

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



FOR FISCAL YEARS ENDED

JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' 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 Water Enterprise Fund (the Fund) as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise 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, 2023 and 2022, 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 Auditors' 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.

Emphasis of Matter

As discussed in Note 1A, the financial statements present only the Water Fund and do not purport to, and do not, present fairly the financial position of the City of Burlington, Vermont, as of June 30, 2023 and 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 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.

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 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.

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, 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 evidence sufficient to express an opinion or provide any assurance.

Prior Period Financial Statements

The financial statements of the Fund as of and for the year ended June 30, 2022 were audited by Melanson, P.C., whose practice was combined with Marcum LLP as of January 1, 2023, and whose report dated February 28, 2023 expressed an unmodified opinion of those statements.

Marcum LLP

Merrimack, NH
March 13, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Burlington, Vermont Water Enterprise Fund's (the Fund) annual financial report, management provides a narrative discussion and analysis of the financial activities for the years ended June 30, 2023. 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 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, 2023, it shows our net position of \$16,941,746, a change of \$795,830 in comparison to the prior year. The unrestricted net position increased from the prior year by \$177,076 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 increased from prior year by \$448K for a total of \$1.333M. Revenues increased due to FY23 rate increases which drove increases in retail revenue, though not as much as projected due to slightly lower than predicted retail sales. The retail revenue shortfall was offset in part by better than expected wholesale water sales. While operating expenses did increase as expected generally, some budgeted operating expenses were not fully expended. The FY24 budget included the planned use of carry forward from these lines. In particular, staffing addition roll-out delays contributed to lower than budgeted personnel costs. Looking forward, net income will need to continue increasing in the coming years to provide sufficient funds for annual pay-go capital and anticipated increases to debt service as the City of Burlington continues to address infrastructure at the end of its useful life.

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 funds 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>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Capital assets	\$ 17,937	\$ 17,102	\$ 16,937
Other assets	<u>9,439</u>	<u>8,892</u>	<u>8,007</u>
Total assets	27,376	25,994	24,944
Deferred outflows of resources	<u>652</u>	<u>412</u>	<u>642</u>
Total assets and deferred outflows of resources	<u>\$ 28,028</u>	<u>\$ 26,406</u>	<u>\$ 25,586</u>
Liabilities:			
Other liabilities	\$ 2,380	\$ 1,496	\$ 1,167
Long-term liabilities	<u>8,652</u>	<u>8,281</u>	<u>9,189</u>
Total liabilities	11,032	9,777	10,356
Deferred inflows of resources	54	483	108
Net position:			
Net investment in capital assets	9,808	9,225	10,927
Restricted	942	906	864
Unrestricted	<u>6,192</u>	<u>6,015</u>	<u>3,331</u>
Total net position	<u>16,942</u>	<u>16,146</u>	<u>15,122</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 28,028</u>	<u>\$ 26,406</u>	<u>\$ 25,586</u>

Statements of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 8,464	\$ 7,817	\$ 7,461
Operating expenses	<u>(7,132)</u>	<u>(6,932)</u>	<u>(6,171)</u>
Operating income	1,332	885	1,290
Nonoperating revenues (expenses)			
Other revenue	221	828	77
Other expense	<u>(334)</u>	<u>(330)</u>	<u>(351)</u>
Total nonoperating revenues (expenses), net	(113)	498	(274)
Net income before payments from/(to) the City	1,219	1,383	1,016
Payment in lieu of taxes	(423)	(482)	(473)
Other payments from the City	<u>-</u>	<u>123</u>	<u>8</u>
Change in net position	796	1,024	551
Beginning net position	<u>16,146</u>	<u>15,122</u>	<u>14,571</u>
Ending net position	<u>\$ 16,942</u>	<u>\$ 16,146</u>	<u>\$ 15,122</u>

Capital Assets:

The Fund's capital assets as of June 30, 2023 amounted to \$17,936,637. Capital assets include the treatment plant, water mains, transmission and distributions lines, and other assets. The net capital assets increased slightly from the prior year, after depreciation. Major capital asset events during fiscal year 2023 included the following:

- Distribution system replacement and renewal
- Continued investment in new meters and meter replacement

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

Long-Term Debt:

Long-Term Debt - At the end of fiscal year 2023, total debt outstanding, including unamortized bond premiums, was \$6,927,232, a decrease of (\$323,966) from the prior year, all of which was backed by the full faith and credit of the City of Burlington, Vermont.

