pension expense, information about the fiduciary net position of the Plan was used as reported on the City of Burlington, VT Annual Comprehensive Financial Report. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Actuarial Assumptions: The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Payroll growth	3.00% per year
Investment rate of return	7.20% (Prior: 7.30%)

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table, projected to the valuation date with Scale MP-2021.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017, with discount rate updated from 7.30% to 7.20%

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Core Fixed Income	17.50%	3.70%
US Bonds - Dynamic	7.50%	3.70%
U.S. Large Cap Equity	31.00%	7.10%
U.S. Small Cap Equity	9.00%	7.40%
International Developed Equity	20.50%	9.90%
International Emerging Markets Equity	7.00%	11.20%
Private Equity	0.50%	10.20%
Real Estate	6.00%	7.40%
Timberland	1.00%	7.40%
Total	<u>100.00%</u>	<u>7.78%</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 2.60%.

Discount Rate: The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the fiduciary net position was projected to be available to make all future benefit payments to the current plan members.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Fund's proportionate share of the net pension liability calculated using the discount rate, as well as what the Fund's proportionate share of the 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:

Fund's net pension liability as of:	1% Decrease	Current Discount Rate	1% Increase
June 30, 2022	\$ 943,781	\$ 622,663	\$ 348,028
June 30, 2021	\$ 1,267,449	\$ 961,786	\$ 699,746

Deferred Outflows and (Inflows) of Resources: The Fund recognized pension expense of \$119,963 and \$146,583 for the fiscal years ending June 30, 2022 and 2021, respectively. Deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized in pension expense in the subsequent fiscal year. Other amounts reported as deferred outflows and (inflows) of resources related to pension are recognized in pension expense in future fiscal years as follows:

	As of June 30, 2022	As of June 30, 2021
Amortization year:		
2022	\$ -	\$ 35,801
2023	(55,909)	15,777
2024	(43,606)	29,727
2025	(72,617)	20,373
2026	(92,231)	-
	<u>\$ (264,363)</u>	<u>\$ 101,678</u>

Pension Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available in the separately issued City of Burlington, Vermont Annual Comprehensive Financial Report. No separate stand-alone report is issued for the Plan.

Further disclosures about the Plan are included in the City of Burlington, Vermont's Annual Comprehensive Financial Report.

12. OTHER POST-EMPLOYMENT BENEFITS (OTHER THAN PENSION) – OPEB GASB 75

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred (inflows) of resources, and expenses. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Plan Description: In addition to providing the pension benefits described, the City provides postemployment healthcare and life insurance benefits for retired employees through the City's plan.

In addition, the City allows certain retired employees to purchase health insurance through the City at the City's group rates. GASB No. 75 recognizes this as an implied subsidy and requires accrual of this liability.

Benefits Provided: The City provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the City and meet the eligibility criteria may receive these benefits.

Funding Policy: The OPEB Plan's sponsor funding policy is to contribute the employer portion of retiree benefit payments annually.

Contributions: Employer and employee contribution rates are governed by the respective collective bargaining agreements. The OPEB Plan is currently funded on a pay-as-you-go basis. The employer and plan members share the cost of benefits. The plan members contribute 5.20% of the monthly premium cost, depending on the plan in which they are enrolled. The Fund contributes the balance of the premium costs.

Actuarial Assumptions and Other Inputs: The total OPEB liability was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%, per year. This assumption is consistent with the Social Security Administration's current best estimate of the ultimate long-term (75-year horizon) annual percentage increase in CPI, as published in the 2019 OASDI Trustees Report.
Rate of annual aggregate payroll growth	2.60%, per year
Discount rate	3.54% as of June 30, 2022 (Prior: 2.16%)
Healthcare cost trend rates	6.50% in 2021, reducing by 0.2% each year to an ultimate rate of 4.60% per year rate for 2031 and later

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2017.

Discount Rate: The discount rate used to measure the total OPEB liability was 3.54% and 2.16%, for the years ending June 30, 2022 and 2021, respectively.

