

**CITY OF BURLINGTON, VERMONT
WASTEWATER 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 Wastewater Enterprise Fund (the Fund) as of and for the year ended June 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Fund, as of June 30, 2023, and the changes in financial position and cash flows thereof for the year 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 Wastewater 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 auditors' 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 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.

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 January 26, 2023 expressed an unmodified opinion of those statements.

Marcum LLP

Merrimack, New Hampshire
January 26, 2024

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, 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 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, 2023, it shows our net position of \$15.864M, an increase of \$1.533M in comparison to the prior year. The unrestricted net position increased from the prior year by \$1.313M 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 the prior year by 282K for a total of \$2.302M. Revenues increased due to FY23 rate increases which drove increases in retail revenue, though not as much as projected. Overall, operating revenues performed better than projected due to increased Sludge and high strength wastewater billing. 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. On the non-operating side, a notable change is the recent decrease in the Wastewater systems payment to the City in lieu of taxes due to a City-wide property reappraisal. Additionally, the Wastewater system was overcharged in FY22 and is benefitting from a credit for FY23 and FY24. Overall, net income will need to continue increasing in the coming years to provide sufficient funds for annual pay-go capital and anticipated increases 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 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>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Capital assets	\$ 26,079	\$ 25,367	\$ 24,433
Other assets	<u>9,209</u>	<u>8,204</u>	<u>8,026</u>
Total assets	35,288	33,571	32,459
Deferred outflows of resources	<u>380</u>	<u>213</u>	<u>361</u>
Total assets and deferred outflows of resources	<u>\$ 35,668</u>	<u>\$ 33,784</u>	<u>\$ 32,820</u>
Liabilities:			
Long-term liabilities	\$ 14,781	\$ 13,824	\$ 12,165
Other liabilities	<u>4,974</u>	<u>5,246</u>	<u>6,749</u>
Total liabilities	19,755	19,070	18,914
Deferred inflows of resources	49	383	139
Net position:			
Net investment in capital assets	10,088	9,868	9,396
Restricted	1,433	1,433	1,433
Unrestricted	<u>4,343</u>	<u>3,030</u>	<u>2,938</u>
Total net position	<u>15,864</u>	<u>14,331</u>	<u>13,767</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 35,668</u>	<u>\$ 33,784</u>	<u>\$ 32,820</u>

Statements of Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 9,102	\$ 8,458	\$ 7,998
Operating expenses	<u>(6,800)</u>	<u>(6,438)</u>	<u>(5,998)</u>
Operating income	2,302	2,020	2,000
Nonoperating revenues (expenses)			
Other revenues	-	57	84
Other expenses	<u>(463)</u>	<u>(456)</u>	<u>(405)</u>
Total nonoperating (expenses), net	<u>(463)</u>	<u>(399)</u>	<u>(321)</u>
Net income before capital contributions and payments to City of Burlington	1,839	1,621	1,679
Capital contributions	159	106	-
Payments in lieu of taxes	(465)	(1,201)	(1,178)
Other payments from/(to) the City	<u>-</u>	<u>38</u>	<u>(5)</u>
Change in net position	1,533	564	496
Beginning net position, as restated	<u>14,331</u>	<u>13,767</u>	<u>13,271</u>
Ending net position	<u>\$ 15,864</u>	<u>\$ 14,331</u>	<u>\$ 13,767</u>

Capital Assets:

Capital Assets – Net capital assets increased by \$712,837 in the current year, after depreciation of \$1,201,860.

Significant capital asset events in the current year related to construction in progress totaling \$789K relating to the continuation of the City’s largest collection system (sewer pipe) renewal project which will continue through beginning of FY25, \$2.066M disinfection upgrade and improvement, and \$946K for the upgrade of the Flynn and Fletcher Pump Stations.

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 \$13,200,706, an increase of \$459,029 from the prior year, all of which was backed by the full faith and credit of the City of Burlington, Vermont. This is due to the substantial completion of construction for the Fletcher Pump Station upgrade and Flynn Avenue Pump Station upgrade projects.