Standard and Poor's Rating Group and Moody's Investors Services, Inc. has rated the 2017, 2018, and 2018B Bonds "A1".

Debt Coverage - - Pressure on the debt coverage ratio has increased in recent years, with the beginning of repayment on Bond Series 2017, and then Series 2018 and 2018B. This is expected to continue with the drawdown of the remainder of the \$8.34M 2016 bond authorization and the burdens of increasing operation and maintenance costs due to inflation. The remainder of the bond authorization is expected to be substantially drawn down over FY24 with repayment likely beginning in FY25.

The Fund maintains a rate planning model to forecast revenues needed to support increased operations and maintenance (O&M) costs, strong debt coverage ratios and days of cash on hand and to support needed requests for rate increases with the approval of the City Council.

The debt coverage score in fiscal year 2023 and 2022 was 3.92 and 3.10, respectively, which is greater than the required score of 1.25.

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

Economic Factors and Next Year's Budgets and Rates:

Usage continues to trend towards pre-pandemic levels with residential consumption decreasing slightly, presumably as some City residents transition from remote to in person work in offices outside of the City, and a rebound in commercial consumption for FY 23.

Our partnership with the State of Vermont's available grant programs (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 FY 23, the total assistance to customers through these programs was \$103,490. Interest in the various Water Resources Assistance Programs (WRAP) remains strong with 53 enrolled in the Bill Discount Program.

The last of the 2016 water bond vote authorization (\$1.094M) will be substantially drawn down over FY24 with repayment anticipated to begin in FY25. The Fund continues to conduct additional capital and financial feasibility planning work to determine the next tranche of capital investments that are necessary to support the drinking water system, including improvements at the drinking water plant, the reservoir pump station and continuing modest replacement or rehabilitation of the distribution system, with a bond vote targeted for November 2024.

Rates for FY 24 increased by 6.55% and 6.49%, 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, another electricity rate increase, the addition of staff resources (part of a plan to address understaffing within the Fund in advance of the anticipated capital investment) and inflationary cost increases. 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 will be entering repayment for the last of the distribution improvements.

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
WATER ENTERPRISE FUND
STATEMENTS OF NET POSITION
JUNE 30

	2023	2022
ASSETS		
Current:		
Cash and short-term investments	\$ 5,468,625	\$ 5,891,397
Escrows	60,000	64,722
User fees receivable, net of allowance for uncollectibles	1,790,522	1,558,510
Intergovernmental receivables	692,978	88,986
Inventory	480,377	377,984
Prepaid expenses	5,252	3,892
Total current assets	8,497,754	7,985,491
Noncurrent:		
Restricted cash for R&R reserve fund	100,000	100,000
Restricted cash for debt service reserve	572,341	570,023
Restricted cash for bond debt service fund	269,139	236,450
Land and construction in progress	1,992,787	1,122,345
Capital assets, net of accumulated depreciation	15,943,850	15,979,210
Total noncurrent assets	18,878,117	18,008,028
TOTAL ASSETS	27,375,871	25,993,519
DEFERRED OUTFLOWS OF RESOURCES		
Pension related:		
Changes in proportional share of contributions	61,694	67,607
Changes in assumptions	50,182	51,514
Difference between expected and actual experience	34,763	26,749
Difference between projected and actual investment earnings	255,101	-
Deferred current year pension contributions	188,133	184,437
OPEB related:		
Changes in assumptions	16,247	22,853
Change in proportional share of contributions	45,149	58,110
Difference between expected and actual experience	517	1,092
TOTAL DEFERRED OUTFLOWS OF RESOURCES	651,786	412,362
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 28,027,657	\$ 26,405,881

