CITY OF BURLINGTON, VERMONT

Independent Auditors' Reports Pursuant
to Governmental Auditing Standards
and The Single Audit Act Amendments of 1996

For the Year Ended June 30, 2012

TABLE OF CONTENTS

MH&Co
MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and City Council
City of Burlington, 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 City of Burlington, Vermont, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 24, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 12-1 through 12-12 in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 12-13 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated January 24, 2013.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Mayor and City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Melanson, Heath + Company P.C.

January 24, 2013

MH&Co

Melanson Heath & Company, PC

Certified Public Accountants
Management Advisors

REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Mayor and City Council
City of Burlington, Vermont

Compliance

We have audited the City of Burlington, Vermont's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in items 12-14 through 12-16 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding allowable costs, matching, and reporting requirements that are applicable to its Highway Planning and Construction, and Community Development Block Grant. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 12-18 through 12-19 to be material weaknesses.

Schedule of Expenditures of Federal Awards

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 City as of and for the year ended June 30, 2012, and have issued our report thereon dated January 24, 2013, which contained a disclaimer on the Telecom Enterprise Fund, a qualified opinion on the general fund, and governmental activities, and an unqualified opinion on the other opinion units. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Mayor and City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Melanson, Heath + Company P.C.

March 26, 2013

CITY OF BURLINGTON, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Grant Title Pass Through Grantor/ Federal Grant/Program Title	Grant Number	CFDA Number	FY 2012 Expenditures
U.S. Department of Agriculture			
Passed through State of Vermont Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	4452	10.553	$ 445,901
After School Snack Program	4448	10.555	33,090
National School Lunch Program	4450	10.555	553,260
Total Child Nutrition Cluster:			1,032,251
Commodities Food Distribution	4456	10.550	92,410
Fresh Fruit and Vegetable	4449	10.582	123,090
Passed through State of Vermont Department of Forests, Parks & Recreation			
Urban Tree Canopy Redesign Grant	06130-TCA-BUR-11	10.664	17,000
Total U.S. Department of Agriculture			1,264,751
U.S. Department of Housing and Urban Development			
Direct Programs			
CDBG - Entitlement Grant Cluster:			
Community Development Block Grants/Entitlement Grants	B-07-MC-50-0001	14.218	2,094
Community Development Block Grants/Entitlement Grants	B-09-MC-50-0001	14.218	116,438
Community Development Block Grants/Entitlement Grants - ARRA	B-09-MY-50-0001	14.253	9,000
Community Development Block Grants/Entitlement Grants	B-10-MC-50-0001	14.218	139,190
Community Development Block Grants/Entitlement Grants	B-11-MC-50-0001	14.218	604,260
Total CDBG - Entitlement Grant Cluster			870,982
HOME Investment Partnership Program	M-09-MC-50-0200	14.239	260,880
HOME Investment Partnership Program	M-10-MC-50-0200	14.239	495,414
HOME Investment Partnership Program	M-11-MC-50-0200	14.239	307,036
Community Development Block Grant - Brownfields Economic Development Initiative (BEDI)	B-09-BD-50-8013	14.246	151,051
Community Development Block Grants - Section 108 Loan Guarantees	B-08-MC-50-0001	14.248	249,860
Economic Development Initiative Special Project - Neighborhood Initiative and Miscellaneous Grants	B-09-SP-VT-0094	14.251	57,695
Lead-Based Paint Hazard Control in Privately-Owned Housing	VTLHB0374-07	14.900	439,149
Lead-Based Paint Hazard Control Program	VTLHB0511-11	14.900	242,841
Passed through State of Vermont Agency of Commerce & Community Development			
Neighborhood Stabilization Program	07110-NSP-Burlington	14.228	145,161
Total U.S. Department of Housing and Urban Development			3,220,069