Since the OPEB Plan is not funded, the selection of the discount rate is consistent with the GASB 75 standards linking the discount rate to the 20- year AA municipal bond index for unfunded OPEB plans. The discount rate used for the valuation is equal to the published Bond Buyer general obligation 20 year-Bond Municipal Index effective as of June 30, 2022 and 2021.

Total OPEB Liability: The Fund's OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of July 1, 2021 and June 30, 2021 were determined by an actuarial valuation as of July 1, 2019.

Changes in the Total OPEB Liability: Detailed information about the changes in total OPEB liability is available in the separately issued City of Burlington, Vermont's Annual Comprehensive Financial Report.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, as well as what the total OPEB 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 discount rate:

	<u>1% Decrease in Discount Rate</u>	<u>Current Discount Rate</u>	<u>1% Increase in Discount Rate</u>
2022 Total OPEB liability	\$106,956	\$94,264	\$83,647
2021 Total OPEB liability	\$134,683	\$117,660	\$103,566

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
2021 Total OPEB liability	\$120,441	\$94,264	\$146,628
2020 Total OPEB liability	\$105,777	\$117,660	\$132,235

OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB

For the years ended June 30, 2022 and 2021, the Fund recognized an OPEB expense of \$15,591 and \$11,796, respectively. The remaining amounts reported as deferred outflows of resources and deferred (inflows) of resources related to OPEB will be recognized in OPEB expense over the next 6 years.

Further disclosures about the OPEB Plan are included in the City of Burlington, Vermont’s Annual Comprehensive Financial Report.

13. DEFERRED COMPENSATION PLAN

The Department offers its employees a deferred compensation plan administered through the City in accordance with Section 457 of the Internal Revenue Code (IRC). The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or for “unforeseeable emergency” as defined by IRS guidelines. The assets of the plan are not included in the accompanying financial statements.

14. RELATED PARTY TRANSACTIONS

During the year departments of the City bill the Fund pursuant to City ordinances and for services received. Related party transaction for the year ended June 30 was as follows:

<u>Entity Paid by Wastewater</u>	<u>Description of Service</u>	<u>2022</u>	<u>2021</u>
General Fund:			
Public Work's Department	Administrative costs for wastewater division operations	\$ 74,176	\$ 72,016
Clerk/Treasurer's Office	Payment in lieu of taxes (PILOT) ⁽¹⁾	<u>1,201,208</u>	<u>1,177,655</u>
Total related party transactions		\$ <u>1,275,384</u>	\$ <u>1,249,671</u>

⁽¹⁾ The Fund's physical plant is exempt from property taxes. The PILOT is determined annually by the City Clerk/Treasurer's office per City ordinance. The calculation is based on the capital investment of the Fund.

15. COMMITMENTS AND CONTINGENCIES

Grants - Amounts received or receivable from grantor agencies, including possible grant assurance violations at the Fund, are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenses which may be disallowed by the grantor cannot be determined at this time, although the Fund expects such amounts, if any, to be immaterial.

16. RISK MANAGEMENT

The Fund is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The Fund manages these risks through a combination of commercial insurance packages and through the City's risk management program.

The City carries commercial insurance to cover its property, casualty and general liability risks. Commercial property insurance, inland marine and employment practices insurance coverage is provided by Travelers and is offered on a guaranteed cost basis with a deductible of \$50,000.

All the City's self-insurance programs are administered by a third-party administrator, which processes and pays the claims and then bills the City for the amount of the total claims paid.

The costs associated with these self-insurance plans are budgeted in the City’s General Fund and allocated to the Fund based on the following:

<u>Type</u>	<u>Allocation Method</u>
Workers' compensation	50% experience and 50% exposure
Health	Number of employees and levels of coverage
Dental	Actual claims and administrative fees paid
Liability	Adjusted operating budgets
Property	Insured value of city structures

The City has elected to pay actual unemployment claims instead of enrolling in an unemployment insurance program. The Fund did not pay any unemployment claims during fiscal year 2022 or 2021.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 26, 2023, which is the date the financial statements were available to be issued.

18. NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement Number 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*, and Statement Number 96, *Subscription Based Information Technology Arrangements (SBITAs)*, effective for the Fund beginning with its fiscal year ending June 30, 2023. These statements establish new reporting and disclosure requirements, including the recording of various PPPs, APAs, and SBITAs in the financial statements. The Fund has not yet evaluated the impact of these statements.

**CITY OF BURLINGTON, VERMONT
BURLINGTON WASTEWATER
SCHEDULE OF PROPORTIONATE SHARE (GASB 68)
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION**

(Unaudited)

Burlington Employees' Retirement System						
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
June 30, 2022	June 30, 2021	1.01%	\$622,663	\$ 819,206	76.01%	80.10%
June 30, 2021	June 30, 2020	0.98%	\$961,786	\$ 825,508	116.51%	66.37%
June 30, 2020	June 30, 2019	1.10%	\$918,549	\$ 955,901	96.09%	70.00%
June 30, 2019	June 30, 2018	1.11%	\$838,441	\$ 880,025	95.27%	71.41%
June 30, 2018	June 30, 2017	0.76%	\$664,669	\$ 854,549	77.78%	66.77%
June 30, 2017	June 30, 2016	1.41%	\$1,256,143	\$ 863,280	145.51%	63.75%
June 30, 2016	June 30, 2015	1.26%	\$856,352	\$ 859,294	99.66%	70.35%
June 30, 2015	June 30, 2014	0.99%	\$532,524	\$ 859,294	61.97%	75.00%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**CITY OF BURLINGTON, VERMONT
BURLINGTON WASTEWATER**

**SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)
REQUIRED SUPPLEMENTARY INFORMATION**

(Unaudited)

Burlington Employees' Retirement System

Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2022	\$ 92,190	\$ 92,190	\$ -	\$ 866,726	10.64%
June 30, 2021	\$ 102,185	\$ 102,185	\$ -	\$ 819,206	12.47%
June 30, 2020	\$ 104,770	\$ 104,770	\$ -	\$ 825,508	12.69%
June 30, 2019	\$ 111,498	\$ 111,498	\$ -	\$ 955,901	11.66%
June 30, 2018	\$ 98,654	\$ 98,654	\$ -	\$ 880,025	11.21%
June 30, 2017	\$ 128,908	\$ 128,908	\$ -	\$ 854,549	15.08%
June 30, 2016	\$ 111,067	\$ 111,067	\$ -	\$ 863,280	12.87%
June 30, 2015	\$ 88,252	\$ 88,252	\$ -	\$ 859,294	10.27%

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See notes to financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**CITY OF BURLINGTON, VERMONT
BURLINGTON WASTEWATER**

**SCHEDULE OF PROPORTIONATE SHARE OF TOTAL OPEB LIABILITY (GASB 75)
REQUIRED SUPPLEMENTARY INFORMATION**

(Unaudited)

City OPEB plan					
Fiscal Year	Measurement Date	Proportion of the Total OPEB Liability	Proportionate Share of the Total OPEB Liability	Covered Payroll	Total OPEB Liability as a Percentage of Covered Payroll
June 30, 2022	June 30, 2022	1.73%	\$ 94,264	\$ 781,247	12.07%
June 30, 2021	June 30, 2021	1.70%	\$ 117,660	\$ 732,574	16.06%
June 30, 2020	June 30, 2020	1.70%	\$ 111,656	\$ 714,010	15.64%
June 30, 2019	June 30, 2019	1.21%	\$ 98,832	\$ 696,282	14.19%
June 30, 2018	June 30, 2018	1.21%	\$ 64,364	\$ 678,637	9.48%

Schedule is intended to show information for 10 years. Additional years will be

See notes to financial statements for summary of significant actuarial methods and assumptions.