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 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 and 54 rebates awarded for the filming of sewer laterals or installing a WaterSense certified plumbing fixture.

Replacement of the force main for the Flynn Pump Station was completed, which will result in a higher final total long term debt payment for the EPA '23 series. A significant collection system project (\$2.611M) continued into FY23, with completion anticipated in early FY25.

As discussed in FY22, 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. Final design is nearing completion for "Stage 0" improvements that will leverage the Fund's remaining bonding authority to construct improvements starting in calendar year 2024 (estimated to be approximately \$13M total project cost). Meanwhile, preliminary engineering for "Stage 1" and "Stage 2" is scheduled for completion in late FY24, in anticipation of a bond vote for those and other related wastewater and combined sewer improvements that must occur in the near term. Stage 1 includes the implementation of additional treatment (tertiary treatment) for increased phosphorus removal at the Main Wastewater Treatment Plant. 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.

To meet revenue requirements for FY24, rates for FY24 increased by 5.00% for both 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 continued addition of staff resources (part of a plan to address understaffing within the Division in advance of the anticipated capital investment) and various inflationary cost increases. The rate increases 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 is 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

	2023	2022
Assets and Deferred Outflows of Resources		
Assets:		
Current:		
Cash and short-term investments	\$ 4,351,075	\$ 2,886,679
Escrow	22,400	194,167
Receivables, net of allowance for uncollectibles:		
User fees	1,788,186	1,704,228
Intergovernmental	1,410,308	1,831,280
Inventory	202,509	155,398
Prepaid expenses	675	122
Total current assets	7,775,153	6,771,874
Noncurrent:		
Restricted cash	1,433,365	1,433,365
Capital assets:		
Land and construction in progress	3,923,822	6,992,411
Capital assets, net of accumulated depreciation	22,155,518	18,374,092
Total noncurrent assets	27,512,705	26,799,868
Total Assets	35,287,858	33,571,742
Deferred Outflows of Resources:		
Pension related:		
Changes in proportional share of contributions	9,158	20,791
Change in assumptions	34,646	37,214
Difference between expected and actual experience	24,000	19,324
Difference between projected and actual investment earnings	176,124	-
Deferred current year pension contributions	111,875	101,392
OPEB related:		
Change in proportional share of contributions	12,660	16,822
Change in assumptions	11,577	16,285
Difference between expected and actual experience	371	778
Total Deferred Outflows of Resources	380,411	212,606
Total Assets and Deferred Outflows of Resources	\$ 35,668,269	\$ 33,784,348

(continued)

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

(continued)

	2023	2022
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities:		
Current:		
Accounts payable	\$ 618,990	\$ 659,077
Accrued payroll	24,516	15,320
State revolving loans payable	4,330,798	4,571,317
Current portion of long-term liabilities:		
Bond and loans	1,127,163	1,054,457
Equipment note payable	49,206	47,141
Compensated absences	138,195	143,654
Total current liabilities	6,288,868	6,490,966
Noncurrent:		
Bond and loans, net of current portion	12,073,543	11,687,220
Equipment note payable, net of current portion	130,803	174,734
Net pension liability	1,164,406	622,663
Total OPEB liability	97,891	94,264
Total noncurrent liabilities	13,466,643	12,578,881
Total Liabilities	19,755,511	19,069,847
Deferred Inflows of Resources:		
Pension related:		
Change in proportional share of contributions	11,584	42,566
Difference between projected and actual investment earnings	-	299,126
OPEB related:		
Change in assumptions	12,005	13,944
Difference between expected and actual experience	25,168	27,836
Total Deferred Inflows of Resources	48,757	383,472
Net Position:		
Net investment in capital assets	10,087,367	9,867,576
Restricted for contingencies	1,433,365	1,433,365
Unrestricted	4,343,269	3,030,088
Total Net Position	15,864,001	14,331,029
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 35,668,269	\$ 33,784,348

