CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

Financial Statements and
Required Supplementary Information

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

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KPMG LLP
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Independent Auditors' Report

The Board of Electric Commissioners
City of Burlington, Vermont:

We have audited the accompanying financial statements of proprietary activity and fiduciary activity of the City of Burlington, Vermont Electric Department (the Department), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary activity and fiduciary activity for the Department as of June 30, 2021 and 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the proprietary activities and aggregate remaining fund information of the City of Burlington, Vermont that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City of Burlington, Vermont as of June 30, 2021 and 2020, the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

As discussed in note 1(t), effective July 1, 2019, the Department adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter

Other Matter – Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-10 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 audits 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.

KPMG LLP

Burlington, Vermont
October 28, 2021

This section of the City of Burlington, Vermont Electric Department's ("the Department") annual financial report presents a discussion and analysis of the Department's financial performance during the fiscal years ended June 30, 2021 and 2020. Please read it in conjunction with the Department's financial statements, which follow this section.

Overview of the Financial Statements

The financial section of this report consists of three parts: management's discussion and analysis (this section), the financial statements, which provide both long-term and short-term information about the Department's overall financial status, and the notes to the financial statements, which explain some of the information in the financial statements and provide more detailed data.

The Department's financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental proprietary (enterprise) and fiduciary (custodial) funds and employ the economic resources measurement focus and the accrual basis of accounting. The Department follows GAAP for external financial reporting and is subject, as to rates, accounting, and other matters, to the regulatory authority of the State of Vermont Public Utilities Commission (PUC) and the Federal Energy Regulatory Commission (FERC). In accordance with FASB ASC Topic 980, *Regulated Operations*, the Department records certain assets and liabilities in accordance with the economic effects of the rate-making process.

Unless otherwise noted, the remainder of management's discussion and analysis will focus on the Department's proprietary (enterprise) activities.

Financial Highlights

June 30, 2021

- Operating loss was $454,616, a decrease of $526,787 or 54% from the operating loss in 2020.
- Sales to Customers were $44,822,599, an increase of $122,127 or 0.27% from 2020.
- Other Revenues (primarily sales of renewable energy credits) were $11,291,909, an increase of $259,471 or 2% above 2020.
- Total operating expenses were $56,482,064, a decrease of $86,085 or 0.15% from 2020.
- Total net position was $60,750,141, a decrease of $43,072 or 0.071% below 2020.
- Total capital assets (net of depreciation) were $93,849,232, a decrease of $741,776 or 0.01% below 2020.
- The McNeil Generating Station capacity factor for fiscal year 2021 was 62% compared to 55% in 2020, supplying 135,169 MWH and 119,665 MWH, respectively, of energy production to the Department.

June 30, 2020

- Operating loss was $(981,403), an increase of $1,358,240 or 58% above 2019.
- Sales to Customers were $44,700,472, a decrease of $2,234,078 or 5% below 2019.
- Other Revenues (primarily sales of renewable energy credits) were $11,032,438, an increase of $212,407 or 2% above 2019.

- Total operating expenses were $56,568,149, a decrease of $3,334,051 or 6% below 2019.
- Total net position was $60,793,213, a decrease of $971,710 or 2% below 2019.
- Total capital assets (net of depreciation) were $94,591,008, a decrease of $1,141,316 or 1% below 2019.
- The McNeil Generating Station capacity factor for fiscal year 2020 was 55% compared to 49% in 2019, supplying 119,665 MWH and 106,488 MWH, respectively, of energy production to the Department.

Financial Analysis of the Department

Net Position

The following summarizes the Department's overall financial position as of June 30, 2021, 2020 and 2019:

	2021	2020	2019	Percentage change 2020–2021	Percentage change 2019–2020	
Current assets – unrestricted	$ 24,372,837	25,209,316	24,218,168	(3.3)%	4.1 %	(A)
Restricted assets	5,681,559	5,849,418	6,999,287	(2.9)	(16.4)	(B)
Capital assets, net	93,849,232	94,591,008	95,732,324	(0.8)	(1.2)	(C)
Other noncurrent assets	36,282,738	35,300,371	36,305,263	2.8	(2.8)	(D)
Total assets	$ 160,186,366	160,950,113	163,255,042	(0.5)%	(1.4)%	
Deferred outflows of resources	$ 4,065,163	2,952,322	3,255,410	37.7 %	(9.3)%	(E)
Current liabilities	$ 9,687,818	9,389,148	10,438,437	3.2 %	(10.1)%	(F)
Current liabilities payable from restricted assets	407,594	438,438	467,772	(7.0)	(6.3)	
Other noncurrent liabilities	1,460,187	1,413,318	1,152,984	3.3	22.6	
Net OPEB liability	1,054,323	1,000,516	1,251,810	5.4	(20.1)	
Net pension liability	17,414,582	15,004,757	13,727,447	16.1	9.3	(E)
Long-term debt, net	66,921,910	69,399,185	71,033,445	(3.6)	(2.3)	(G)
Total liabilities	$ 96,946,414	96,645,362	98,071,895	0.3 %	(1.5)%	
Deferred inflows of resources	$ 6,554,974	6,463,860	6,673,634	1.4 %	(3.1)%	
Net position:						
Net invested in capital assets	$ 39,742,036	39,652,482	41,739,069	0.2 %	(5.0)%	
Restricted	5,273,965	5,410,980	6,531,515	(2.5)	(17.2)	
Unrestricted	15,734,140	15,729,751	13,494,339	—	16.6	
Total net position	$ 60,750,141	60,793,213	61,764,923	(0.1)%	(1.6)%	(H)

(A) Current assets (unrestricted) at June 30, 2021 were $24,372,837, a decrease of $836,479 compared to June 30, 2020 primarily due to an decrease in cash resulting from decreased customer receipts and capital contributions in FY2021 due largely to the COVID-19 pandemic (COVID-19). Current assets (unrestricted) at June 30, 2020 were $25,209,316, an increase of $991,148 compared to June 30, 2019 primarily due to an increase in cash resulting from decreased capital expenditures in FY2020 due in part to COVID-19.

(B) Restricted assets at June 30, 2021 were $5,681,559, a decrease of $167,859 compared to June 30, 2020 due to a decrease in deposits with bond trustees due to withdrawals from the Renewal & Replacement Fund. Restricted assets at June 30, 2020 were $5,849,418, a decrease of $1,149,869 compared to June 30, 2019 due to withdrawals from the renewal and replacement fund.

(C) Net capital assets at June 30, 2021 were $93,849,232, a decrease of $741,776 compared to June 30, 2020 due to capital additions offset by depreciation expense and disposals. Net capital assets at June 30, 2020 were $94,591,008, a decrease of $1,141,316 compared to June 30, 2019 due to capital additions offset by depreciation expense and disposals.

(D) Other noncurrent assets at June 30, 2021 were $36,282,738, an increase of $982,367 compared to June 30, 2020 due primarily to an increase in equity interests in associated companies Vermont Electric Power Company, Inc. ("VELCO") and Vermont Transco LLC ("Transco").

Other noncurrent assets at June 30, 2020 were $35,300,371, a decrease of $1,004,892 compared to June 30, 2019 due primarily to a reduction in equity interests in associated companies VELCO and Transco.

The Department records the difference between certain bond sinking fund requirements and the straight-line depreciation of the assets financed as deferred depreciation expense. This deferred depreciation is accumulated and reported in other noncurrent assets. In 2021, the balance of deferred depreciation was $1,370,699 after amortization of $105,438. In 2020, the balance of deferred depreciation was $1,476,137 after amortization of $105,438.

(E) Deferred outflows at June 30, 2021 were $4,065,163, an increase of $1,112,841 compared to June 30, 2020 due to an increase in the deferred pension contribution caused by an increase in payment after the measurement date, increases in the difference between the projected and actual pension plan experience, and increases in the difference between actual and projected investment earnings offset by changes in assumptions related to inflation, salary increases, and the discount rate. Deferred outflows at June 30, 2020 were $2,952,322, a decrease of $303,088 compared to June 30, 2019 due to a decrease in payment after the measurement date, decreases in the difference between the projected and actual pension plan experience, and changes in assumptions related to inflation, salary increases, and the discount rate offset by the difference between actual and projected investment earnings.

The net pension liability at June 30, 2021 was $17,414,582, an increase of $2,409,825 compared to 2020 due to pension expense, increases in the difference between the projected and actual plan experience, investment earnings, and changes in assumptions related to inflation and salary increases, offset by pension contributions. See note 8 – Retirement Benefits.

The net pension liability at June 30, 2020 was $15,004,757, an increase of $1,277,310 compared to 2019 due to pension expense, increases in the difference between the projected and actual plan experience, investment earnings, and changes in assumptions related to inflation and salary increases, offset by pension contributions. See note 8 – Retirement Benefits.

(Continued)

(F) Current liabilities at June 30, 2021 were $9,687,818, an increase of $298,670 compared to June 30, 2020 due primarily to increases in current maturities of debt, accounts payable, and other current liabilities. Current liabilities at June 30, 2020 were $9,389,148, a decrease of $1,049,289 compared to June 30, 2019 due to an increase in current maturities of debt and an increase in accounts payable.

(G) Long-term debt, net at June 30, 2021 was $66,921,910, a decrease of $2,477,275 compared to June 30, 2020 in accordance with current maturities schedules. Long-term debt, net at June 30, 2020 was $69,399,185, a decrease of $1,634,260 compared to June 30, 2019 in accordance with current maturities schedules offset by new issuances of $11,130,000.

(H) Net position at June 30, 2021 was $60,750,141, a decrease of $43,072 compared to June 30, 2020 primarily due to a reduced operating loss offset by increased other income. Operating revenues increased by $440,702, while operating expenses decreased by $86,085. The Department also experienced an increase in grant revenue, driven primarily by relief programs related to the COVID-19 pandemic. Net position at June 30, 2020 was $60,793,213, a decrease of $971,710 compared to June 30, 2019 primarily due to less operating revenues in 2020 driven by the COVID-19 pandemic.

Changes in Net Position

A summary of changes in net position for the fiscal years ended June 30, 2021, 2020 and 2019 follows:

	2021	2020	2019	Percentage change 2020–2021	Percentage change 2019–2020	
Operating revenues:						
Sales to ultimate customers	$ 44,822,599	44,700,472	46,934,550	0.3 %	(4.8)%	(A)
Other revenues	11,291,909	11,032,438	10,820,031	2.4	2.0	(B)
Less provision for uncollectible accounts	(87,060)	(146,164)	(192,024)	(40.4)	(23.9)	
Total operating revenues, net	56,027,448	55,586,746	57,562,557	0.8	(3.4)	
Operating expenses:						
Production	10,891,484	9,954,532	11,058,539	9.4 %	(10.0)%	(C)
Purchased power	14,762,501	16,859,364	19,123,119	(12.4)	(11.8)	(D)
Other power supply expenses	1,420,639	1,398,112	1,226,502	1.6	14.0	(D)
Transmission	8,049,248	7,903,348	8,304,310	1.8	(4.8)	(D)
Distribution	3,501,169	3,568,667	3,516,117	(1.9)	1.5	(E)
Customer accounting and service	5,810,675	5,392,829	4,724,669	7.7	14.1	(F)
Administration and general	5,714,889	5,364,728	5,491,088	6.5	(2.3)	(G)
Depreciation and amortization	5,330,061	5,142,237	5,473,723	3.7	(6.1)	(H)
Taxes	1,001,398	984,332	984,133	1.7	—	
Total operating expenses	56,482,064	56,568,149	59,902,200	(0.2)	(5.6)	
Operating (loss) income	(454,616)	(981,403)	(2,339,643)	(53.7)%	(58.1)%	

(Continued)

	2021	2020	2019	Percentage change 2020–2021	Percentage change 2019–2020	
Other income (expense):						
Dividend income	$ 4,326,608	4,268,944	4,282,667	1.4 %	(0.3)%	(I)
Interest income	82,765	221,362	219,497	(62.6)	0.8	
Gain (loss) on sale of capital assets	(248,260)	(289,526)	1,274,924	(14.3)	(122.7)	(J)
Grants and other income	754,406	24,164	174,252	3,022.0	(86.1)	
Total other income	4,915,519	4,224,944	5,951,340	16.3	(29.0)	
Total finance charges	(2,455,482)	(2,581,344)	(2,817,045)	(4.9)	(8.4)	
Income before transfers and capital contributions	2,005,421	662,197	794,652	202.8	(16.7)	
Transfers to the City for payment:						
In lieu of taxes	(2,696,171)	(2,602,202)	(2,469,340)	3.6	5.4	
Income (loss) before capital contributions	(690,750)	(1,940,005)	(1,674,688)	(64.4)	15.8	
Capital contributions	647,678	968,295	316,820	(33.1)	205.6	
Change in net position	(43,072)	(971,710)	(1,357,868)	(95.6)	(28.4)	
Net position at beginning of year	60,793,213	61,764,923	63,122,791	(1.6)	(2.2)	
Net position at end of year	$ 60,750,141	60,793,213	61,764,923	(0.1)%	(1.6)%	

(A) Sales to ultimate customers in 2021 of $44,822,599 increased by $122,127 compared to 2020. 2021 reflected slightly greater usage compared to 2020 and had no changes in rates. The usage in 2021 continued to be affected by the COVID-19 pandemic. The Department experienced a decrease in commercial sales, partially offset by increased residential sales during the pandemic period of March 2020 through June 2021.