(continued)

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

(continued)

	2023	2022
LIABILITIES		
Current:		
Accounts payable	\$ 676,107	\$ 542,134
Accrued liabilities	46,018	24,725
Notes payable	904,883	211,905
Other liabilities	94,808	39,719
Current portion of long-term liabilities:		
Revenue bonds	326,074	316,074
State revolving loans	8,129	7,892
Equipment notes payable	120,584	119,003
Compensated absences	202,960	234,184
Total current liabilities	2,379,563	1,495,636
Noncurrent:		
Revenue bonds, net of current portion	6,462,263	6,788,337
State revolving loans, net of current portion	130,766	138,895
Equipment notes payable, net of current portion	235,547	359,527
Net pension liability	1,686,558	861,933
Total OPEB liability	137,374	132,284
Total noncurrent liabilities	8,652,508	8,280,976
TOTAL LIABILITIES	11,032,071	9,776,612
DEFERRED INFLOWS OF RESOURCES		
Pension related:		
Changes in assumptions	-	51,514
Change in proportional share of contributions	1,673	67,607
Difference between expected and actual experience	-	305,600
OPEB related:		
Difference between expected and actual experience	35,320	39,064
Changes in assumptions	16,847	19,568
TOTAL DEFERRED INFLOWS OF RESOURCES	53,840	483,353
NET POSITION		
Net investment in capital assets	9,808,391	9,224,644
Restricted	941,480	906,473
Unrestricted	6,191,875	6,014,799
TOTAL NET POSITION	16,941,746	16,145,916
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 28,027,657	\$ 26,405,881

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

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

	2023	2022
OPERATING REVENUES		
Charges for services	\$ 7,506,192	\$ 6,860,370
Miscellaneous	958,330	956,659
Total Operating Revenues	8,464,522	7,817,029
OPERATING EXPENSES		
Personnel	3,666,278	3,410,567
Non-personnel	2,489,237	2,635,999
Depreciation	976,627	885,157
Total Operating Expenses	7,132,142	6,931,723
Operating Income	1,332,380	885,306
NONOPERATING REVENUES/(EXPENSES)		
ARPA grant	-	788,190
Interest income	36,190	(8,603)
Interest expense	(321,763)	(330,209)
Other income	138,850	1,912
Amortization of bond premium	46,074	46,074
Loss on disposal of capital assets	(12,841)	(181)
Total Nonoperating Revenues/(Expenses), net	(113,490)	497,183
Net Income Before Payments From/To the City of Burlington	1,218,890	1,382,489
Payment in lieu of taxes	(423,060)	(481,934)
Other payments from the City of Burlington	-	123,175
Change in Net Position	795,830	1,023,730
Net Position, Beginning of Year	16,145,916	15,122,186
Net Position, End of Year	\$ 16,941,746	\$ 16,145,916