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

	2023	2022
Operating Revenues		
Charges for services	\$ 9,102,060	\$ 8,458,113
Operating Expenses		
Personnel	1,811,815	1,619,228
Non-personnel	3,786,505	3,610,658
Depreciation	1,201,859	1,208,164
Total Operating Expenses	6,800,179	6,438,050
Operating Income	2,301,881	2,020,063
Nonoperating Revenues/(Expenses)		
Intergovernmental	16,769	15,060
Interest income	58,124	1,433
Interest expense	(462,519)	(455,600)
Other income /(expenses)	(75,216)	40,082
Total Nonoperating Revenues/(Expenses), net	(462,842)	(399,025)
Net income before contributions and other items	1,839,039	1,621,038
Capital contributions	158,703	106,546
Payments in lieu of taxes to the City of Burlington	(464,770)	(1,201,208)
Other payments from the City of Burlington	-	37,638
Change in Net Position	1,532,972	564,014
Net Position, Beginning of Year, as restated	14,331,029	13,767,015
Net Position, End of Year	\$ 15,864,001	\$ 14,331,029

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

	2023	2022
Cash Flows from Operating Activities		
Receipts from users and customers	\$ 9,018,102	\$ 8,371,729
Payments for wages and benefits	(1,765,228)	(1,591,892)
Payments to suppliers	(3,874,256)	(3,804,280)
Other revenues	-	40,083
Other expenses	(75,215)	-
Net cash provided by operating activities	3,303,403	3,015,640
Cash Flows from Noncapital Financing Activities		
Intergovernmental revenues	16,769	15,060
Payment in lieu of taxes	(464,770)	(1,201,208)
Reimbursement from the City of Burlington	-	37,638
Net cash used by noncapital financing activities	(448,001)	(1,148,510)
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(1,914,697)	(2,141,737)
Capital contributions	158,703	-
Release of escrow	171,767	-
Proceeds of short term state revolving loans	1,758,903	1,843,530
Principal payments on state revolving loans	(1,119,421)	(1,052,029)
Principal paid on equipment financing notes	(41,866)	(46,659)
Interest paid on outstanding debt	(462,519)	(455,600)
Net cash used by capital and related financing activities	(1,449,130)	(1,852,495)
Cash Flows from Investing Activities		
Interest income	58,124	1,433
Net cash provided by investing activities	58,124	1,433
Net change in cash	1,464,396	16,068
Cash and short-term investments, beginning of year	4,320,044	4,303,976
Cash and short-term investments, end of year	\$ 5,784,440	\$ 4,320,044
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 2,301,881	\$ 2,020,063
Adjustments to reconcile operating income to net cash provided from operating activities:		
Depreciation	1,201,859	1,208,164
Other revenues (expenses)	(75,215)	40,083
Changes in assets, liabilities, and deferred outflows/inflows:		
Accounts receivable	(83,958)	(86,383)
Inventory	(47,111)	(31,081)
Prepaid expenses	(553)	228
Deferred outflows related to pensions	(177,082)	141,773
Deferred outflows related to OPEB	9,277	6,420
Accounts payable	(40,087)	(162,770)
Accrued payroll	9,196	(22,725)
Accrued compensated absences	(5,459)	20,125
Net pension liability	541,743	(339,123)
Total OPEB liability	3,627	(23,396)
Deferred inflows related to pensions	(330,108)	215,921
Deferred inflows related to OPEB	(4,607)	28,341
Net cash provided by operating activities	\$ 3,303,403	\$ 3,015,640
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
June 30, 2023 and 2022

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>2023</u>	<u>2022</u>
Billed user fees	\$ 1,154,398	\$ 1,067,891
Unbilled at year end	636,788	639,337
Less: allowance for doubtful accounts	<u>(3,000)</u>	<u>(3,000)</u>
Net user fees receivable	<u>\$ 1,788,186</u>	<u>\$ 1,704,228</u>

4. INTERGOVERNMENTAL RECEIVABLE

The June 30, 2023 and June 30, 2022 balances represent reimbursements requested from under the following State Revolving Loans for expenses incurred in fiscal year 2023 and fiscal year 2022, respectively.