(B) Other operating revenues for 2021 of $11,291,909 increased by $259,471 compared to 2020, due to an increase in the quantity and average price of Renewable Energy Credits (“RECs”). Other operating revenues for 2020 of $11,032,438 increased by $212,407 compared to 2019, due to increased EEU Program Cost Reimbursements and an increase in the quantity and average price of Renewable Energy Credits (“RECs”). This is partially offset by a decrease in transmission revenue due to the sale of the Highgate asset.

(C) Production expense for 2021 of $10,891,484 increased by $936,952 compared to 2020, due to increased operations and maintenance expense at the McNeil Generating Station and the Gas Turbine driven in part by increased generation. Production expense for 2020 of $9,954,532, decreased by $1,104,007 compared to 2019, largely due to the major turbine overhaul maintenance expense on the McNeil Generating Station in 2019.

(Continued)

(D) Purchased power costs for 2021 of $14,762,501, decreased by $2,096,863 compared to 2020. Significant drivers included reduced Independent System Operator-New England (“ISO-NE”) capacity prices, reduced price and energy deliveries associated with the Hancock Wind contract, and increased sales of excess energy to ISO-NE, offset by the cost associated with an increased volume of energy from Hydro Quebec.

Purchased power costs for 2020 of $16,859,364 decreased by $2,263,755 compared to 2019 due primarily to reduction in both price and volume, associated with the Vermont Wind contract and sales of excess energy from all resources to ISO-NE.

Other power supply expenses are based on ISO-NE administration charges for each of the comparative periods.

Transmission costs for 2021 of $8,049,248 increased by $145,900 compared to 2020 primarily due to increased ISO-NE transmission rates for Regional Network Service, partially offset by decreased VELCO transmission charges. Transmission costs for 2020 of $7,903,348 decreased by $400,962 compared to 2019 primarily due to lower ISO-NE transmission costs for Regional Network Service driven by monthly peak loads that decreased from the prior year.

(E) Distribution expense for 2021 of $3,501,169 was in line with 2020. The Department experienced an increase in labor and overheads related to less time spent on capital work due to COVID-19 and obtained approval from the PUC to record a regulatory asset of $146,721 to offset the income statement impact. Distribution expense for 2020 of $3,568,667 was in line with 2019. The Department experienced an increase in labor and overheads related to less time spent on capital work due to COVID-19 and obtained approval from the PUC to record a regulatory asset of $231,768 to offset the income statement impact.

(F) Customer accounting, service and sales expense for 2021 of $5,810,675 increased by $417,846 compared to 2020 due primarily to higher costs associated with Vermont Renewable Energy Standard (“RES”) Tier 3 strategic electrification programs. Customer accounting, service and sales expense for 2020 of $5,392,829 increased by $668,160 compared to 2019 due to higher costs associated with billable energy efficiency and demand-side management programs.

(G) Administrative and general expense for 2021 of $5,714,889 increased by $350,161 compared to 2020 due to an increase in salaries, pension and benefit, and property insurance costs offset by decreased outside services expenses. Administrative and general expenses for 2020 of $5,364,728, decreased by $126,360 compared to 2019 due to a decrease in pension and benefit costs.

(H) Depreciation and amortization, including deferred depreciation expense, for 2021 of $5,330,061 increased by $187,824 compared to 2020. Depreciation and amortization, including deferred depreciation expense, for 2020 of $5,142,237 decreased by $331,486 compared to 2019 due to the full amortization of Highgate Transmission Plant assets.

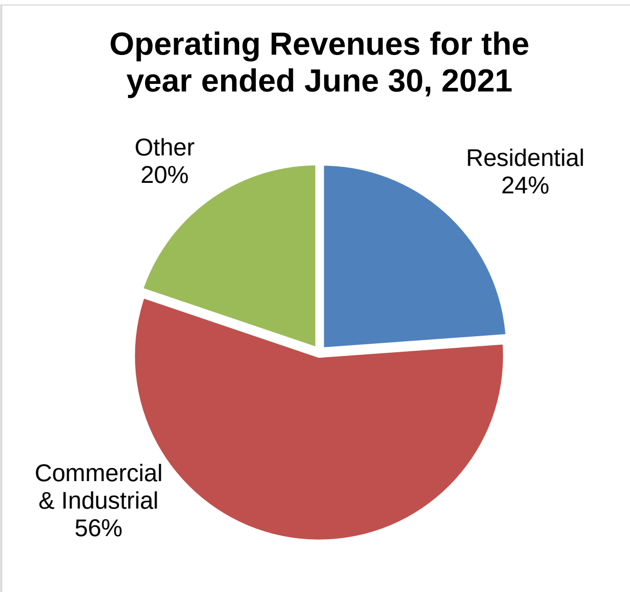
(I) Dividend income in 2021 of $4,326,608 increased by $57,664 compared to 2020 due to an addition in equity interests in associated companies, VELCO/Transco. Dividend income of $4,268,944 in 2020 decreased by $13,723 compared to 2019 due to a reduction in equity interests in associated companies VELCO/Transco.

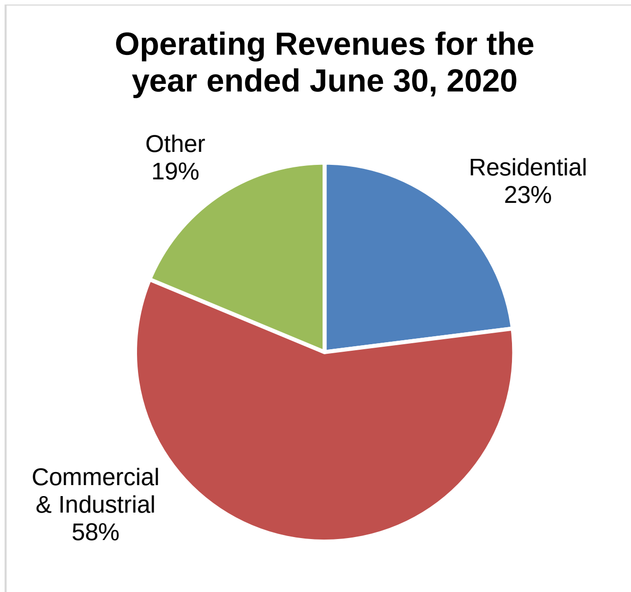
(Continued)

(J) Loss on sale of capital assets in 2021 of $248,260 was $41,266 less than in 2020. Loss on sale of capital assets in 2020 of $289,526 compared to a gain on sale of capital assets of $1,274,924 in 2019 is due to the sale of the Department's 7.7% percent ownership interest in the Highgate Transmission Plant in 2019.

Revenue

The following charts show the major sources of operating revenues for the years ended June 30, 2021 and 2020:





Long-Term Debt – Revenue and General Obligation Bonds

The following table summarizes long-term debt related to revenue and general obligation bonds for the years ended June 30, 2021, 2020 and 2019:

		2021	2020	2019
Revenue bonds, net of current installments	$	19,045,601	20,898,012	22,684,034
General obligation bonds, net of current installments		47,876,309	48,501,173	48,349,411
Total bonds, net	$	66,921,910	69,399,185	71,033,445

During the fiscal year ended June 30, 2021, the Department, through the City of Burlington, entered into a $3,000,000, Series 2020, general obligation bond anticipation note bearing interest at the fixed rate of 0.72%.

During the fiscal year ended June 30, 2020, the Department, through the City of Burlington, issued $3,000,000 in general obligation bonds, 2019 Series A, with an average coupon rate of 5.00%. These bonds were issued for use during fiscal year 2020 in accordance with the City Charter to cover annual capital improvements to the electric infrastructure of the Department. The Department, through the City of Burlington issued $8,130,000 in general obligation bonds, 2019 Series C, with an average coupon rate of 2.44%. These bonds were issued for the purpose of providing funds, together with other available funds, for the refunding of the maturities of prior bonds: Series 2011A, Series 2011B, Series 2012A, Series 2013B, and Series 2015A.

Capital Assets

The following chart summarizes capital assets and accumulated depreciation for the years ended June 30, 2021, 2020, and 2019:

		2021	2020	2019
Capital assets	$	199,431,817	195,680,462	194,294,572
Accumulated depreciation/amortization		105,582,585	101,089,454	98,562,248
Net capital assets	$	93,849,232	94,591,008	95,732,324

Capital assets are stated at historical cost and include assets related to land, production plant, transmission plant, distribution plant, general plant, and other plant. Capital assets also include the Department's ownership interest in the following jointly owned facilities:

	2021	2020	2019
McNeil Generating Station	50.0 %	50.0 %	50.0 %

During 2021, net capital assets decreased $741,776 from 2020. Net capital asset additions amounted to $3,751,355 which included improvements to production plant, distribution and system upgrades. These capital asset additions were offset by depreciation expense of $5,296,419 and retired plant assets with a net carrying value of $803,288.

During 2020, net capital assets decreased $1,141,316 from 2019. Net capital asset additions amounted to $1,385,890 which included improvements to production plant, distribution and system upgrades. These capital asset additions were offset by depreciation expense of $5,199,961 and retired plant assets with a net carrying value of $2,672,755.

Requests for Information

This financial report is intended to provide an overview of the finances of the Department for those with an interest in this organization. Questions concerning any information contained in this report may be directed to Emily Stebbins-Wheelock, Manager of Strategy & Innovation.

CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

Statements of Net Position – Proprietary (Enterprise) Fund

June 30, 2021 and 2020

Assets and Deferred Outflows of Resources		2021	2020
Capital assets, net	$	93,849,232	94,591,008
Current assets:			
Cash and cash equivalents		9,859,988	11,616,467
Restricted investments – deposits with bond trustees and accrued interest receivable		407,594	438,438
Accounts receivable, net of allowance for uncollectible accounts of $126,500 and $135,500, respectively		4,842,696	4,333,985
Unbilled revenues		2,180,335	2,106,308
Fuel and materials inventory, at average cost		5,856,513	5,725,406
Other		1,633,305	1,427,150
Total current assets		24,780,431	25,647,754
Noncurrent assets:			
Restricted investments – deposits with bond trustees		5,273,965	5,410,980
Regulatory assets		1,615,892	1,707,905
Equity interests in associated companies		34,666,846	33,592,466
Total noncurrent assets		41,556,703	40,711,351
Total assets		160,186,366	160,950,113
Deferred outflows of resources:			
Loss on advanced refunding		379,112	418,495
Deferred pension contribution		3,491,544	2,301,334
OPEB amounts		194,507	232,493
Total deferred outflows of resources		4,065,163	2,952,322

(Continued)

CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

Statements of Net Position – Proprietary (Enterprise) Fund

June 30, 2021 and 2020

Liabilities and Deferred Inflows of Resources		**2021**	**2020**
Liabilities:			
Current liabilities:			
Current installments of long-term debt:			
Revenue bonds	$	1,810,000	1,745,000
General obligation debt of the City of Burlington		3,420,000	3,290,000
Accounts payable		2,922,531	2,864,825
Other current liabilities		1,535,287	1,489,323
Liabilities payable from restricted assets – deposits with bond trustees		407,594	438,438
Total current liabilities		10,095,412	9,827,586
Noncurrent liabilities:			
Long-term debt:			
Revenue bonds		19,045,601	20,898,012
General obligation debt of the City of Burlington		47,876,309	48,501,173
Other noncurrent liabilities		1,460,187	1,413,318
Net pension liability		17,414,582	15,004,757
Other post-employment benefits		1,054,323	1,000,516
Total noncurrent liabilities		86,851,002	86,817,776
Total liabilities		96,946,414	96,645,362
Deferred inflows of resources:			
Pension amounts		1,262,401	1,232,353
OPEB amounts		434,669	476,463
Regulatory deferral		4,857,904	4,755,044
Total deferred inflows of resources		6,554,974	6,463,860
Net Position			
Net position:			
Net investment in capital assets		39,742,036	39,652,482
Restricted:			
Deposits with bond trustees		5,273,965	5,410,980
Unrestricted		15,734,140	15,729,751
Total net position	$	60,750,141	60,793,213

See accompanying notes to financial statements.

CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

Statements of Revenues, Expenses, and Changes in Net Position – Proprietary (Enterprise) Fund

Years ended June 30, 2021 and 2020

		2021	2020
Operating revenues:			
Sales to ultimate customers	$	44,822,599	44,700,472
Other revenues		11,291,909	11,032,438
		56,114,508	55,732,910
Less provision for uncollectible accounts		87,060	146,164
Total operating revenues, net		56,027,448	55,586,746
Operating expenses:			
Production		10,891,484	9,954,532
Purchased power		14,762,501	16,859,364
Other power supply expenses		1,420,639	1,398,112
Transmission		8,049,248	7,903,348
Distribution		3,501,169	3,568,667
Customer accounting, service, and sales		5,810,675	5,392,829
Administrative and general		5,714,889	5,364,728
Depreciation and amortization		5,330,061	5,142,237
Taxes		1,001,398	984,332
Total operating expenses		56,482,064	56,568,149
Operating loss		(454,616)	(981,403)
Nonoperating revenue (expenses):			
Dividends from associated companies		4,326,608	4,268,944
Interest income		82,765	221,362
Grant Income		669,905	35,198
Other income, net		84,501	(11,034)
Interest and amortization on long term debt		(2,455,482)	(2,581,344)
Loss on sale of capital assets		(248,260)	(289,526)
Total nonoperating revenue		2,460,037	1,643,600
Income before transfers and capital contributions		2,005,421	662,197
Transfers to the City of Burlington for payment in lieu of taxes		(2,696,171)	(2,602,202)
Loss before capital contributions		(690,750)	(1,940,005)
Capital contributions		647,678	968,295
Decrease in net position		(43,072)	(971,710)
Net position at beginning of year		60,793,213	61,764,923
Net position at end of year	$	60,750,141	60,793,213

See accompanying notes to financial statements.

CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

Statements of Cash Flows – Proprietary (Enterprise) Fund

Years ended June 30, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Receipts:			
From ultimate customers	$	44,156,595	44,741,249
Miscellaneous electric revenues and rent of electric property		11,384,177	10,986,119
Payments made for:			
Purchased power		(14,768,976)	(16,914,614)
Power production expense		(12,404,563)	(12,580,436)
Transmission expense		(8,049,248)	(7,903,348)
Distribution expense		(3,233,488)	(3,567,708)
Customer accounts and service expense		(5,890,004)	(5,522,005)
Administration and general expense		(4,530,782)	(4,588,793)
General taxes		(993,337)	(977,757)
Net cash provided by operating activities		5,670,374	3,672,707
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets		(4,802,903)	(4,350,467)
Less capital contributions		647,678	968,295
Proceeds from sale of capital assets		—	2,300
Costs associated with bond issuance		—	(290,700)
Principal paid on outstanding debt		(5,035,000)	(4,655,000)
Proceeds from new debt issuance		3,000,000	11,130,000
Refinanced from new debt issuance		—	(7,205,714)
Interest paid on outstanding debt		(2,691,219)	(2,827,469)
Net cash used in capital and related financing activities		(8,881,444)	(7,228,755)
Cash flows from noncapital financing activities:			
Amounts paid in lieu of taxes		(2,696,171)	(2,602,202)
Energy efficiency utility		669,905	35,198
Other income (loss)		84,501	(11,034)
Net cash used in noncapital financing activities		(1,941,765)	(2,578,038)
Cash flows from investing activities:			
Deposits with Bond Trustees		(3,116,479)	(2,674,890)
Proceeds from Deposits with Bond Trustees		3,284,338	3,686,210
Purchase of equity interest in associated companies		(1,074,380)	(569,290)
Sale of equity interest in associated companies		—	1,696,380
Interest and dividends on investments		4,302,877	4,793,861
Net cash provided by investing activities		3,396,356	6,932,271
Net (decrease) increase in cash and cash equivalents		(1,756,479)	798,185
Cash and cash equivalents at beginning of year		11,616,467	10,818,282
Cash and cash equivalents at end of year	$	9,859,988	11,616,467
Reconciliation of cash from operating activities:			
Cash flows from operating activities:			
Operating loss	$	(454,616)	(981,403)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation		4,812,008	4,723,049
Deferred depreciation expense realized in current year		208,298	145,921
Deferred projects amortization		484,410	476,910
Changes in assets and liabilities:			
Change in accounts receivable		(508,711)	104,144
Change in fuel and materials inventory		(131,107)	(381,265)
Change in unbilled revenues		(74,027)	(41,279)
Change in other deferred charges		(16,828)	(227,636)
Change in other current assets		(99,658)	(39,570)
Change in accounts payable		57,706	(1,084,903)
Change in other current liabilities		45,964	(322,007)
Change in net deferred inflow/outflow pension liability		1,250,067	1,051,674
Change in net deferred inflow/outflow OPEB liability		49,999	(11,260)
Change in other noncurrent liabilities		46,869	260,332
Net cash provided by operating activities	$	5,670,374	3,672,707

See accompanying notes to financial statements.

CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

Statements of Net Position – Fiduciary (Custodial) Fund

June 30, 2021 and 2020

		2021	2020
Assets:			
Cash	$	3,271,600	3,125,945
Accounts Receivable		314,806	245,317
Total assets		3,586,406	3,371,262
Liabilities:			
Accounts payable		267,339	428,107
Gross revenue taxes payable		6,871	6,661
Fuel taxes payable		1,133	—
Total liabilities		275,343	434,768
Net position restricted for Energy Efficiency Utility programs	$	3,311,063	2,936,494

See accompanying notes to financial statements.

CITY OF BURLINGTON, VERMONT
ELECTRIC DEPARTMENT

Statements of Changes in Net Position – Fiduciary (Custodial) Fund

June 30, 2021 and 2020

	2021	2020
Additions:		
EEC collections from customers	$ 2,701,378	1,268,717
Received from prior fiscal agent	—	3,188,491
Forward Capacity Market	379,217	264,837
Regional Greenhouse Gas Initiative	221,742	33,408
EEC reimbursement	—	14,033
Total additions	3,302,337	4,769,486
Deductions:		
Payments for programs	2,513,812	1,619,050
Payments for administration	371,078	187,426
EEC uncollectible return	15,189	—
Gross revenue taxes	14,182	20,172
Fuel taxes	13,507	6,344
Total deductions	2,927,768	1,832,992
Change in net position	374,569	2,936,494
Net position at beginning of year, as restated (note 1(t))	2,936,494	—
Net position at end of year	$ 3,311,063	2,936,494

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The City of Burlington, Vermont Electric Department ("the Department") is an enterprise fund of the City of Burlington, Vermont ("the City"). The City has overall financial accountability for the Department, its Council appoints the Commissioners of the Department who oversee its operations, and the City collateralizes the Department's general obligation debt. The Department is also subject as to rates, accounting, and other matters, to the regulatory authority of the State of Vermont Public Utilities Commission ("PUC") and the Federal Energy Regulatory Commission ("FERC"). In accordance with Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30,1989 FASB and AICPA Pronouncements as amended*, the Department records certain assets and deferred inflows of resources in accordance with the economic effects of the rate making process.

The Department has been offering demand-side management programs since 1989. Effective 1999 the Department became an Energy Efficiency Utility ("EEU"). The PUC issued an Order of Appointment to the Department to serve as a Vermont EEU effective January 1, 2017 through December 31, 2027 within its service territory. The Department is responsible for designing and implementing demand-side services and initiatives to comprehensively address cost-effective opportunities associated with electric and Thermal Energy and Process Fuels ("TEPF") efficiency. In addition, effective January 1, 2020 the Department began to function as the Fiscal Agent and fund administrator under 30 V.S.A Section 209(d)(3) for electric efficiency and TEPF activities.

This report includes all of the Department's proprietary fund, which accounts for all activities of the Department. In addition, as discussed in note 1(t), the Department has a custodial relationship with the EEU. As the activities of the custodial fund do not belong to the Department, the net position and related changes in net position related to the custodial fund are reported within the Statements of Net Position – Fiduciary (Custodial) Fund and Statements of Changes in Net Position - Fiduciary (Custodial) Fund.

(b) Capital Assets

Capital assets are stated at historical cost. Provisions for depreciation of general capital assets are reported using the straight-line method at rates based upon the estimated service lives and salvage values of the several classes of property. Depreciation of capital assets of the McNeil Generating Station and the Winooski One hydroelectric plant are calculated using the straight-line method. However, a portion of the current depreciation expense is only recoverable through future rates. The difference is included in regulatory assets (calculated as the straight-line depreciation expense less the depreciation expense on a sinking fund basis) and will be recovered in future years. See note 4, Regulatory Assets and Regulatory Deferred Inflows of Resources.

Maintenance and repairs of capital assets are charged to maintenance expense. Replacements and betterments are capitalized to capital assets. When assets are retired or otherwise disposed of, the costs are removed from capital assets, and such costs, plus removal costs, net of salvage, are charged to accumulated depreciation.

The Department's capitalization policy considers four factors. Property will be capitalized when:

1. The combined cost to put a unit in service is more than $500 and
2. The unit's estimated life is at least three (3) years.
3. The unit is vital to the Department and must be controlled and tracked, even if it falls under the dollar limit stated in (1) above. Watt-hour meters to record electric usage are the only unit in this category.
4. The PUC rules in a rate-making decision that the Department will capitalize a cost that normally would not be capitalized based on the first three factors above. The Department does not have any assets in this category.

The depreciable lives of utility plant are as follows:

	Depreciable lives
Production plant	10–50 years
Transmission plant	33–50 years
Distribution plant	10–50 years
General plant	5–50 years
Other plant	5 years

(c) Jointly Owned Facilities

The Department has recorded its ownership interest in jointly owned facilities as capital assets. The Department's ownership interest in each of the jointly owned facilities is as follows:

	2021	2020
McNeil Generating Station	50.0 %	50.0 %

The Department is responsible for its proportionate share of the operating expenses of the jointly owned facilities that are billed to the Department monthly. The associated operating costs allocated to the Department are classified in their respective expense categories in the Statements of Revenues, Expenses, and Changes in Net Position. Separate financial statements are available from the Department for this jointly owned facility.

(d) Cash, Cash Equivalents, and Investments

The Department considers unrestricted short-term investments, including money markets and certificates of deposit, that have an original maturity of 90 days or less, to be cash equivalents. The Department considers all restricted money market funds and certificates of deposit that have an original maturity of 90 days or more to be investments. Investments are carried at fair value.

(Continued)

(e) Equity Interests in Associated Companies

The Department follows the cost method of accounting for its 6.38% Class B common stock, 1.97% Class C common stock and 7.69% Class C preferred stock equity interest in VELCO, and its 5.46% equity interest in Transco. Transco is an affiliated entity of VELCO. VELCO owns and operates a transmission system in the State of Vermont over which bulk power is delivered to all electric utilities in the State of Vermont. Under a Power Transmission Contract with the State of Vermont, VELCO bills all costs, including amortization of its debt and a fixed return on equity, to the State of Vermont and others using the system.

During the year ended June 30, 2021, the Department purchased 47,273 Class A units and 60,165 Class B units in Transco for a cost of $1,074,380.

During the year ended June 30, 2020, the Department purchased 25,049 Class A units and 31,880 Class B units in Transco for a cost of $569,290 and sold 74,641 Class A units and 94,997 Class B units in Transco for a total of $1,696,380.

Schedule of Carrying Value in Associated Companies

		As of June 30,	
		2021	2020
Velco, Class B common stock	$	1,403,800	1,403,800
Velco, Class C common stock		39,200	39,200
Velco, Class C preferred stock		11,196	11,196
VT Transco, LLC, A Units		14,613,571	14,140,843
VT Transco, LLC, B Units		18,599,079	17,997,427
	$	34,666,846	33,592,466

(f) Restricted Investments – Deposits with Bond Trustees

The Department has established certain funds required by the General Bond Resolution adopted by the City of Burlington on October 7, 1981 pursuant to which the Electric System Revenue Bonds were issued. Investment securities held in deposits with bond trustees are stated at fair value.

(g) Liabilities Payable from Restricted Assets with Bond Trustees

This balance represents accrued interest expense associated with the Electric System Revenue Bonds. Deposits are made with the Bond Trustees as required by the bond resolution pursuant to which the Electric System Revenue Bonds were issued.

(h) Operating and Nonoperating Revenues and Expenses

Operating revenues are defined as income received from the sale of electricity to retail customers as well as to other entities for the purpose of resale. In addition, it includes rents from electric property, fees for changing, connecting, or disconnecting service, revenues from the transmission of electricity of others over transmission facilities of the utility, revenue from the sale of RECs, and revenue received from requesting utilities to run generation facilities when not economically feasible due to normal market conditions.

Operating expenses are defined as the ordinary costs and expenses of the Department for the operation, maintenance, and repair of the electric plant. Operating expenses include the cost of production by the Department's owned generating facilities, purchased power, system control and load dispatch, maintenance of transmission and distribution systems, customer accounting and service expenses, administrative and general expenses, and depreciation and amortization. Operating expenses do not include the principal and interest on bonds, notes, or other costs of indebtedness.