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Grant Title Pass Through Grantor/ Federal Grant/Program Title	Grant Number	CFDA Number	FY 2012 Expenditures
U.S. Department of Interior			
Direct Programs			
American Battlefield Protection Program	GA-2255-10-003	15.926	2,413
Passed through State of Vermont Division for Historic Preservation			
Historic Preservation Fund Grants-in-Aid	CLG-VT-12-06	15.904	355
Total U.S. Department of Interior			2,768
U.S. Department of Justice			
Direct Programs:			
Internet Crimes Against Children (ICAC)	2010-MC-CX-K020	16.543	63,109
Internet Crimes Against Children (ICAC)	2010-MC-CX-K020	16.543	106,413
Bulletproof Vest Partnership Program	2010	16.607	556
Bulletproof Vest Partnership Program	2011	16.607	941
Edward Byrne Memorial Justice Grant Program	2009-DJ-BX-1145	16.738	8,132
Edward Byrne Memorial Justice Grant Program	2010-DJ-BX-0690	16.738	31,158
Edward Byrne Memorial Justice Grant Program	2011-DJ-BX-2451	16.738	45,794
Edward Byrne Memorial Justice Grant Program - ARRA	2009-SB-B9-1107	16.804	145,078
Internet Crimes Against Children Task Force (ICAC) - ARRA	2009-SN-B9-K026	16.800	50,526
Passed through State of Vermont Center for Crime Victim Services			
Crime Victim Assistance Grant	2011-VA-GX-0041	16.575	117,000
Total U.S. Department of Justice			568,707
U.S. Department of Transportation			
Direct Programs			
Airport Improvement Program	Various	20.106	5,367,784
Passed through State of Vermont Agency of Transportation			
Federal Highway Administration	FHWA ER VT11-1	20.205	365
Highway Planning and Construction Grant - N/S Connector	ME-GC-M5000(1)	20.205	486,581
Highway Planning and Construction Grant - College Circle/Waterfront	STP5000(17)	20.205	63,922
Highway Planning and Construction Grant - Church Street & Off	STP5000(16)	20.205	1,728,136
Highway Planning & Construction Grant - Stormwater Mitigation	SW0052	20.205	54,697
Total U.S. Department of Transportation			7,701,485

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Grant Title Pass Through Grantor/ Federal Grant/Program Title	Grant Number	CFDA Number	FY 2012 Expenditures
National Aeronautics and Space Administration			
Direct Programs			
FY11 Earmark		43.unknown	102,542
FY12 Earmark		43.unknown	551,227
Total National Aeronautics and Space Administration			653,769
Environmental Protection Agency			
Direct Programs			
Brownfields Assessment and Clean Up Cooperative Agreements	BF-96113601-0	66.818	27,575
Passed through State of Vermont Environmental Protection Agency			
Capitalization Grants for Clean Water Revolving Fund - ARRA	Loan AR1-013	66.458	141,923
Total Environmental Protection Agency			169,498
U.S. Department of Energy			
Direct Programs			
Development & Maintenance of Testing Standards for Solar Energy Systems	4515-T037-10-01	81.117	5,242
Development & Maintenance of Testing Standards for Solar Energy Systems	4515	81.117	44,758
Energy Efficiency and Conservation Block Grant - ARRA	DE-EE0002381	81.128	42,572
Total U.S. Department of Energy			92,572
U.S. Department of Education			
Passed through State of Vermont Department of Education			
Title I, Part A Cluster:			
Title I Grants to Local Education Agencies	4250-S015-12-01	84.010	2,354,676
Title I Grants to Local Education Agencies	4255-T037-12-01	84.010	225,000
Title I Grants to Local Education Agencies - ARRA	4757-T037-11-01	84.389	8,810
Title I Grants to Local Education Agencies - ARRA	4750-T037-11-01	84.389	732,431
Title I Grants to Local Education Agencies - ARRA	4750-T037-11-02	84.389	780,602
Title I Grants to Local Education Agencies - ARRA	4750-T037-12-01	84.389	191,049
Total Title I, Part A Cluster			4,292,568
Special Education Cluster:			
Special Education Grants to States (IDEA-B)	4226-T037-12-01	84.027	1,093,308
Special Education Grants to States (IDEA-B)	4226-T037-12-01	84.027	23,534
Special Education Grants to States (IDEA-B - ARRA)	4756-T037-11-01	84.391	744,674
Special Education Grants to States (IDEA-B - ARRA)	4756-T037-11-02	84.391	24,320
Special Education Grants to States (IDEA-B - ARRA)	4756-T037-12-01	84.391	32,710
Special Education - Preschool Grants (IDEA Preschool)	4228-S015-12-01	84.173	20,805
Special Education - Preschool Grants (IDEA Preschool - ARRA)	4758-T037-11-01	84.392	16,205
Special Education - Preschool Grants (IDEA Preschool - ARRA)	4758-T037-11-02	84.392	6,620
Total Special Education Cluster			1,962,176

