



The Speaker of the House of Representatives,
President Pro-Tempore of the Senate
and the Governor of the State of Vermont

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont (the State) as of and for the year ended June 30, 2022, and have issued our report thereon dated December 22, 2022. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the State are described in Note I to the financial statements.

As described in Note I to the financial statements, the State adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Accordingly, the cumulative effects of the accounting change as of the beginning of the year are reported in the statement of activities and the proprietary funds statement of revenues, expenses, and changes in net position.

We noted no transactions entered into by the State during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for doubtful accounts is based on historical collection trends and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of tax refunds payable liability is based on an analysis of historical trends and past refund activities. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of incurred but not reported claims is based on computations performed by outside specialists, including actuarial computations that were relied upon to establish the amount of claims liabilities under self-insurance programs. We evaluated the key factors and assumptions used to develop the estimates for claims liabilities including incurred but not reported claims for healthcare, workers compensation, and state liability insurance, in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of Medicaid claims liability is based on historical trends and claims run out reports. We evaluated the key factors and assumptions used to develop the Medicaid claims liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the other post-employment benefits (OPEB) liability is based on computations performed by outside specialists, including actuarial computations and assumptions that were relied upon. We evaluated the key factors and assumptions used to develop the OPEB liability and obligation in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liability is based on computations performed by outside specialists, including actuarial computations and assumptions that were relied upon. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

Our audit procedures performed with the Department of Labor were delayed due to the Department's inability to produce information requested for our audit. This circumstance resulted in our performance of non-audit services to assist the Department in obtaining such information.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Corrected misstatements

The attached schedule summarizes all misstatements (material and immaterial) detected as a result of audit procedures that were corrected by management.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated December 22, 2022.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the State's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the State's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

We have provided a separate letter to you dated December 22, 2022, communicating internal control related matters relevant to the group audit and identified by us or by a component auditor during the audit.

Quality of component auditor's work

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.

Limitations on the group audit

There were no restrictions on our access to information of components or other limitations on the group audit.

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Supplementary information in relation to the financial statements as a whole

With respect to the combining and individual fund statements and schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 22, 2022.

Other information included in annual reports

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory and statistical sections. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

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This communication is intended solely for the information and use of the Governor, members of the State Legislature, and management of the State of Vermont and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
December 22, 2022

SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT

State of Vermont

Business Type Activities

Year Ended June 30, 2022

UNCORRECTED MISSTATEMENTS OF AMOUNTS

Effect of misstatements on:

Description	Assets & Deferred Outflows	Liabilities & Deferred Inflows	Net Position	Net Expense/Revenue and Change in Net Position
To correct an overstatement to unearned revenue for federal emergency relief funds meeting criteria for revenue recognition.	-	2,089,317	(2,089,317)	(2,089,317)
Net current year misstatements (Iron Curtain Method)	-	2,089,317	(2,089,317)	(2,089,317)
Net prior year misstatements	-	-	-	-
Combined current and prior year misstatements (Rollover Method)	\$ -	\$ 2,089,317	\$ (2,089,317)	\$ (2,089,317)
Financial statement totals	<u>\$ 375,873,982</u>	<u>\$ (93,451,797)</u>	<u>\$ (282,422,185)</u>	<u>\$ (14,890,112)</u>
Current year misstatement as a % of financial statement totals (Iron Curtain Method)		-2%	1%	14%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)		-2%	1%	14%

INADEQUATE DISCLOSURES OR UNCORRECTED MISSTATEMENTS OF DISCLOSURES

Description	Amount (If Applicable)
None	

SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT

State of Vermont

Unemployment Compensation Trust Fund

Year Ended June 30, 2022

UNCORRECTED MISSTATEMENTS OF AMOUNTS

Effect of misstatements on:

Description	Assets	Liabilities	Net Position	Net Expense/Revenue and Change in Net Position
To correct an overstatement to unearned revenue for federal emergency relief funds meeting criteria for revenue recognition carried forward from prior year		2,089,317	(2,089,317)	(2,089,317)
Net current year misstatements (Iron Curtain Method)	-	2,089,317	(2,089,317)	(2,089,317)
Net prior year misstatements	-	-	-	-
Combined current and prior year misstatements (Rollover Method)	\$ -	\$ 2,089,317	\$ (2,089,317)	\$ (2,089,317)
Financial statement totals	<u>\$ 311,214,046</u>	<u>\$ (47,565,732)</u>	<u>\$ (263,648,314)</u>	<u>\$ (10,194,724)</u>
Current year misstatement as a % of financial statement totals (Iron Curtain Method)		-4%	1%	20%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)		-4%	1%	20%

INADEQUATE DISCLOSURES OR UNCORRECTED MISSTATEMENTS OF DISCLOSURES

Description	Amount (If Applicable)
None	

SUMMARY OF CORRECTED MISSTATEMENTS - AUDIT

State of Vermont

Governmental Activities - Special Fund

Year Ended June 30, 2022

CORRECTED MISSTATEMENTS OF AMOUNTS		Effect of Corrected Misstatement on:				
Description	Opinion Unit	Assets	Liabilities	Net Position	Net Expense / Revenue and Change in Net Position	
To correct an understatement of Agency of Natural Resources Cash, an adjustment was made to increase General Recoveries Revenue for the Volkswagen Environmental Mitigation cash account for revenues meeting criteria for revenue recognition in the current year	Governmental Activities	\$ 4,334,419			\$ 4,334,419	
	Special Fund	\$ 4,334,419			\$ 4,334,419	