Nonoperating revenues are defined as income received from sources other than the sale of electricity or from rents and fees from electric property or services. Nonoperating revenues generally include interest and dividend income, services rendered to customers upon their request, sale of parts from inventory to contractors, and rental of nonutility property merchandise.

Revenues, including amounts billed to the City of Burlington, are billed monthly based on billing rates authorized by the PUC that are applied to customers' consumption of electricity.

The fair value of donated capital assets is reported in the accompanying financial statements as capital contributions.

(i) Estimated Unbilled Revenue

The Department records unbilled revenue at the end of each accounting period based on estimates of electric services rendered but not yet billed to customers.

(j) Taxes and Fees

The Department is exempt from Federal income taxes. Although it is also exempt from municipal property taxes, the Department pays an amount in lieu of taxes to the City of Burlington. The Department incurred payments in lieu of taxes totaling $2,715,766 and $2,620,942 for the years ended June 30, 2021 and 2020, respectively, with $19,595 and $18,740, respectively, being allocated to operating expenses.

In addition to the payments in lieu of taxes, the Department paid indirect costs of $331,476 and $327,229 in 2021 and 2020, respectively, for a prorated share of costs associated with general government, human resources, and general accounting services as billed by the City Treasurer's Office.

The City of Burlington requires the Department to charge a franchise fee on its electric bills to its retail customers on behalf of the City. The franchise fee for both 2021 and 2020 was 3.5% of operating revenues and was charged separately to customers on electric bills and is therefore excluded from both operating revenues and expenses. The Department is not required to pay the City for franchise fee amounts billed to customers but not collected.

The Vermont Department of Taxes assesses a 6% sales and use tax on 31% of taxable purchases for the McNeil Generating Station. Due to a manufacturers' exemption clause, purchases of wood chips, oil, gas, and electricity were not subject to sales and use tax for the years ended June 30, 2021 and

(Continued)

2020. The City of Burlington imposed a 1% sales tax upon taxable sales within the City. The McNeil Generating Station is exempt from these sales taxes due to only being subject to use taxes.

(k) Inventories

Inventories consist of fuel, materials, and supplies and are stated at the lower of cost or market. Cost is determined on a weighted average cost basis. Fuel is reported as inventory until it is used for power production, at which time it is expensed as a component of fuel expense. Wood fuel inventory consists of the cost of woodchips. As wood fuel inventory is used, it is expensed on a weighted average cost basis. Material and supplies inventory consists of items primarily used in the utility business for construction, operation and maintenance of poles, wires, and conduit.

(l) Deferred Loss on Refunded Debt

The Department incurred various losses in prior years in connection with the refinancing of Electric System Revenue Bonds. A deferred loss on reacquired (refunded) debt is amortized over the life of the new debt. Unamortized balances are included as a deferred outflow of resources on the statements of net position.

(m) Unamortized Debt Premiums and Discounts

Premiums and discounts incurred in connection with the sale of bonds are amortized over the terms of the related debt. Unamortized balances are included as a component of long-term debt.

(n) Restricted Net Position

Net position is restricted when constraints are placed on them externally. When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted assets first with unrestricted resources used as needed.

(o) Use of Estimates

The preparation of financial statements 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 revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts and unbilled revenue and the valuation of the net pension and other post employment benefits (OPEB) liabilities. Actual results could differ from those estimates.

(p) Renewable Energy Credit Sales

The Department receives RECs based on the amount of energy produced by its renewable resources in a year. These RECs have value in terms of allowing the holder to demonstrate compliance with the Renewable Portfolio Standard (RPS) requirements of the various New England states. These RECs may be bought and sold, separate from the underlying energy production, and vary in value based on the amount of supply versus the demands created by the RPS, for each particular type of REC. The ability to claim energy renewability is transferred with the REC (either lost in the case of a REC sale or acquired in the case of a REC purchase).

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The Department's policy & planning staff monitors output levels from the REC-producing units, REC commitments made, the markets for these RECs, and the State statutes and rules that govern the creation and sale of these RECs. With the advent of Vermont's RES in 2017, the policy & planning staff also monitor the Department's own need for RECs to comply with the RES. The Department has and will continue to involve itself in discussions/proceedings as needed, either in Vermont or elsewhere in New England, where such rules and statutes are the subject at hand.

The Department periodically sells RECs either through broker-initiated transactions or through direct placement with entities that need the RECs to comply with various New England statutes. The Department enters into agreements to sell or buy RECs for prior, current, and future years' production and electricity sales. Any revenue or expenses related to such sales or purchases are recognized at the time RECs are actually delivered or received.

In 2008, the McNeil Generating Station ("McNeil") installed a Regenerative Selective Catalytic Reduction ("RSCR") unit. The RSCR unit significantly reduces McNeil's Nitrous Oxide (NOx) emission levels, which allows the station to qualify to sell Connecticut Class 1 RECs. The McNeil RECs are determined to be qualified for sale based on a review of emissions outputs submitted by McNeil. At the end of every quarter, an affidavit is signed stating whether McNeil's emissions meet the requirements needed to produce Connecticut Class 1 RECs. McNeil receives a certification from the State of Connecticut indicating that it met the standards for the quarter based on the statistics provided by McNeil.

Effective September 1, 2014, the Department became the 100% owner of the Winooski One hydroelectric facility. Winooski One is a Low Impact Hydro Institute (LIHI)–certified generator and is qualified to produce Massachusetts Class 2 RECs (non–waste-to-energy).

The Department receives RECs from the Vermont Wind Project in Sheffield (the Department is entitled to 40% of the output of the 40MW project), the Georgia Mountain Community Wind Farm (the Department is entitled to the full 10MW of output from the project), along with RECs from its entitlement to 13.5 MW of the 52 MW Hancock Wind Project. The RECs from all these wind facilities are qualified for participation in most of the high-value New England REC markets.

In February 2015, the Department commissioned a 500 kW AC solar array at the Burlington International Airport (and leases space on the parking garage roof under a long-term agreement between the Department and the Burlington International Airport). Following that, in October 2015, the Department commissioned a 107 kW AC solar array at the Department's offices at 585 Pine Street. The Department owns 100% of these resources. Additionally, Burlington receives RECs from South Forty Solar, a 2.5 MW solar array, as well as RECs (or similar attributes) from several smaller solar arrays totaling 409 kW. One of the solar PPAs discussed in the Commitments and Contingencies Footnote (11.b.7) has elected not to transfer RECs to BED. All of these systems reside within the city limits. These solar arrays are designed to help reduce the Department's peak demand and energy needs during high-priced periods. Most of these facilities are qualified to produce Massachusetts Class 1 RECs. The Pine Street array and South Forty Solar project are also qualified as Vermont Tier 2 RECs, which can be applied to the Department's Tier 3 obligation under the RES if Tier 3 program activity does not meet or exceed Tier 3 requirements.

(Continued)

The Department no longer receives RECs from Vermont Standard Offer projects purchased by the Vermont Purchasing Agent. At the end of 2016, the Department's status as a distribution utility that sources 100% of the load it serves from renewable sources exempted it from purchasing energy from these projects in 2017. The Department expects this exemption will continue through at least 2022.

The Department purchases Vermont Tier I RECs to replace the New England Class I RECs that are sold in the market to maintain its ability to claim 100% renewability. The Department will continue to purchase RECs to replace the New England Class I RECs that are sold into the market on a voluntary basis.

Proceeds from REC sales are included in other revenue. For the fiscal year ended June 30, 2021, REC revenue for McNeil, wind resources, the Winooski One hydroelectric facility, and the solar arrays were $3,943,923, $3,280,049, $630,000, and $197,844 respectively. For the fiscal year ended June 30, 2020, REC revenue for McNeil, wind resources, the Winooski One hydroelectric facility, and the solar arrays were $3,521,592, $3,025,853, $818,359, and $158,650 respectively.

(q) Pollution Remediation Obligations

The Department faces possible liability as a potentially responsible party ("PRP") with respect to the cleanup of certain hazardous waste sites. The City is currently a PRP as a landowner of a hazardous waste superfund site in Burlington, Vermont that is the subject of a remediation investigation by the Environmental Protection Agency ("the EPA"). The Department has agreed to share on an equal basis all past and future costs incurred in connection with any and all settlements or actions resulting from the designation of the City as a PRP at this site. In light of the agreement between the City and the EPA concerning the remediation plan at the site, the Department believes that the likelihood of any liability material to the financial position of the Department is remote and as such no liability has been accrued as of June 30, 2021 and 2020.

The Department faces possible liability with respect to the J. Edward Moran Electric Generation Station ("Moran Station"). The Moran Station is a decommissioned coal-fired power plant that was controlled and operated by the Department from 1954 until 1990 when the Department entered into a memorandum of understanding ("MOU") with the City of Burlington transferring responsibility for the Moran Station to the City. The MOU transferred the Moran Station to the City in "as is" condition and held the Department harmless for any and all future liability and or responsibility for such Moran Station and property, excluding environmental remediation (if any) which shall be required in the future by a state or federal environmental regulatory agency, for conditions existing before the transfer. In 2009 the City conducted an assessment of activities at the Moran Station site and was engaged in a corrective action plan with the Vermont Department of Environmental Conservation. The City and the Department entered into a letter of agreement in December 2009 where it was agreed that the Department shall make a $100,000 payment to the City as settlement of the Department's liability for any and all environmental remediation costs associated with known environmental contamination at the Moran Station. In September 2019, the City began the efforts of creating a Site Resolution Plan and in February 2020, the City Council authorized the Mayor to execute a settlement agreement between the City and the Department to compensate the City for the costs of abating/remediating contaminants that had been identified at that time as requiring such abatement. As of June 30, 2021 no settlement has been finalized. The Department believes that any potential liability is unable to be reasonably estimated and as such no liability has been accrued as of June 30, 2021 and 2020.

The Department implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*, for the fiscal year ended June 30, 2020. There have been no legally enforceable liabilities associated with the retirement of a tangible asset and as such no asset retirement obligation has been recorded.

(r) Pension Obligations – GASB 68

In accordance with GASB Statement No. 68, *Accounting and Reporting for Pensions*, and GASB No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, employers report a net pension liability and related pension expense as determined by the plan under the requirements contained in GASB Statement No. 67. Disclosures required under GASB Statement No. 68 apply to the Department for its participation in the City of Burlington Employees Retirement System defined benefit plan.

(s) Postemployment Benefits other than Pensions

The Department implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions,* for the fiscal year ended June 30, 2018. GASB Statement No. 75 replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans,* for OPEB. GASB Statement No. 75 established new accounting and financial reporting requirements for OPEB plans. This Statement established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses.

(t) GASB No. 84, Fiduciary Activities (GASB 84)

Recent Accounting Pronouncements

During the year ended June 30, 2021, the Department adopted GASB Statement No. 84, *Fiduciary Activities*. Guidance under GASB Statement No. 84 updates existing guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported.

Effective January 1, 2020, the Department began to function as the Fiscal Agent and fund administrator under 30 V.S.A Section 209(d)(3) for electric efficiency and TEPF. For the year ended June 30, 2020, $3,188,491 in cash, other assets, and liabilities was transferred to the Department from the previous Fiscal Agent.

As a result of the implementation of GASB Statement No. 84, the EEU activities and the Department's role as a Fiscal Agent are considered a fiduciary activity and as such should be reported as custodial assets within the financial statements.

Implementation of GASB Statement No. 84 requires the Department to restate certain accounts from what was originally reported June 30, 2020 as follows:

		Enterprise (Proprietary) Fund		
		June 30, 2020 as originally stated	Changes to remove Fiduciary Fund	June 30, 2020 as restated
Restricted cash – EEU	$	3,125,945	(3,125,945)	—
Accounts receivable		3,905,878	428,107	4,333,985
Other current liabilities		(1,248,144)	(241,179)	(1,489,323)
Restricted deferred revenue		(2,939,017)	2,939,017	—

The restatements had no effect on the total net position of the Department's proprietary fund activity.