<u>Description</u>	<u>Balance at</u> <u>6/30/23</u>	<u>Balance at</u> <u>6/30/22</u>
SRL RF1-187	\$ 734,138	\$ 472,682
SRL RF1-246	-	71,317
SRL RF1-247	265,392	-
SRL RF1-248	96,705	1,002,104
SRL RF1-249	-	40,471
SRL RF1-268	-	94,284
SRL RF1-279	54,375	120,025
SRL RF1-315	54,372	30,397
SRL RF1-331	182,047	-
SRL RF1-332	23,279	-
	<u>\$ 1,410,308</u>	<u>\$ 1,831,280</u>

5. INVENTORY

Inventory at June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Fuel stock	\$ 27,485	\$ 21,500
Chemicals	137,680	92,228
Miscellaneous	<u>37,344</u>	<u>41,670</u>
Total	<u>\$ 202,509</u>	<u>\$ 155,398</u>

6. CAPITAL ASSETS

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

	<u>2023</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 847,952	\$ -	\$ -	\$ 847,952
Construction in progress	<u>6,144,459</u>	<u>1,497,260</u>	<u>(4,565,849)</u>	<u>3,075,870</u>
Total capital assets, not being depreciated	6,992,411	1,497,260	(4,565,849)	3,923,822
Capital assets, being depreciated:				
Land improvements	29,919,035	-	-	29,919,035
Buildings and building improvements	160,027	194,658	-	354,685
Vehicles, machinery, equipment and furniture	12,408,001	952,139	(183,506)	13,176,634
Distribution and collection systems	<u>18,410,510</u>	<u>3,867,518</u>	<u>(292,263)</u>	<u>21,985,765</u>
Total capital assets, being depreciated	60,897,573	5,014,315	(475,769)	65,436,119
Less accumulated depreciation for:				
Land improvements	(20,688,708)	(732,302)	-	(21,421,010)
Buildings and building improvements	(38,737)	(6,401)	-	(45,138)
Vehicles, machinery, equipment and furniture	(11,733,784)	(97,269)	182,532	(11,648,521)
Distribution and collection systems	<u>(10,062,252)</u>	<u>(365,888)</u>	<u>262,208</u>	<u>(10,165,932)</u>
Totals	<u>(42,523,481)</u>	<u>(1,201,860)</u>	<u>444,740</u>	<u>(43,280,601)</u>
Total capital assets, being depreciated	<u>18,374,092</u>	<u>3,812,455</u>	<u>(31,029)</u>	<u>22,155,518</u>
Capital assets, net	<u>\$ 25,366,503</u>	<u>\$ 5,309,715</u>	<u>\$ (4,596,878)</u>	<u>\$ 26,079,340</u>

	2022			Ending Balance
	Beginning Balance	Increases	Decreases	
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

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>	Series		Balance at			Balance at
	<u>Maturities Through</u>	<u>Interest Rate</u>	<u>7/1/22</u>	<u>Additions</u>	<u>Finalized</u>	
SRL RF1-187	8/1/2035	0.00%	\$ 972,285	\$ 734,138	\$ -	\$ 1,706,423
SRL RF1-196	8/1/2038	0.00%	1,064,521	-	-	1,064,521
SRL RF1-247	8/1/2028	0.00%	390,358	265,392	-	655,750
SRL RF1-254	1/1/2034	0.00%	149,358	-	-	149,358
SRL RF1-248	3/1/2041	0.00%	1,554,122	24,328	(1,578,450)	-
SRL RF1-268	5/1/2035	0.00%	236,488	-	-	236,488
SRL RF1-279	5/1/2035	0.00%	173,788	54,375	-	228,163
SRL RF1-315	6/1/2036	0.00%	30,397	54,372	-	84,769
SRL RF1-331	5/1/2042	0.00%	-	182,047	-	182,047
SRL RF1-332	5/1/2042	0.00%	-	23,279	-	23,279
			<u>\$ 4,571,317</u>	<u>\$ 1,337,931</u>	<u>\$ (1,578,450)</u>	<u>\$ 4,330,798</u>