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

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

	2023	2022
Cash Flows from Operating Activities		
Receipts from users and customers	\$ 8,287,599	\$ 7,732,002
Payments to suppliers	(2,459,017)	(2,475,533)
Payments for wages and benefits	(3,515,431)	(3,351,050)
Other receipts	138,850	1,731
Net cash provided by operating activities	2,452,001	1,907,150
Cash Flows from Noncapital Financing Activities		
Payment in lieu of taxes	(423,060)	(481,934)
Reimbursement from City of Burlington	-	123,175
Cash used for noncapital financing activities	(423,060)	(358,759)
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,824,550)	(1,049,905)
Intergovernmental revenues	-	788,190
Release of escrow	4,722	-
Proceeds of short term state revolving loans	88,986	82,698
Principal payments on revenue bonds	(270,000)	(260,000)
Principal payments on state revolving loans	(7,892)	(7,663)
Principal payments on equipment financing notes	(122,399)	(116,979)
Interest paid on outstanding debt	(321,763)	(330,207)
Net cash used for capital and related financing activities	(2,452,896)	(893,866)
Cash Flows from Investing Activities		
Investment income	27,976	2,167
Sale of investments	8,214	-
Purchase of investments	-	(10,770)
Net cash provided (used for) investing activities	36,190	(8,603)
Net change in cash and short-term investments	(387,765)	645,922
Cash and short-term investments, beginning of year	6,797,870	6,151,948
Cash and short-term investments, end of year	\$ 6,410,105	\$ 6,797,870
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 1,332,380	\$ 885,306
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	976,627	885,157
Other revenues	138,850	1,731
Changes in assets, liabilities, and deferred outflows/inflows:		
Accounts receivable	(232,012)	(94,488)
Inventories	(102,393)	(72,142)
Customer deposits	55,089	9,461
Deferred outflows	(239,424)	229,762
Accounts payable	133,973	235,361
Accrued payroll	21,293	(52,226)
Prepaid expenses	(1,360)	(2,752)
Net pension liability	824,625	(517,626)
Total OPEB liability	5,090	(3,386)
Accrued compensated absences	(31,224)	27,239
Deferred inflows	(429,513)	375,753
Net cash provided by operating activities	\$ 2,452,001	\$ 1,907,150

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

CITY OF BURLINGTON, VERMONT
WATER ENTERPRISE FUND

NOTES TO FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. *The Financial Reporting Entity*

The City of Burlington, Vermont, Water Enterprise Fund (the Fund) is a municipally owned utility organized in 1865 to provide maintenance, treatment, and distribution of water 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 (GAAP) as applicable to governmental entities. 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, water revenue is determined by water consumption multiplied by the water rate. Under this method, water 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 water facilities. Operating expenses include the cost of water treatment, maintenance of transmission and distribution 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 Equivalents

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, buildings 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 come to more than \$10,000
2. The unit estimated life is greater than 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, the net pension liability, compensated absences payable, and the 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>2023</u>	<u>2022</u>
Billed user fees	\$ 1,255,653	\$ 1,037,193
Unbilled at year end	537,869	524,317
Less: allowance for doubtful accounts	<u>(3,000)</u>	<u>(3,000)</u>
Net user fees receivable	<u>\$ 1,790,522</u>	<u>\$ 1,558,510</u>

4. INTERGOVERNMENTAL RECEIVABLE

The June 30, 2023 and June 30, 2022 balances represent reimbursements requested from Federal and State agencies for expenses incurred in fiscal year 2023 and fiscal year 2022, respectively.

5. INVENTORY

Inventory at June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Chemicals	\$ 133,508	\$ 54,838
Construction stock	280,303	257,035
Traffic meters	<u>66,566</u>	<u>66,111</u>
Total	<u>\$ 480,377</u>	<u>\$ 377,984</u>