		Fiduciary (Custodial) Fund		
		June 30, 2020 as originally stated	Changes to create Fiduciary Fund	June 30, 2020 as restated
Cash	$	—	3,125,945	3,125,945
Accounts receivable		—	245,317	245,317
Accounts payable		—	(434,768)	(434,768)
Net position		—	2,936,494	2,936,494

(2) Capital Assets

	Capital assets			
	June 30, 2020	Additions	Disposals and transfers	June 30, 2021
Operating:				
Land – nondepreciable	$ 1,140,532	—	—	1,140,532
Production plant	18,736,547	689,791	52,525	19,373,813
Transmission plant	2,355,187	3,127	—	2,358,314
Distribution plant	85,071,651	2,792,329	431,664	87,432,316
General plant	12,788,181	400,293	22,908	13,165,566
Other plant	5,691,910	8,160	—	5,700,070
Depreciable operating	124,643,476	3,893,700	507,097	128,030,079
Construction WIP	3,671,880	3,451,521	3,718,523	3,404,878
Total	129,455,888	7,345,221	4,225,620	132,575,489
McNeil 50%:				
Land – nondepreciable	138,299	—	—	138,299
Production plant	53,603,727	1,062,128	497,407	54,168,448
General equipment	170,527	3,407	376	173,558
Other plant	383,477	—	—	383,477
Depreciable McNeil 50%	54,157,731	1,065,535	497,783	54,725,483
Total	54,296,030	1,065,535	497,783	54,863,782
Construction WIP	5,802	1,129,537	1,065,535	69,804
Total capital assets	183,757,720	9,540,293	5,788,938	187,509,075
Electric plant acquisition:				
Adjustment:				
Production plant – Winooski One	11,922,742	—	—	11,922,742
Total capital assets and acquisition adjustment	$ 195,680,462	9,540,293	5,788,938	199,431,817

(Continued)

	Capital assets			
	June 30, 2019	Additions	Disposals and transfers	June 30, 2020
Operating:				
Land – nondepreciable	$ 1,140,532	—	—	1,140,532
Production plant	17,971,290	735,732	(29,525)	18,736,547
Transmission plant	2,344,477	3,335	(7,375)	2,355,187
Distribution plant	85,090,093	2,361,512	2,379,954	85,071,651
General plant	12,704,904	140,586	57,309	12,788,181
Other plant	5,692,253	12,160	12,503	5,691,910
Depreciable operating	123,803,017	3,253,325	2,412,866	124,643,476
Construction WIP	3,042,812	3,454,036	2,824,968	3,671,880
Total	127,986,361	6,707,361	5,237,834	129,455,888
McNeil 50%:				
Land – nondepreciable	138,299	—	—	138,299
Production plant	53,694,235	425,418	515,926	53,603,727
General equipment	171,259	751	1,483	170,527
Other plant	381,004	2,473	—	383,477
Depreciable McNeil 50%	54,246,498	428,642	517,409	54,157,731
Total	54,384,797	428,642	517,409	54,296,030
Construction WIP	672	433,772	428,642	5,802
Total capital assets	182,371,830	7,569,775	6,183,885	183,757,720
Electric plant acquisition:				
Adjustment:				
Production plant – Winooski One	11,922,742	—	—	11,922,742
Total capital assets and acquisition adjustment	$ 194,294,572	7,569,775	6,183,885	195,680,462

	Accumulated depreciation			
	June 30, 2020	**Depreciation**	**Deletions**	**June 30, 2021**
Operating:				
Production plant	$ 8,782,934	658,776	52,523	9,389,187
Transmission plant	662,682	72,652	—	735,334
Distribution plant	33,914,668	2,583,261	242,543	36,255,386
General plant	7,705,805	621,081	22,907	8,303,979
Other plant	5,527,199	66,935	—	5,594,134
Total	56,593,288	4,002,705	317,973	60,278,020
McNeil 50%:				
Production plant	41,471,914	791,634	484,939	41,778,609
General equipment	118,560	16,820	376	135,004
Other plant	379,938	850	—	380,788
Total	41,970,412	809,304	485,315	42,294,401
Total accumulated depreciation	98,563,700	4,812,009	803,288	102,572,421
Electric plant acquisition Adjustment:				
Accumulated amortization	2,525,754	484,410	—	3,010,164
	$ 101,089,454	5,296,419	803,288	105,582,585
Net capital assets	$ 94,591,008	4,243,874	4,985,650	93,849,232

	Accumulated depreciation			
	June 30, 2019	**Depreciation**	**Deletions**	**June 30, 2020**
Operating:				
Production plant	$ 8,181,228	593,513	(8,193)	8,782,934
Transmission plant	590,613	72,026	(43)	662,682
Distribution plant	33,584,283	2,530,455	2,200,070	33,914,668
General plant	7,101,814	652,804	48,813	7,705,805
Other plant	5,459,787	79,917	12,505	5,527,199
Total	54,917,725	3,928,715	2,253,152	56,593,288

	Accumulated depreciation			
	June 30, 2019	Depreciation	Deletions	June 30, 2020
McNeil 50%:				
Production plant	$ 41,117,093	774,424	419,603	41,471,914
General equipment	99,004	19,556	—	118,560
Other plant	379,582	356	—	379,938
Total	41,595,679	794,336	419,603	41,970,412
Total accumulated depreciation	96,513,404	4,723,051	2,672,755	98,563,700
Electric plant acquisition Adjustment:				
Accumulated amortization	2,048,844	476,910	—	2,525,754
	$ 98,562,248	5,199,961	2,672,755	101,089,454
Net capital assets	$ 95,732,324	2,369,814	3,511,130	94,591,008

During fiscal years 2021 and 2020, respectively, the Department allocated $174,655 and $203,643 of depreciation expense to other operating expense captions in the statements of revenues, expenses, and changes in net position.

In August 2014, the Department acquired the Winooski One hydroelectric facility, an existing facility on the Winooski River between the Cities of Burlington and Winooski. The Department recorded the net book value of the station as received. The difference between the fair market value purchase price and the net book value has been recorded in the electric plant acquisition adjustment account and is being amortized over the life of the associated bond financing.

(3) Cash and Cash Equivalents and Investments

(a) Custodial Credit Risk – Deposits

The custodial credit risk for current operating deposits is the risk that in the event of a bank failure, the Department's proprietary fund deposits may not be recovered. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Total proprietary fund deposits at June 30, 2021 were $9,953,596, of which $8,588,201 was exposed to custodial credit risk; however, the City of Burlington is insured with the Federal Home Loan Bank (FHLB), Pittsburgh under a letter of credit for $14,500,000, which would cover uninsured amounts over the FDIC limit of $250,000. Total deposits at June 30, 2020 were $11,200,075, of which $9,415,514 was exposed to custodial credit risk; however, the City of Burlington is insured with the Federal Home Loan Bank (FHLB), Pittsburgh under a letter of credit for $16,200,000, which would cover uninsured amounts over the FDIC limit of $250,000.

Total fiduciary (custodial) fund deposits at June 30, 2021 were $3,271,600, all of which was exposed to custodial credit risk. Total fiduciary (custodial) fund deposits at June 30, 2020 were $3,125,945, all of which was exposed to custodial credit risk.

(b) Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used for measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for incidental assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Department has the ability to access.

Level 2 – Input to valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the Department's own assumptions about the inputs market participants would use in the pricing of the asset or liability (including assumption of risk). Unobservable inputs are developed based on the best information available in circumstances and may include the Department's own data.

All the Department's investments, as of June 30, 2021 and 2020 are considered to be Level 1 under the fair value hierarchy.

(c) Investments

The Department has a formal investment policy and is authorized per Article 1, Section 1.1 of the General Bond Resolution to invest in obligations as follows:

(1) Direct obligations of the United States of America or obligations guaranteed by the United States of America.

(2) Bonds, notes or other evidences of indebtedness issued or guaranteed by the CoBank, Federal Intermediate Credit Banks, FHLB, FNMA, GNMA, Export-Import Bank of the United States, Federal Land Banks, U.S. Postal Service, Federal Financing Bank, or any agency or instrumentality of or corporation wholly owned by the United States of America.

(3) New Housing Authority Bonds issued by public agencies or municipalities and fully secured by a pledge of annual contributions under annual contributions contract with the United States of America, or Project Notes issued by public agencies or municipalities and fully secured by a requisition or payment agreement with the United States of America.

(4) Obligations of any state, commonwealth, or territory of the United States of America, or the district of Columbia, or any political subdivision of the foregoing, with an investment grade rating not lower than the three highest categories by at least one nationally recognized debt rating service.

(5) Certificates of deposit and bankers acceptances issued by banks that are members of the FDIC and each of which has a combined capital and surplus of not less than $10,000,000, provided that the time deposits in and acceptances of any bank under the Resolution (a) do not exceed at any time 25% of the combined capital and surplus of the bank or (b) are fully secured by obligations described in items 1, 2, 3, and 4 above.

(6) Repurchase contracts with banks that are described in item 5 of this paragraph, or with recognized primary dealers in government bonds, fully secured by obligations described in items 1, 2, 3, and 4 above.

(d) Concentration of Credit Risk – Investments

Concentration of credit risk of investments is the risk of loss attributable to the magnitude of a Department’s investment in a single issuer. The Department invests its current operating cash in money market accounts with TD Bank, KeyBank, and Northfield Savings Bank, which are approximately 25% of the total investment balance at June 30, 2021. The invested balance of money market funds reported within unrestricted cash and cash equivalents on June 30, 2021 and 2020 was $2,616,163 and $1,456,568, respectively. The Department invests its restricted funds in several cash accounts with its bond trustees (Zions Bank). The invested balance of cash funds reported within restricted investments-deposits with bond trustees on June 30, 2021 and 2020 was $5,477,836 and $0, respectively. The invested balance of noncurrent money market funds reported within restricted investments-deposits with bond trustees on June 30, 2021 and 2020 was $0 and $3,097,145, respectively. The invested balance of U.S. Treasuries reported within restricted investments on June 30, 2021 and 2020 was $203,312 and $2,752,273, respectively.

(e) Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Department has minimized its risk exposure as its investments are limited to government securities and other high-quality investments as outlined in the investment policy.

The money market funds held by the Department are not rated.

The Department's propriety debt investments as of June 30, 2021 and 2020 are (all of which are restricted by bond resolution) presented below by investment type, and debt securities are presented by remaining maturity. The fiduciary fund has no debt investments.

	Investment type				Investment maturities (in years)				
Year	Money market	U.S. Treasury bills	Cash	Total fair value	Less than 1	1–2	2–3	3–4	5+
2021	$ —	203,312	5,477,836	5,681,148	—	—	—	—	203,312
2020	3,097,145	2,752,273	—	5,849,418	3,548,295	2,752,273	—	—	—

The Department is required by its bond indenture to make monthly deposits into the renewal and replacement fund equal to 10% of the monthly revenue bond debt service funding requirements. Funds on deposit may be withdrawn from the renewal and replacement fund for expenses allowed by the bond covenant. Amounts in excess of $867,000 at June 30 may be returned to the revenue fund. A summary of deposits with bond trustees is as follows:

	June 30 2021	June 30 2020
Bond funds:		
Renewal and replacement fund	$ 867,000	867,000
Debt service fund	2,219,203	2,183,883
Debt service reserve fund	2,594,945	2,798,535
	5,681,148	5,849,418
Accrued interest receivable	411	—
	$ 5,681,559	5,849,418

(4) Regulatory Assets and Regulatory Deferred Inflows of Resources

Regulatory assets and regulatory deferred inflows of resources at June 30, 2021 and 2020 are comprised of the following:

	2021	2020
Deferred depreciation expense to be recovered in future years	$ 1,370,699	1,476,137
COVID-19 Capitalized personnel costs	245,193	231,768
Total regulatory assets	$ 1,615,892	1,707,905
Deferred depreciation expense – McNeil Plant	$ 3,002,391	3,141,277
Deferred depreciation expense – operating	1,855,513	1,613,767
Total regulatory deferred inflows of resources	$ 4,857,904	4,755,044

(a) Deferred Depreciation Expense to be Recovered in Future Years

Provisions for depreciation of general capital assets are reported using the straight-line method at rates based upon the estimated service lives and salvage values of the several classes of property. Depreciation of capital assets of the McNeil Generating Station are calculated using the straight-line method. However, a portion of the current depreciation expense is only recoverable through future rates. The difference is included in deferred charges (calculated as the straight-line depreciation expense less the depreciation expense on a sinking fund basis) and will be recovered in future years. The Department recorded straight-line depreciation of $4,812,009 and $4,723,051 for the years ended June 30, 2021 and 2020, respectively. In 2021 and 2020, $208,298 and $145,921, respectively, of deferred depreciation expense was realized. Unamortized deferred depreciation of $1,370,699 and $1,476,137 remained at June 30, 2021 and 2020, respectively.

(b) COVID-19 Capitalized Personnel Costs

On September 9, 2021, the Department filed a request with the PUC for an accounting order, pursuant to 30 V.S.A. §221, that would allow the Department to capitalize certain costs by debiting FERC account 182.3 (other regulatory assets) instead of showing the costs as expenses on its income statements for the year ending June 30, 2021. The Department evaluated its budgeted capitalized labor and benefit expenses to identify which capital projects have been delayed specifically due to the COVID-19 pandemic for the year ending June 30, 2021. The Department proposed to capitalize and record as a regulatory asset $146,721 instead of showing these expenses on its income statement for the year ending June 30, 2021. On October 25, 2021, the PUC issued the accounting order. This regulatory asset will be amortized over a 5-year period beginning in fiscal year 2024 or at a time concurrent with the effective date of the Department’s next rate case filing, whichever comes first.