<u>Description</u>			Balance at			Balance at
			<u>7/1/21</u>	<u>Additions</u>	<u>Finalized</u>	
SRL RF1-187	8/1/2035	0.00%	\$ 499,603	\$ 472,682	\$ -	\$ 972,285
SRL RF1-196	8/1/2038	0.00%	1,064,521	-	-	1,064,521
SRL RF1-247	8/1/2028	0.00%	390,358	-	-	390,358
SRL RF1-254	1/1/2034	0.00%	149,358	-	-	149,358
SRL RF1-246	7/1/2040	0.00%	2,456,593	71,317	(2,527,910)	-
SRL RF1-248	3/1/2041	0.00%	547,592	1,006,530	-	1,554,122
SRL RF1-249	8/1/2040	0.00%	349,592	40,471	(390,063)	-
SRL RF1-268	5/1/2035	0.00%	142,204	94,284	-	236,488
SRL RF1-279	5/1/2035	0.00%	53,763	120,025	-	173,788
SRL RF1-315	6/1/2036	0.00%	-	30,397	-	30,397
			<u>\$ 5,653,584</u>	<u>\$ 1,835,706</u>	<u>\$ (2,917,973)</u>	<u>\$ 4,571,317</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 6/30/23</u>
State of VT-EPA '06 Series 1 (Siphon)	\$ 1,650,000	2/1/2027	0.00%	\$ 413,212
State of VT-EPA '09 Series I (Turbo)	120,000	10/1/2031	0.00%	31,293
State of VT-EPA '01 Series 1 (Digester)	2,500,000	8/1/2027	0.00%	526,879
VT Municipal Bond Bank '14 Series 1	14,645,620	11/15/2033	0.643-4.723%	8,055,091
State of VT-EPA '20 Series (Main WW SCADA)	390,063	6/1/2041	0.00%	356,260
State of VT-EPA (Disinfection Systems)	2,622,466	4/1/2041	0.00%	2,304,488
State of VT-EPA '23 Series (Flynn PS and Fletcher PS)	1,578,450	6/1/2042	0.00%	1,513,483
Total				\$ 13,200,706

<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 (Main WW SCADA)	390,063	6/1/2041	0.00%	372,571
State of VT-EPA (Disinfection Systems)	2,622,466	4/1/2041	0.00%	2,410,002
Total				\$ 12,741,677

Maturities for revenue bond and state revolving fund loans were as follows at June 30, 2023:

<u>Fiscal Year</u>	<u>Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,127,163	\$ 415,285
2025	1,135,061	383,028
2026	1,143,117	349,409
2027	1,151,334	314,645
2028	1,051,195	278,953
2029 - 2033	4,772,525	859,814
2034 - 2038	1,940,918	178,709
2039 - 2043	879,393	39,169
	\$ 13,200,706	\$ 2,819,012

Equipment Notes (Direct Borrowing): The Fund has bank notes outstanding for the purchase of various vehicles and equipment that are on a replacement schedule. There were no vehicle replacements for Wastewater in FY23 and there was a reduction, resulting in an overall lower outstanding balance.