6. CAPITAL ASSETS

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

	2023			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 51,250	\$ -	\$ -	\$ 51,250
Construction in progress	1,071,095	1,311,381	(440,939)	1,941,537
Total capital assets, not being depreciated	1,122,345	1,311,381	(440,939)	1,992,787
Capital assets, being depreciated:				
Buildings and building improvements	114,190	230,902	-	345,092
Vehicles, machinery, equipment and furniture	2,184,352	391,139	(125,328)	2,450,163
Distribution systems	42,508,321	320,975	-	42,829,296
Total capital assets, being depreciated	44,806,863	943,016	(125,328)	45,624,551
Less accumulated depreciation for:				
Buildings and building improvements	(17,533)	(4,568)	-	(22,101)
Vehicles, machinery, equipment and furniture	(1,364,948)	(149,573)	123,579	(1,390,942)
Distribution systems	(27,445,172)	(822,486)	-	(28,267,658)
Totals	(28,827,653)	(976,627)	123,579	(29,680,701)
Total capital assets, being depreciated	15,979,210	(33,611)	(1,749)	15,943,850
Capital assets, net	\$ 17,101,555	\$ 1,277,770	\$ (442,688)	\$ 17,936,637
	2022			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 51,250	\$ -	\$ -	\$ 51,250
Construction in progress	291,895	779,200	-	1,071,095
Total capital assets, not being depreciated	343,145	779,200	-	1,122,345
Capital assets, being depreciated:				
Buildings and building improvements	114,190	-	-	114,190
Vehicles, machinery, equipment and furniture	2,157,828	26,524	-	2,184,352
Distribution systems	42,264,140	244,181	-	42,508,321
Total capital assets, being depreciated	44,536,158	270,705	-	44,806,863
Less accumulated depreciation for:				
Buildings and building improvements	(12,965)	(4,568)	-	(17,533)
Vehicles, machinery, equipment and furniture	(1,223,230)	(141,718)	-	(1,364,948)
Distribution systems	(26,706,301)	(738,871)	-	(27,445,172)
Totals	(27,942,496)	(885,157)	-	(28,827,653)
Total capital assets, being depreciated	16,593,662	(614,452)	-	15,979,210
Capital assets, net	\$ 16,936,807	\$ 164,748	\$ -	\$ 17,101,555

7. DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources represent the consumption of net assets by the Fund that apply 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 a State Revolving Loan from the State of Vermont EPA Clean Water State Revolving Fund outstanding at year-end. The note will be permanently financed upon completion.

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

Description	Issue Date	Series		Amount Issued	Balance at			Balance at 6/30/23
		Matures Through	Interest Rate		7/1/22	Additions	Repayments	
SRL RF3-402-1.1	4/13/2021	11/1/2029	0.00% \$	237,412 \$	211,905 \$	- \$	- \$	211,905
SRL RF3-426-3.0	11/23/2022	12/1/2052	0.00%	1,571,022	-	692,978	-	692,978
								<u>\$ 904,883</u>

9. LONG-TERM DEBT

Revenue Bonds (public offering) - The Fund issues bonds where the City pledges the Fund’s revenues to pay the debt service.

State Revolving Loans Payable (direct placement) - The Fund has special revolving loans payable with the State of Vermont.

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

	Original Issue Amount	Serial Maturities Through	Interest Rate(s)	Amount Outstanding as of 6/30/23
Design and Construction Loan RF3-295	\$ 253,340	11/1/2034	1.00%	\$ 138,895
Water System Revenue Bonds, Series 2017	\$ 3,250,000	11/1/2036	2.00 - 5.00%	2,625,000
Water System Revenue Bonds, Series 2018	\$ 2,000,000	11/1/2038	4.00 - 5.00%	1,740,000
Water System Revenue Bonds, Series 2018B	\$ 2,000,000	11/1/2038	5.00%	1,745,000
Total				<u>\$ 6,248,895</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>
Design and Construction Loan RF3-295	\$ 253,340	11/1/2034	1.00%	\$ 146,787
Water System Revenue Bonds, Series 2017	\$ 3,250,000	11/1/2036	2.00 - 5.00%	2,755,000
Water System Revenue Bonds, Series 2018	\$ 2,000,000	11/1/2038	4.00 - 5.00%	1,810,000
Water System Revenue Bonds, Series 2018B	\$ 2,000,000	11/1/2038	5.00%	<u>1,815,000</u>
Total				\$ <u><u>6,526,787</u></u>

Maturities at June 30, 2023 were as follows:

<u>Fiscal Year</u>	<u>Public Offering</u>		<u>Direct Borrowing</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 280,000	\$ 296,425	\$ 8,129	\$ 4,167	\$ 288,129	\$ 300,592
2025	290,000	283,550	8,373	3,923	298,373	287,473
2026	310,000	269,250	8,624	3,672	318,624	272,922
2027	325,000	253,375	8,883	3,413	333,883	256,788
2028	345,000	236,625	9,149	3,147	354,149	239,772
2029 - 2033	1,990,000	900,500	50,034	11,446	2,040,034	911,946
2034 - 2038	2,265,000	344,875	45,703	3,478	2,310,703	348,353
2039	305,000	7,625	-	-	305,000	7,625
	<u>\$ 6,110,000</u>	<u>\$ 2,592,225</u>	<u>\$ 138,895</u>	<u>\$ 33,246</u>	<u>\$ 6,248,895</u>	<u>\$ 2,625,471</u>

Equipment note financing – The Fund has bank notes outstanding for various machinery, vehicles, and equipment. The interest amounts range from 0.93% to 4.15%.