On July 31, 2020, the Department filed a request with the PUC for an accounting order, pursuant to 30 V.S.A. §221, that would allow the Department to capitalize certain costs by debiting FERC account 182.3 (other regulatory assets) instead of showing the costs as expenses on its income statements for the year ending June 30, 2020. The Department evaluated its budgeted capitalized labor and benefit expenses to identify which capital projects have been delayed specifically due to the COVID-19 pandemic for the year ending June 30, 2020. The Department proposed to capitalize and record as a regulatory asset $231,768 instead of showing these expenses on its income statement for the year ending June 30, 2020. On September 17, 2020, the PUC issued the accounting order. On February 25, 2021, the Department notified the PUC that it would reduce the FY2020 regulatory asset to $98,472 due to the reimbursement of some COVID-19–related expenses. This regulatory asset will be amortized over a 5-year period beginning on August 1, 2021, concurrent with the effective date of the Department’s most-recent rate case filing.

(c) Deferred Depreciation Expense to be Paid in Future Years

Beginning in 2011, certain accumulated deferred depreciation balances became negative due to the fact that the financed assets were close to being fully depreciated when compared to the future debt sinking fund requirements. These accumulated amounts are displayed as deferred inflows of resources. Deferred depreciation expense of $4,857,904 and $4,755,044 remained at June 30, 2021 and 2020, respectively.

(Continued)

(5) Long-Term Liabilities

Outstanding debt consists of the following at June 30, 2021 and 2020:

	June 30, 2020	Increases	Payments and reductions	June 30, 2021	Current portion
Outstanding debt:					
Electric System Revenue Bonds:					
5.24% 2011 Series A, due 2022	$ 615,000	—	(300,000)	315,000	315,000
8.11% 2011 Series B, due 2022	280,000	—	(135,000)	145,000	145,000
3.78% 2014 Series A, due 2035	9,720,000	—	(495,000)	9,225,000	510,000
3.36% 2014 Series B, due 2025	3,125,000	—	(590,000)	2,535,000	605,000
4.85% 2017 Series A, due 2032	4,010,000	—	—	4,010,000	—
Taxable 3.40% 2017 Series B, due 2032	4,980,000	—	(225,000)	4,755,000	235,000
Total revenue bonds	22,730,000	—	(1,745,000)	20,985,000	1,810,000
Adjustments:					
Add unamortized premium	416,840	—	(42,411)	374,429	—
Less unamortized discount	(503,828)	—	—	(503,828)	—
Total revenue debt of the department	22,643,012	—	(1,787,411)	20,855,601	1,810,000
General obligation debt, repayable from the departments Resources:					
3.77%, due 2021: CI#2011A	45,000	—	(45,000)	—	—
3.73%, due 2032: CI#2011B	685,000	—	(45,000)	640,000	45,000
5.00%, due 2023: CI#2012A1	265,000	—	(80,000)	185,000	90,000
5.00%, due 2023: CI#2012A2	235,000	—	(75,000)	160,000	80,000
6.00%, due 2032: CI#2012B	965,000	—	(50,000)	915,000	55,000
2.78%, due 2034: CI#2014	2,250,000	—	(150,000)	2,100,000	150,000
5.0%, due 2023: CI#2015A	345,000	—	(110,000)	235,000	115,000
4.82%, due 2029: CI#2016A	8,820,000	—	(830,000)	7,990,000	865,000
4.62% due 2037: CI#2016B	2,715,000	—	(105,000)	2,610,000	110,000
4.03% due 2030: CI#2016C	7,190,000	—	(605,000)	6,585,000	615,000
2.76% due 2030: CI#2016D	8,640,000	—	(750,000)	7,890,000	765,000
4.88% due 2038: CI#2017C	2,800,000	—	(105,000)	2,695,000	105,000

	June 30, 2020	Increases	Payments and reductions	June 30, 2021	Current portion
5.00% due 2039:					
CI#2018B	$ 2,910,000	—	(95,000)	2,815,000	100,000
4.39% due 2040:					
CI#2019A	3,000,000	—	(85,000)	2,915,000	100,000
Taxable 2.59% due 2036:					
CI#2019C	8,130,000	—	(160,000)	7,970,000	225,000
0.72% Series 2020 Bond Anticipation Note	—	3,000,000	—	3,000,000	—
Total general obligation bonds	48,995,000	3,000,000	(3,290,000)	48,705,000	3,420,000
Adjustments:					
Add unamortized premium	3,901,455	—	(275,006)	3,626,449	—
Deduct unamortized discount	(1,105,282)	70,142	—	(1,035,140)	—
Total general obligation debt	51,791,173	3,070,142	(3,565,006)	51,296,309	3,420,000
Total long-term debt	$ 74,434,185	3,070,142	(5,352,417)	72,151,910	5,230,000
Other noncurrent liabilities:					
Accumulated provision for compensated absence	$ 1,022,786	48,222	—	1,071,008	
Other post-employment benefit	1,000,516	45,374	8,433	1,054,323	
On-bill revolving loans	390,532	—	(1,353)	389,179	
Net pension liability	15,004,757	3,567,219	(1,157,394)	17,414,582	
Total other noncurrent liabilities	$ 17,418,591	3,660,815	(1,150,314)	19,929,092	

	June 30, 2019	Increases	Payments and reductions	June 30, 2020	Current portion
Outstanding debt:					
Electric System Revenue Bonds:					
5.24% 2011 Series A, due 2022	$ 900,000	—	(285,000)	615,000	300,000
8.11% 2011 Series B, due 2022	405,000	—	(125,000)	280,000	135,000
3.78% 2014 Series A, due 2035	10,200,000	—	(480,000)	9,720,000	495,000
3.36% 2014 Series B, due 2025	3,695,000	—	(570,000)	3,125,000	590,000
4.85% 2017 Series A, due 2032	4,010,000	—	—	4,010,000	—
Taxable 3.40% 2017 Series B, due 2032	5,200,000	—	(220,000)	4,980,000	225,000
Total revenue bonds	24,410,000	—	(1,680,000)	22,730,000	1,745,000
Adjustments:					
Add unamortized premium	457,862	—	(41,022)	416,840	—
Less unamortized discount	(503,828)	—	—	(503,828)	—
Total revenue debt of the department	24,364,034	—	(1,721,022)	22,643,012	1,745,000

(Continued)

	June 30, 2019	Increases	Payments and reductions	June 30, 2020	Current portion
General obligation debt, repayable from the departments Resources:					
3.77%, due 2021:					
CI#2011A	$ 735,000	—	(690,000)	45,000	45,000
3.73%, due 2032:					
CI#2011B	730,000	—	(45,000)	685,000	45,000
5.00%, due 2023:					
CI#2012A1	1,590,000	—	(1,325,000)	265,000	80,000
5.00%, due 2023:					
CI#2012A2	1,395,000	—	(1,160,000)	235,000	75,000
6.00%, due 2032:					
CI#2012B	1,015,000	—	(50,000)	965,000	50,000
6.30%, due 2020:					
CI#2013B	1,960,714	—	(1,960,714)	—	—
2.78%, due 2034:					
CI#2014	2,400,000	—	(150,000)	2,250,000	150,000
5.0%, due 2023:					
CI#2015A	2,720,000	—	(2,375,000)	345,000	110,000
4.82%, due 2029:					
CI#2016A	9,630,000	—	(810,000)	8,820,000	830,000
4.62% due 2037:					
CI#2016B	2,815,000	—	(100,000)	2,715,000	105,000
4.03% due 2030:					
CI#2016C	7,785,000	—	(595,000)	7,190,000	605,000
2.76% due 2030:					
CI#2016D	9,370,000	—	(730,000)	8,640,000	750,000
4.88% due 2038:					
CI#2017C	2,900,000	—	(100,000)	2,800,000	105,000
5.00% due 2039:					
CI#2018B	3,000,000	—	(90,000)	2,910,000	95,000
4.39% due 2040:					
CI#2019A	—	3,000,000	—	3,000,000	85,000
Taxable 2.59% due 2036:					
CI#2019C	—	8,130,000	—	8,130,000	160,000
Total general obligation bonds	48,045,714	11,130,000	(10,180,714)	48,995,000	3,290,000
Adjustments:					
Add unamortized premium	4,060,479	551,292	(710,316)	3,901,455	—
Deduct unamortized discount	(781,782)	60,906	(384,406)	(1,105,282)	—
Total general obligation debt	51,324,411	11,742,198	(11,275,436)	51,791,173	3,290,000
Total long-term debt	$ 75,688,445	11,742,198	(12,996,458)	74,434,185	5,035,000

	June 30, 2019	Increases	Payments and reductions	June 30, 2020	Current portion
Other noncurrent liabilities:					
Accumulated provision for compensated absence	$ 761,214	261,572	—	1,022,786	
Other post-employment benefit	1,251,810	189,414	(440,708)	1,000,516	
On-bill revolving loans	391,770	—	(1,238)	390,532	
Net pension liability	13,727,447	3,586,032	(2,308,722)	15,004,757	
Total other noncurrent liabilities	$ 16,132,241	4,037,018	(2,750,668)	17,418,591	

The Electric System Revenue Bonds have been issued pursuant to the General Bond Resolution and are collateralized by a pledge of the Department's operating revenues. Pursuant to the General Bond Resolution, 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. On an annual basis, revenues must be sufficient after deducting operating expenses (as defined) to meet minimum debt service coverage requirements (as defined). If minimum debt service coverage requirements are not met, the Department must take timely corrective action.

The Department has pledged future revenues, net of specified operating expenses, to repay the principal and interest on its Electric System Revenue Bonds issued in 2011, 2014 and 2017. The bonds are payable solely from revenues as defined and are payable through 2035. Annual principal and interest payments on the bonds are expected to require less than 50% of net revenues. The total principal and interest remaining to be paid on the bonds was $26,168,759 and $28,759,792 at June 30, 2021 and 2020, respectively. During 2021 and 2020, principal and interest paid, and net revenues available for debt service, were $2,591,033 and $6,749,230 and $2,586,210 and $8,445,774, respectively.

The general obligation bonds were issued to finance electric system improvements and are collateralized by the general revenue-raising power of the City of Burlington. Pursuant to the terms of the General Bond Resolution, the claim on the revenues of the Department by the holders of revenue bonds under the General Bond Resolution is prior to any claim of the holders of general obligation bonds.

During the fiscal year ended June 30, 2021, the Department, through the City of Burlington, entered into a $3,000,000, Series 2020, general obligation bond anticipation note maturing on October 21, 2021 and bearing interest at the fixed rate of 0.72%. This note has been recorded as a long-term liability for 2021 pursuant to GASB Codification Section 1500, as the Department has the intent and ability to refinance the obligation on a long-term basis. On September 28, 2021, the Department, through the City of Burlington, issued $3,000,000 in general obligation bonds, 2021 Series A, with an average coupon rate of 3.45% for the purpose of refunding the $3,000,000 bond anticipation note, Series 2020, issued July 21, 2020.

During the fiscal year ended June 30, 2020, the Department, through the City of Burlington, issued $3,000,000 in general obligation bonds, 2019 Series A, with an average coupon rate of 5.00%. These bonds were issued in accordance with the City Charter to cover annual capital improvements to the electric infrastructure of the Department for use during fiscal year 2020. The Department, through the City of

Burlington issued $8,130,000 in general obligation bonds, 2019 Series C, with an average coupon rate of 2.44%. These bonds were issued for the purpose of providing funds, together with other available funds, for the refunding of the maturities of prior bonds: Series 2011A, Series 2011B, Series 2012A, Series 2013B, Series 2015A. The Department is expecting a net savings of $936,302 with a present value of $753,130.

Annual debt service requirements exclusive of unamortized premium or discount are as follows:

	Revenue debt		General obligation debt		
	Principal	Interest	Principal	Interest	Total
Year ending June 30:					
2022	$ 1,810,000	784,163	3,420,000	1,730,658	7,744,821
2023	1,850,000	723,984	3,580,000	1,757,524	7,911,508
2024	1,935,000	655,429	3,755,000	1,610,670	7,956,099
2025	2,000,000	575,046	3,925,000	1,460,927	7,960,973
2026–2030	7,530,000	1,959,292	21,300,000	4,836,286	35,625,578
2031–2035	5,860,000	485,845	8,170,000	1,806,966	16,322,811
2036–2042	—	—	4,555,000	497,755	5,052,755
	$ 20,985,000	5,183,759	48,705,000	13,700,786	88,574,545

Section 7.8 of the General Bond Resolution requires the Department to file annual audited financial statements and accompanying CPA certificate within 120 days of the end of its fiscal year. The Department was late in making the required filing for the fiscal year ended June 30, 2018.