Maturities for equipment note were as follows at June 30, 2023:

Fiscal Year	Principal	Interest
2024	\$ 49,206	\$ 2,258
2025	42,996	1,229
2026	28,984	757
2027	29,967	484
2028	28,856	216
	<u>\$ 180,009</u>	<u>\$ 4,944</u>

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

	2023						
	Total				Total	Less	Equals
	Balance 7/1/2022	Additions	Reductions	6/30/2023	Current Portion	Long-Term Portion	
Direct borrowing bond and loans	\$ 12,741,677	\$ 1,578,450	\$ (1,119,421)	\$ 13,200,706	\$ (1,127,163)	\$ 12,073,543	
Direct borrowing equipment note payable	221,875	-	(41,866)	180,009	(49,206)	130,803	
Net pension liability	622,663	541,743	-	1,164,406	-	1,164,406	
Total OPEB liability	94,264	3,627	-	97,891	-	97,891	
Compensated absences	143,654	-	(5,459)	138,195	(138,195)	-	
Total	<u>\$ 13,824,133</u>	<u>\$ 2,123,820</u>	<u>\$ (1,166,746)</u>	<u>\$ 14,781,207</u>	<u>\$ (1,314,564)</u>	<u>\$ 13,466,643</u>	

	2022						
	Total				Total	Less	Equals
	Balance 7/1/2021	Additions	Reductions	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>	

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, 2023 and 2022, 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, 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 portion was 1.00% and 1.01%, 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 \$101,392 and \$92,190, for the fiscal years ended June 30, 2023 and 2022, 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 4.87% and 5.34% of the employee's base pay for fiscal year 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 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, 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%	7.10%

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 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, 2023	\$ 1,498,924	\$ 1,164,406	\$ 878,444
June 30, 2022	\$ 943,781	\$ 622,663	\$ 348,028

Deferred Outflows and (Inflows) of Resources: The Fund recognized pension expense of \$146,428 and \$119,963 for the fiscal years ending June 30, 2023 and 2022, 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:

Amortization year:	As of June 30, 2023	As of June 30, 2022
2023	\$ -	\$ (55,909)
2024	75,641	(43,606)
2025	46,783	(72,617)
2026	9,139	(92,231)
2027	100,781	-
	<u>\$ 232,344</u>	<u>\$ (264,363)</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 5.52% and 5.20% of the monthly premium cost for year ending June 30, 2023 and 2022, respectively, 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 2029 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 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, 2023 and 2022.

Total OPEB Liability: The Fund’s OPEB liability as of June 30, 2023 and 2022 was determined by an actuarial valuation as of July 1, 2021.

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>
2023 Total OPEB liability	\$110,929	\$97,891	\$86,961
2022 Total OPEB liability	\$106,956	\$94,264	\$83,647

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>
2023 Total OPEB liability	\$88,729	\$97,891	\$109,354
2022 Total OPEB liability	\$85,825	\$94,264	\$104,485

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 \$3,887 and \$15,591, 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>2023</u>	<u>2022</u>
General Fund:			
Public Work's Department	Administrative costs for wastewater division operations	\$ 71,746	\$ 74,176
Public Works Department	Facility charges	8,674	8,798
Public Works Department	Equipment maintenance	73,000	87,850
Public Works Department	Excavation fees	26,000	26,000
Clerk/Treasurer's Office	Payment in lieu of taxes (PILOT) ⁽¹⁾	464,770	1,201,208
Clerk/Treasurer's Office	Administration and risk management fees, approved via budget process	328,786	274,465
City Attorney	Legal fees	22,647	17,207
Stormwater	Stormwater usage	10,855	10,477
Burlington Electric Department	Electricity usage	<u>481,812</u>	<u>447,990</u>
Total related party transactions		\$ <u>1,488,290</u>	\$ <u>2,148,171</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 2023 or 2022.

17. PRIOR PERIOD RESTATEMENT

The Fund restated July 1, 2022 and 2021 beginning net position in order to account for \$652,268 of noncapital debt which was previously reported in Stormwater Fund.

18. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 26, 2024, which is the date the financial statements were available to be issued.

**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, 2023	June 30, 2022	1.00%	\$1,164,406	\$ 866,726	134.35%	64.28%
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, 2023	\$ 101,392	\$ 101,392	\$ -	\$ 1,007,751	10.06%
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%

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 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, 2023	June 30, 2023	1.73%	\$ 97,891	\$ 801,559	12.21%
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 displayed as they become available.

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

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