Maturities at June 30, 2023 were as follows:

<u>Fiscal Year</u>	<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 121,249	\$ 6,301
2025	123,548	4,002
2026	92,441	1,776
2027	9,400	161
2028	9,493	69
Total	<u>\$ 356,131</u>	<u>\$ 12,309</u>

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

	2023					
	Total	Additions	Reduction	Total	Less	Equals
	Balance 7/1/2022			Balance 6/30/2023	Current Portion	Long-Term Portion
Public offering revenue bonds	\$ 6,380,000	\$ -	\$ (270,000)	\$ 6,110,000	\$ (280,000)	\$ 5,830,000
Add: unamortized premium	724,411	-	(46,074)	678,337	(46,074)	632,263
Subtotal	7,104,411	-	(316,074)	6,788,337	(326,074)	6,462,263
Direct borrowing state revolving loans	146,787	-	(7,892)	138,895	(8,129)	130,766
Net pension liability	861,933	824,625	-	1,686,558	-	1,686,558
Total OPEB liability	132,284	5,090	-	137,374	-	137,374
Equipment notes payable	478,530	-	(122,399)	356,131	(120,584)	235,547
Compensated absences liability	234,184	-	(31,224)	202,960	(202,960)	-
Total	\$ 8,958,129	\$ 829,715	\$ (477,589)	\$ 9,310,255	\$ (657,747)	\$ 8,652,508

	2022					
	Total	Additions	Reduction	Total	Less	Equals
	Balance 7/1/2021			Balance 6/30/2022	Current Portion	Long-Term Portion
Public offering revenue bonds	\$ 6,640,000	\$ -	\$ (260,000)	\$ 6,380,000	\$ (270,000)	\$ 6,110,000
Add: unamortized premium	770,484	-	(46,073)	724,411	(46,074)	678,337
Subtotal	7,410,484	-	(306,073)	7,104,411	(316,074)	6,788,337
Direct borrowing state revolving loans	154,450	-	(7,663)	146,787	(7,892)	138,895
Net pension liability	1,379,559	-	(517,626)	861,933	-	861,933
Total OPEB liability	135,670	-	(3,386)	132,284	-	132,284
Equipment notes payable	530,787	64,722	(116,979)	478,530	(119,003)	359,527
Compensated absences liability	206,945	27,239	-	234,184	(234,184)	-
Total	\$ 9,817,895	\$ 91,961	\$ (951,727)	\$ 8,958,129	\$ (677,153)	\$ 8,280,976

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, condemnation or other disposition of assets, proceeds of bonds or notes and earnings from the investment of revenues.

On an annual basis, revenue must be sufficient after deducting operating expenses, to meet minimum debt service coverage requirements of 1.25. Revenues for this purpose represent all rates, charges, rents, and other income for debt service. Operating expenses represent O&M (operation and maintenance), excluding depreciation. Certain other exclusions apply. The City's bond counsel has determined that the effects of GASB 68 and GASB 75 on pension and OPEB expenses are excludable from O&M and, therefore, not included in determining net revenues available for debt service. If minimum debt service coverage requirements are not met, the Fund must take timely corrective action. The Fund met the required debt coverage for fiscal year 2023 with 3.92 and in fiscal year 2022 with 3.10.