The Bond Trustee on January 23, 2019 notified Bondholders of the Department's default and that an Event of Default had occurred under the Resolution. The Department subsequently filed its audited financial statements and accompanying CPA certificate for the fiscal year ended June 30, 2018 on January 31, 2019.

On March 11, 2020, at a duly announced meeting open to the public, the Board of Electric Commissioners adopted Supplemental Resolution No. 15, which became effective on February 8, 2021. Supplemental Resolution No. 15 permits the Department to cure an Event of Default, other than a failure to pay amounts due on any Bonds. If, following the Department's cure, there is no written direction to the contrary delivered to the Trustee by the holders of a majority of the principal amount of the outstanding Bonds, then such Event of Default shall be deemed cured and no longer outstanding. As of February 8, 2021, there had been no written direction objecting to the Department's cure delivered to the Trustee by the holders of a majority of the principal amount of the outstanding Bonds. As no holders objected to the Department's cure of the previously issued Event of Default, the Trustee deemed such Event of Default to have been cured and no longer outstanding as of February 8, 2021.

(6) Short Term Debt – Line of Credit

In February 2012, the City issued on behalf of the Department a $5,000,000 General Obligation Revenue Anticipation Note (Line of Credit) with a local bank, placing the Line of Credit directly with the Department. On June 22, 2020, this Line of Credit was renewed for a two-year term to May 18, 2022. The Department had the entire Line of Credit balance of $5,000,000 available for use during both fiscal years 2021 and 2020 and there was no activity during the past two fiscal years.

(7) Production Expenses

Production expenses are comprised of the following:

		Year ended June 30	
		2021	**2020**
McNeil Generating Station:			
Fuel	$	7,645,686	7,045,290
Operations		1,664,730	1,582,374
Maintenance		924,388	728,167
		10,234,804	9,355,831
Winooski One Hydro station:			
Operations		220,982	268,785
Maintenance		116,544	191,020
		337,526	459,805
Gas turbine			
Fuel		121,476	46,574
Operations		31,557	14,673
Maintenance		140,289	60,236
		293,322	121,483
Solar:			
Operations		25,832	17,413
Total production expenses	$	10,891,484	9,954,532

(8) Retirement Benefits

The City maintains a single employer defined benefit pension plan and a deferred compensation retirement plan. The Department contributes to the defined benefit plan the allocated required contribution as set forth by the City’s actuary for its employees, together with a direct employee contribution of 5.58% (nonunion) and 4.84% and 5.58% (IBEW union, depending on choice of plan) of gross wages. For the years ended June 30, 2021 and 2020, the Department made 100% of its required contributions which totaled $1,234,416 and $1,118,159, respectively. In addition, the Department paid an Administrative Fee of $56,136 and $49,315, for the years ending 2021 and 2020, respectively. Participation in the deferred compensation plan is strictly voluntary, with no matching contribution from the Department.

(a) Defined Benefit Plan

All full-time employees of the Department participate in the City of Burlington Employees’ Retirement System (BERS Plan). The BERS Plan covers substantially all of the City’s employees except elected officials, other than the mayor, and the majority of the public school teachers, who are eligible for the Vermont Teachers’ Retirement System.

(Continued)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the BERS Plan and additions to/deductions from BERS Plan's fiduciary net position have been determined on the same basis as they are reported by the BERS Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Unaudited financial information for the BERS Plan is available from the City of Burlington, Burlington Vermont 05401.

(i) *Summary of BERS Plan*

All eligible Department union and nonunion employees vest 100% after 5 years of creditable service. Department employees who retire at 65 are entitled to a retirement benefit.

For non-union employees hired prior to July 1, 2006 and IBEW union employees hired on or before May 4, 2008: Age 65 and older, the retirement benefit is the greater of (i) 1.6% of average final compensation (AFC) (at age 65) times creditable service not in excess of 25 years plus 0.5% of AFC (at age 65) times creditable service in excess of 25 years or (ii) the actuarial equivalent of the benefit determined at age 65. This benefit will be increased by the Cost of Living Adjustment detailed below.

For non-union employees hired after July 1, 2006 and IBEW union employees hired after May 4, 2008: Age 65 and older, the retirement benefit is the greater of (i) 1.4% of AFC (at age 65) times creditable service not in excess of 25 years plus 0.5% of AFC (at age 65) times creditable service in excess of 25 years or (ii) the actuarial equivalent of the benefit determined at age 65. This benefit will be increased by the Cost of Living Adjustment detailed below.

In lieu of this benefit, at the time of retirement, a member may choose (i) an accrual rate of 1.9% for all years of service prior to June 30, 2006 for the first 25 years, an accrual rate of 1.8% for all years of service commencing July 1, 2006 for the first 25 years, plus an accrual of 0.5% for creditable service in excess of 25 years, and a Cost of Living Adjustment equal to one-half of the Cost of Living Adjustment detailed below, or (ii) an accrual rate of 2.2% for all years of service prior to June 30, 2006 for the first 25 years, an accrual rate of 2.0% for all years of service commencing July 1, 2006 for the first 25 years, plus and accrual of 0.5% for creditable service in excess of 25 years, with no Cost of Living Adjustment.

A March 25, 2021 arbitration decision found that since 2008 BERS has failed to properly implement a change to the retirement benefit for certain IBEW employees. Specifically, the arbitrator found that the City violated Article 12.5 Section A of the IBEW contract by reducing the pension multiplier for all years of service over 25 for IBEW employees who were hired prior to May 4, 2008.

Prior to 2008, the BERS Plan allowed employees to elect at retirement to receive a full cost of living adjustment ("full COLA") to their annual benefit, to receive half of the annual cost of living adjustment with a slightly higher annual multiplier ("half COLA"), or to receive no annual cost of living adjustment and an even slightly higher annual multiplier ("no COLA"). In bargaining that occurred between 2007 and 2009, the City negotiated a change in the Class B union contracts

(AFSCME and IBEW) so that going forward all new employees would receive a cost of living adjustment and would no longer have an option to choose a half or no COLA benefit. However, for IBEW employees the changes applied only to employees hired after May 4, 2008.

In subsequent IBEW contracts, however, the language for those pre-May 4, 2008 employees who chose a half or no-COLA benefit read that employees would receive the initial, higher multiplier "for all years of creditable service." There was no mention of the 0.5% factor after 25 years, and different language was used for those electing a full COLA. The arbitrator found that those retirees who elected half- or no-COLA have not received the stated multiplier "for all years of creditable service."

The decision requires the BERS Plan to pay additional benefits to 24 employees and provide the same additional benefits to up to 29 current employees who may qualify for those benefits if they continue to work for BED for more than 25 years. The arbitrator ruled that the employees are to be made whole and are not entitled to interest on any back pension benefits owed. The make-whole remedy has two parts: (1) a payment of back benefits for those eligible employees who retired after May 4, 2008 and (2) an increase in future contributions to the BERS Plan for IBEW employees hired before May 4, 2008. The City's actuary calculated a total of $1,234,973.21 in past benefits owed to the 24 eligible employees who retired after May 4, 2008 through June 30, 2021, and the BERS Plan has paid these back benefits to the individual employees. BED's actuarially determined share is 35.24% or $435,204. Further, the City's actuary has estimated that providing this additional benefit to the approximately 29 current employees who may qualify at retirement requires an additional annual retirement contribution (ADEC) of $353,333 beginning on July 1, 2022. Per City policy, the ADEC is shared 70% by the employer and 30% by employees.

Except for employees detailed below, the above benefit based on AFC and creditable service at retirement is reduced by 2% for each year that retirement is between ages 60 and 64. For IBEW union employees hired before May 1, 2008 who elect an additional contribution rate of 4%, a reduction factor is applied of 2% for each year the retirement precedes age 65. For IBEW union employees hired before May 1, 2008, who elect a contribution rate of 3%, the benefit is reduced by a factor which varies with age: factor of 1 at age 65 and a factor of 0.4 at age 55.

For IBEW employees hired after May 4, 2008, the benefit is reduced by a factor which varies by age: factor of 1 at age 65 and a factor of 0.356 at age 55.

(ii) *Cost of Living Adjustment*

Benefits increase annually by changes in the Consumer Price Index of more than 1%. For IBEW employees retiring after March 9, 2016 and non-union employees retiring after July 1, 2017, the maximum annual increase is 2.75%. For all other members, the maximum annual increase is 2.75%. This increase is not applicable to deferred vested benefit prior to commencement, survivor income benefit, disability benefit prior to normal retirement age, or participants who choose to have no cost of living adjustment.

(iii) *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

The BERS Plan's net pension liability was measured as of June 30, 2020 (Measurement Date). As of the Measurement Date, BERS Plan reported a net pension liability of $98,583,037. The plan fiduciary net position as a percentage of the total pension liability is 66.37%.

At June 30, 2021 and 2020, the Department reported a liability of $17,414,582 and $15,004,757, respectively, for its proportionate share of the net pension liability. The net pension liability at June 30, 2021 was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The net pension liability at June 30, 2020 was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's proportion of the net liability was based on a projection of the Department's long-term share of contributions relative to the projected contributions of all participating departments in the City, actuarially determined. At June 30, 2021, the Department's proportion was 17.66%, which was a decrease of 0.32% from its proportion measured as of June 30, 2020. As of June 30, 2020, the Department's proportion was 17.98%, which was a decrease of 0.16% from its proportion measured as of June 30, 2019.

For the years ended June 30, 2021 and 2020, the Department recognized pension expense of $2,523,314 and $2,258,586, respectively. At June 30, 2021 and 2020, the Department reported its allocated proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred outflows of resources	**Deferred inflows of resources**
Payment after the measurement date	$ 1,234,416	—
Difference between actual and projected experience	535,768	64,205
Net difference between actual and projected investment earnings	1,268,548	—
Changes in assumptions	452,812	331,608
Change in proportion	—	866,588
	$ 3,491,544	1,262,401

	2020		
		Deferred outflows of resources	**Deferred inflows of resources**
Payment after the measurement date	$	1,118,159	—
Difference between actual and projected experience		247,080	322,809
Net difference between actual and projected investment earnings		120,896	—
Changes in assumptions		755,950	675,166
Change in proportion		59,249	234,378
	$	2,301,334	1,232,353

Deferred outflows of resources for payments made after the measurement date will be recognized as a reduction in the net pension liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:		
2022	$	(90,389)
2023		492,967
2024		351,350
2025		240,799
Total	$	994,727

(iv) *Actuarial Assumptions*

The actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on results of an actuarial experience study for the period July 1, 2012 to June 30, 2017. As a result of the actuarial experience study, the mortality table and inflation factor were adjusted to better reflect anticipated experience. Salary increases were changed to be consistent with the lowering of the inflation factor.

	2021	**2020**
Valuation dates	June 30, 2020	June 30, 2019
Mortality tables	RP-2014 adjusted to 2006 total dataset mortality table, scale MP-2020, set forward 2 years (Non-Disabled)	RP-2014 adjusted to 2006 total dataset mortality table, scale MP-2019, set forward 2 years Non-Disabled)
	RP-2014 adjusted to 2006 disabled mortality table, scale MP-2020 (Disabled)	RP-2014 adjusted to 2006 disabled mortality table, scale MP-2019 (Disabled)
Inflation	2.6%	2.6%
Salary increases	3.0% average, including inflation	3.0% average, including inflation
Investment rate of return	7.30%	7.40%

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 (expected returns, net of pension plan investment expense and inflation) 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 asset class are summarized in the following table:

	Target allocation	**20 Year expected rate of return**
Asset class:		
Large cap core equity	30.00 %	7.50 %
SMID cap core equity	18.00	10.20
International equity	10.00	5.50
Emerging markets equity	10.00	10.10
Private equity	2.00	10.90
Real estate/ timber	10.00	8.40
Core fixed income	20.00	3.30

Discount rate 7.3% (7.4% as of June 30, 2020)

(Continued)

The projection of cash flows used to determine the discount rate for financial reporting purposes assumed that contributions will continue to be made in accordance with the current funding policy. Based on those assumptions, the BERS Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Department's proportionate share of the net pension liability to changes in the discount rate. The following presents the Department's proportionate share of the net pension liability calculated using the 2021 and 2020 discount rates of 7.30% and 7.40%, respectively, for financial reporting purposes, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than those rates:

		2021		
		1% Decrease (6.30%)	Current discount rate 7.30%	1% Increase (8.30%)
Department's proportionate share of the net pension liability	$	22,776,207	17,414,582	12,833,986

		2020		
		1% Decrease (6.40%)	Current discount rate (7.40%)	1% Increase (8.40%)
Department's proportionate share of the net pension liability	$	20,183,128	15,004,757	10,587,675

(b) 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. 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.