10. RESTRICTED NET POSITION

The Fund established a contingency reserve fund for the Series 2017 and Series 2018 bonds pursuant to the general bond resolution adopted December 9, 2013. Restricted net position was comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Restricted for renewal and replacement reserve	100,000	100,000
Restricted for debt service reserve fund	572,341	570,023
Restricted for debt service	<u>269,139</u>	<u>236,450</u>
Total	<u>\$ 941,480</u>	<u>\$ 906,473</u>

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, 2023 and 2022, 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, 2022. At June 30, 2023 and 2022, the Fund's proportion was 1.45% and 1.39%, respectively. For more information on the City's plan, see the City of Burlington, Vermont's 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's Annual Comprehensive Financial Report.

Contributions: The Fund contributed \$184,437 and \$177,415 for the fiscal years ended June 30, 2023 and June 30, 2022, respectively. Beginning in FY19, the City is using the direct rate smoothing method for funding. The Fund's contributions were based on full time equivalents and wages. Fund employer and employee contribution rates are governed by the respective collective bargaining agreements. The employer and plan members share the cost of benefits. Plan members contributed 4.87% and 5.34% of base pay for the years ended June 30, 2023 and 2022, 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 by the City of Burlington, Vermont in its 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 net pension liability in the June 30, 2022 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	7.10% (Prior: 7.20%)

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, 2022 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 7.20% to 7.10%.

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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core Fixed Income	17.50%	5.00%
US Bonds - Dynamic	7.50%	5.60%
U.S. Large Cap Equity	32.00%	6.70%
U.S. Small Cap Equity	9.00%	6.50%
International Developed Equity	20.50%	8.89%
International Emerging Markets Equity	7.00%	10.80%
Private Equity	0.50%	9.70%
Real Estate	6.00%	7.40%
Total	100.00%	

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 7.10%. 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 and one percentage-point higher than the current rate:

Fund's net pension liability as of:	1% Decrease	Current Discount Rate	1% Increase
June 30, 2023	\$ 2,157,646	\$ 1,686,558	\$ 1,286,771
June 30, 2022	\$ 1,302,614	\$ 861,933	\$ 487,943

Deferred Outflows and (Inflows) of Resources: 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:

Amortization Year	As of June 30, 2023	As of June 30, 2022
2023	\$ -	\$ 7,849
2024	142,069	(58,504)
2025	98,788	(100,521)
2026	13,237	(127,675)
2027	145,973	-
	<u>\$ 400,067</u>	<u>\$ (278,851)</u>

Pension Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available from the City of Burlington, Vermont, in the separately issued Plan 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 Plan Sponsor's 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 5.52% 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	3.65% as of June 30, 2023 (Prior: 3.54%)
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 3.65% and 3.54%, for the years ending June 30, 2023 and 2022, respectively.

Since the OPEB plan is not funded, the selection of the discount rate is consistent with 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, 2023 and 2022.

Total OPEB Liability: The Fund’s total year-end OPEB liabilities were \$137,374 and \$132,284 as of June 30, 2023 and June 30, 2022, respectively. The OPEB liabilities as of June 30, 2023 and June 30, 2022 were determined by an actuarial valuation as of July 1, 2021.

Changes in the Total OPEB Liability: Detailed information about the changes in the 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:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
2023 Total OPEB liability	\$122,036	\$137,374	\$155,670
2022 Total OPEB liability	\$117,385	\$132,284	\$150,094

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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
2023 Total OPEB liability	\$153,460	\$137,374	\$124,516
2022 Total OPEB liability	\$146,628	\$132,284	\$120,441

OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB: For the years ended June 30, 2023 and 2022, the Fund recognized an OPEB expense of \$18,416 and \$23,070, respectively. The remaining amounts reported as deferred outflows and deferred (inflows) 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 Fund 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 Fund’s 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 transactions for the years ended June 30, 2023 and 2022 were as follows:

<u>Entity Paid by the Fund</u>	<u>Description of Service</u>	<u>2023</u>	<u>2022</u>
General Fund:			
Public Works Department	Administrative costs for water division operations	\$ 62,282	\$ 64,391
Public Works Department	Facility charges	34,515	35,031
Public Works Department	Equipment maintenance	153,608	150,022
Public Works Department	Excavation fees	50,000	50,000
Clerk/Treasurer's Office	Payment in lieu of taxes (PILOT) ⁽¹⁾	423,060	481,934
Clerk/Treasurer's Office	Administration and risk management fees, approved via budget process	328,786	274,465
City Attorney	Legal fees	24,458	18,584
Stormwater	Stormwater usage	5,543	5,350
Burlington Electric Department	Electricity usage	435,332	423,285
Total related party transactions		<u>\$ 1,517,584</u>	<u>\$ 1,503,062</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

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 of 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

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events though March 13, 2024, which is the date the financial statements were available to be issued.

**CITY OF BURLINGTON, VERMONT
WATER ENTERPRISE FUND
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, 2023	June 30, 2022	1.45%	\$1,686,558	\$2,181,293	77.32%	64.28%
June 30, 2022	June 30, 2021	1.39%	\$861,933	\$1,615,385	53.36%	80.10%
June 30, 2021	June 30, 2020	1.40%	\$1,379,559	\$1,746,593	78.99%	66.37%
June 30, 2020	June 30, 2019	1.29%	\$1,072,296	\$1,311,943	81.73%	70.00%
June 30, 2019	June 30, 2018	1.32%	\$1,001,301	\$1,240,307	80.73%	71.41%
June 30, 2018	June 30, 2017	0.86%	\$754,288	\$1,200,056	62.85%	66.77%
June 30, 2017	June 30, 2016	1.92%	\$1,712,439	\$1,172,612	146.04%	63.75%
June 30, 2016	June 30, 2015	1.72%	\$1,169,736	\$1,033,848	113.14%	70.35%
June 30, 2015	June 30, 2014	1.47%	\$790,242	\$1,033,848	76.44%	75.00%

See notes to financial statements for significant assumptions and disclosures.

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

See Independent Auditors' Report.

**CITY OF BURLINGTON, VERMONT
WATER ENTERPRISE FUND**

**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, 2023	\$ 184,437	\$ 184,437	\$ -	\$ 2,181,293	8%
June 30, 2022	\$ 177,415	\$ 177,415	\$ -	\$ 1,615,385	11%
June 30, 2021	\$ 174,773	\$ 174,773	\$ -	\$ 1,941,633	9%
June 30, 2020	\$ 122,306	\$ 122,306	\$ -	\$ 1,746,593	7%
June 30, 2019	\$ 158,374	\$ 158,374	\$ -	\$ 1,311,943	12%
June 30, 2018	\$ 146,939	\$ 146,939	\$ -	\$ 1,240,307	12%
June 30, 2017	\$ 175,734	\$ 175,734	\$ -	\$ 1,200,056	15%
June 30, 2016	\$ 151,712	\$ 151,712	\$ -	\$ 1,172,612	13%
June 30, 2015	\$ 130,962	\$ 130,962	\$ -	\$ 1,033,848	13%

See notes to financial statements for significant assumptions and disclosures.

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

See Independent Auditors' Report.

**CITY OF BURLINGTON, VERMONT
WATER ENTERPRISE FUND**

**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	Contributions as a Percentage of Covered Payroll
June 30, 2023	June 30, 2022	2.4317%	\$137,374	\$1,393,030	9.86%
June 30, 2022	June 30, 2021	2.4317%	\$132,284	\$1,357,729	9.74%
June 30, 2021	June 30, 2021	1.9554%	\$135,670	\$869,288	15.61%
June 30, 2020	June 30, 2020	1.9554%	\$128,748	\$847,259	15.20%
June 30, 2019	June 30, 2019	0.8938%	\$47,684	\$880,156	5.42%
June 30, 2018	June 30, 2018	0.8938%	\$44,570	\$857,852	5.20%

See notes to financial statements for significant assumptions and disclosures.

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

See Independent Auditors' Report.