(9) Other Post-Employment Benefits (OPEB)

The City maintains a single employer post-retirement benefits other than pension (OPEB) plan (the Plan). Plan costs relate to subsidized health care and life insurance for retirees during the period from retirement to the date of eligibility for social security benefits.

(a) OPEB Plan

Post-employment benefits and Compensated Absences (below) are paid for by the applicable fund where the employee is charged. For the years ended June 30, 2021 and 2020, the Department's contribution was ($8,433) and $37,028, respectively, and is determined on a pay as you go basis.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

(i) *Summary of OPEB Plan*

Department employees' normal retirement age is 65 with 5 years of service; early retirement is age 55 with 5 years of service. All members are eligible where permanently disabled.

Retired employees pay 100% of their post-retirement medical premium costs, which are based on COBRA rates for pre-65 coverage.

The City provides $2,000 in life insurance for retirees, except for members of AFSCME and IBEW unions who receive $10,000 in life insurance. Certain current retirees have $6,000 of life insurance in force.

Retired employees pay 100% of their dental costs. Dental coverage is generally available for up to 18 months. The City does not subsidize this benefit.

As of June 30, 2019 (Actuarial Valuation Report), the Department had 104 active participants and 84 retirees in the Plan.

(ii) *Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs*

At June 30, 2021 and 2020, the Department reported a liability of $1,054,323 and $1,000,516, respectively, for its proportionate share of the total OPEB liability. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019 rolled forward to the respective measurement dates of June 30, 2021 and June 30, 2020. The total OPEB liability at July 1, 2019 was increased by service costs and interest and decreased by benefit payments to estimate the total OPEB liability at June 30, 2021 and June 30, 2020. The total OPEB liability as of June 30, 2021 and June 30, 2020 was also adjusted to reflect any material plan changes after the valuation. The Department's proportion of the total OPEB liability was based on a projection of the Department's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating departments in the City, actuarially determined. At June 30, 2021, the Department's proportion was 15.2% and at June 30, 2020, the Department's proportion was 15.2%.

For the years ended June 30, 2021 and 2020, the Department recognized OPEB expense of $41,566 and $25,768, respectively. At June 30, 2021 and 2020, the Department reported its allocated proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred outflow of resources	**Deferred inflow of resources**
Difference between actual and projected experience	$ 10,412	110,051
Changes in assumptions	184,095	10,369
Changes in proportion	—	314,249
	$ 194,507	434,669

	2020	
	Deferred outflow of resources	**Deferred inflow of resources**
Difference between actual and projected experience	$ 14,002	84,137
Changes in assumptions	218,491	13,945
Changes in proportion	—	378,381
	$ 232,493	476,463

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	$ (46,271)
2023	(46,271)
2024	(46,273)
2025	(46,241)
2026	(51,841)
Thereafter	(3,265)
Total	$ (240,162)

(Continued)

(iii) *Actuarial Assumptions*:

The total OPEB liability in the June 30, 2021 and 2020 Measurement Date was determined using the following actuarial assumptions:

Valuation date	7/1/2019
Mortality table	RP-2014 adjusted to 2006 total dataset mortality table, projected with Scale MP-2019 set forward 2 years (prior RP-2000, scale BB)
Inflation	2.60%
Payroll growth	2.60%
Discount Rate	2.16% as of 6/30/21 and 2.21% as of 6/30/20

Healthcare Cost Trend Rates: 6.50% in 2019, reducing by 0.2% each year to an ultimate rate of 4.60% per year rate for 2029 and later.

Healthcare cost trend rates reflect both the current and long-term outlook for increases in healthcare costs. The short-term rates were based on recent industry surveys, plan experience, and near-term expectations. The long-term trend rate was based on the actuary's general inflation assumption plus an adjustment to reflect expectations for long-term medical inflation.

Since the Plan is not funded, the selection of the discount rate is consistent with the GASB Statement No. 75 standards linking the discount rate to the 20-year AA municipal bond index for unfunded OPEB plans. The discount rate used for the Plan's valuation is equal to the published Bond Buyer GO 20-Bond Municipal Index effective as of June 30, 2021. At June 30, 2021 and 2020, the discount rate was 2.16% and 2.21%, respectively.

Sensitivity of the Department's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the Department's proportionate share of the net OPEB liability calculated using the current discount rate of 2.16%, as well as what the Department's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current rate:

	2021		
	1% Decrease 1.16%	**Current discount rate 2.16%**	**1% Increase 3.16%**
Department's proportionate share of the net OPEB liability	$ 1,206,857	1,054,323	928,028

		2020		
		1% Decrease (1.21%)	**Current discount rate (2.21%)**	**1% Increase (3.21%)**
Department's proportionate share of the net OPEB liability	$	1,144,601	1,000,516	881,303

Sensitivity of the Department's proportionate share of the net OPEB liability to changes in healthcare cost trend rates. The following presents the Department's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rate of 6.5% decreasing to 4.60%, as well as what the Department's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (5.5% decreasing to 3.60%) or 1-percentage-point higher (7.5% decreasing to 5.60%) than the current rate.

		2021		
		1% Decrease (5.5% decreasing to 3.60%)	**Current healthcare cost trend rate (6.5% decreasing to 4.60%)**	**1% Increase (7.5% decreasing to 5.60%)**
Department's proportionate share of the net OPEB liability	$	947,834	1,054,323	1,184,918

		2020		
		1% Decrease (5.5% decreasing to 3.60%)	**Current healthcare cost trend rate (6.5% decreasing to 4.60%)**	**1% Increase (7.5% decreasing to 5.60%)**
Department's proportionate share of the net OPEB liability	$	907,376	1,000,516	1,114,009

(10) Compensated Employee Absences

Vested vacation and nonexempt compensatory time are recorded under other noncurrent liabilities. Employees earn vacation leave based upon length of employment up to a maximum of 200 hours per year, but may accumulate no more than a maximum of 360 hours.

Employees also accrue sick leave credits based upon length of employment up to 144 hours per year. The Department has accrued a liability for a portion of accrued sick leave for eligible employees. At retirement, union employees can convert unused sick leave 2:1 up to 240 hours to 120 hours of pay. This conversion may not bring the sick leave balance below 240 hours. Nonunion employees hired prior to January 1, 2001, upon retirement can convert one-third (1/3) the number of days of accumulated unused sick leave up to a maximum payment of four (4) weeks or, upon resignation, can convert one-fourth (1/4) the number of days of accumulated unused sick leave up to a maximum payment of three (3) weeks.

At June 30, 2021 and 2020, the Department has reported accrued compensated employee absences of $1,071,008 and $1,022,786, respectively, in other noncurrent liabilities.

(11) Commitments and Contingencies

(a) The Department receives output from generation of the McNeil Generating Station, the Burlington Gas Turbine, the Winooski One hydro facility, the Airport Solar array, and the Pine Street Solar array. Except for the McNeil Generating Station (for which the Department is the operator and 50% owner), the Department owns 100% of these resources and is also responsible for their operation.

(b) In addition to energy provided by its owned generation, the Department purchases a portion of its electricity requirements pursuant to long-term (greater than one year in duration) contracts. During the fiscal years ended June 30, 2021 and 2020, long-term sources of purchased power included:

1. New York Power Authority (NYPA) power from hydro stations on the Niagara and St. Lawrence rivers under contracts through September 1, 2025 (Niagara) and through April 30, 2032 (St. Lawrence).

2. For a portion of the period from Vermont Electric Power Producers, Inc. (VEPPI), which is agent for hydro facilities located within Vermont (the final VEPPI contracts expired in 2020).

3. Under a contract that was originally scheduled to expire in 2021, but which was extended for five years, the Department receives 16 MW (40%) of Vermont Wind’s wind farm in northeast Vermont (Sheffield) through October 18, 2026. BED’s 16 MW entitlement is expected to provide approximately 10% of BED’s annual energy requirements.

4. The Department purchases energy from the Georgia Mountain Community Wind (GMCW) project, which began commercial operation on December 31, 2012. Pursuant to a 25-year contract, the Department receives 10MW (100%) entitlement from GMCW’s wind farm in Milton/Georgia, Vermont. GMCW is expected to produce energy sufficient to meet approximately 9% of BED’s annual energy needs.

5. Deliveries pursuant to a ten-year contract with Hancock Wind began in December 2016. Under the contract, the Department will receive 13.5 MW (26.5%) of Hancock’s wind farm. It is expected to produce energy sufficient to meet approximately 11% of BED’s annual energy needs.

6. Prior to 2017, BED received energy from long-term purchases from a number of small in-state resources under a state-mandated feed-in tariff program (called Standard Offer resources). Effective January 1, 2017, BED was exempted from purchasing energy from these high-priced

resources (in recognition of its 100% renewable energy purchases). No power was received from Standard Offer Resources in either FY21 or FY22. BED expects this exemption to continue through at least December 31, 2022.

7. Purchase of the output from 7 small in-city solar projects under long term agreements that amount to 414 kW.

8. The Burlington City Council, the Vermont Public Utility Commission, and the voters of Burlington have approved a 23-year energy-only contract with Hydro-Quebec. Deliveries began (for the Department) in November 2015. Under the contract, the Department received 5 MW of contract energy for the period November 1, 2015 to October 31, 2020 and is now receiving a second (additional) 4 MW of contract energy for the period November 1, 2020 to October 31, 2038 (i.e., 9 MW in total). BED's entitlement is expected to provide approximately 15% of BED's annual energy requirements at the 9 MW level.

9. In 2013, BED entered a long-term power agreement to purchase the output of a 2.5 MW solar generating facility located in Burlington (South Forty Solar). This facility came online in January of 2018 and provides the Department with VT Tier 2 RECs as well as energy and reduced capacity and transmission requirements.

10. In 2017, BED signed a two-year contract with Great River Hydro with deliveries beginning January 1, 2019. In 2019, this contract was extended for five additional years from 2021 through 2024. The Department receives 7.5 MW during 16 peak hours of each day, along with the associated RECs (that qualify as VT Tier I). This contract is sourced from one or more hydro facilities in the State of Vermont.

Energy and Capacity payments under these long-term power supply contracts were $13,317,777 and $12,887,835 for the years ended June 30, 2021 and 2020, respectively, with the increase from 2020 being largely due to the beginning of the additional 4 MW of contract energy from Hydro-Quebec. Budgeted commitments under these long-term contracts and long-term contracts approved and executed for future delivery periods total approximately $73,117,592 for the 5-year period from July 1, 2021 to June 30, 2026.

Fiscal year	Budgeted commitments
2022	$ 15,276,117
2023	15,485,182
2024	15,710,027
2025	14,797,663
2026	11,848,603
	$ 73,117,592

(Continued)

The remainder of the Department's energy requirements (if any) are satisfied through short-term purchases including:

- Short-term purchases from market counterparties if necessary.
- Net exchange of energy through the Independent System Operator – New England power markets.

The costs of power purchased under these contracts are accounted for as purchased power expenses in the statements of revenues, expenses, and changes in net assets. The percentages of the Department's total energy sources were provided as follows:

	2021	2020
McNeil Generation and Gas Turbine	38 %	34 %
Winooski One	5	9
New York Power Authority	6	6
Vermont Electric Power Producers	0.1	—
Wind Production	24	25
Hydro-Quebec	13	8
Great River Hydro	12	12
Short-Term Purchase	—	4
In-City Solar	1	1
	99 %	99 %

(Continued)

Note: the percentages are relative to the Department's total available sources of energy rather than a percentage of requirements. Additionally, the Department sells RECs associated with much of the above generation and the above table should not be considered a representation of the Department's renewability. In both years, the sources of energy shown above exceeded the Department's annual energy requirements.

(12) Subsequent Events

The spread of the novel coronavirus, causing increased cases of COVID-19, around the world in 2021 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. At this time, the Department is not able to reliably estimate the length and severity of the COVID-19 public health crisis and, as such, cannot quantify its impact on the financial results, liquidity and capital resources and its operations in future periods.

On June 17, 2021, the Department filed with the PUC a request for a 7.5% rate increase. PUC approval of the rate filing is pending. As permitted under Vermont statue, the Department began charging its customers the 7.5% increase as a tariff adjustment for service rendered on/after August 1, 2021.

On July 15, 2021, the Department entered a $790,000 Master Tax-Exempt Lease/Purchase Agreement with Key Government Finance, Inc. at an effective interest rate of 0.895% and with a 48-month repayment term to fund the purchase and implementation of a new meter data management system.

On September 28, 2021, the Department, through the City of Burlington, issued $3,000,000 in general obligation bonds, 2021 Series A, with an average coupon rate of 3.45%. These bonds were issued in accordance with the City Charter for the purpose of refunding the $3,000,000 Bond Anticipation Note (BAN), Series 2020, issued July 21, 2020. Accordingly, the BAN has been classified as a long-term obligation in the accompanying financial statements.