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Grant Title Pass Through Grantor/ Federal Grant/Program Title	Grant Number	CFDA Number	FY 2012 Expenditures
Career and Technical Education Basic Grants to States	4320-T037-12-01	84.048	8,400
Career and Technical Education Basic Grants to States	4318-T037-12-01	84.048	4,963
Career and Technical Education Basic Grants to States	4318-T037-12-02	84.048	142,139
Career and Technical Education Basic Grants to States	4318-T037-11-01	84.048	18,946
Education for Homeless Children and Youth	4265-T037-12-01	84.196	12,000
Education for Homeless Children and Youth	4265-T037-12-02	84.196	75,406
Twenty First Century Community Learning Center	4611-T037-12-01	84.287	452,779
Educational Technology State Grant Cluster:			
Educational Technology State Grants	4263-T037-09-02	84.318	58,580
Educational Technology State Grants	4263-T037-11-01	84.318	12,195
Educational Technology State Grants	4763-T037-12-03	84.318	11,705
Educational Technology State Grants	4763-T037-12-01	84.318	182,730
Educational Technology State Grants	4263-T037-11-02	84.318	14,805
Educational Technology State Grants - ARRA	4263-T037-12-02	84.386	11,194
Educational Technology State Grants - ARRA	4263-T037-12-01	84.386	10,000
English Language Acquisition Grants	4375-T037-12-01	84.365	97,788
English Language Acquisition Grants - Title III	4375-T037-12-01	84.365	13,823
Improving Teacher Quality State Grants	4651-T037-12-01	84.367	529,003
Educational Jobs Grant	4120-T037-12-01	84.410	756,676
Total U.S. Department of Education			8,667,876
U.S. Department of Health and Human Services			
Passed through State of Vermont Department of Children and Families			
Promoting Safe and Stable Families	03440-30120-12-CHAMP	93.556	40,000
Total U.S. Department of Health and Human Services			40,000
Corporation for National and Community Service			
Passed through State of Vermont VT Commission on National and Community Services			
AmeriCorps State	06AFHVT0010013	94.006	183,770
AmeriCorps State	06AFHVT001-WAB 2010	94.006	41,562
Total Corporation for National and Community Service			225,332
Federal Emergency Management Agency			
Passed through State of Vermont Agency of Transportation			
FEMA Disaster Relief	FEMA-1995-DR-VT	97.036	132,057
Total Federal Emergency Management Agency			132,057

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Grant Title Pass Through Grantor/ Federal Grant/Program Title	Grant Number	CFDA Number	FY 2012 Expenditures
U.S. Department of Homeland Security			
Passed Through State of Vermont Department of Public Safety			
Homeland Security Program	2010-SS-TO-0083	97.067	22,354
Homeland Security Program	2008-GE-T8-0045	97.067	2,541
Homeland Security Program	2009-SS-T9-0075	97.067	22,425
Total U.S. Department of Homeland Security			47,320
U.S. Department of Transportation Security Administration			
Direct Program			
Law Enforcement Officer Reimbursement Agreement Program	HSTS0208HSLR301	97.090	206,915
Total Federal Awards			$ **22,993,119**

Subrecipients:

Of the Federal expenditures presented in this schedule, the City of Burlington, Vermont provided Federal awards to subrecipients as follows:

Program Title		
Community Development Block Grant	14.218	$ 118,969
Total		$ 118,969

The Schedule of Federal Awards includes the Federal grant activity of the City of Burlington, Vermont and was prepared using the significant accounting policies in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The Schedule of Expenditures of Federal Awards does not include the activity of the Electric Department Fund which expended $2,783,207 in the Federal awards during the year.

REPORT ON COMPLIANCE WITH REQUIREMENTS OF THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES

To the Mayor and City Council
City of Burlington, Vermont

Compliance

We have audited Burlington International Airport's, an enterprise fund of the City of Burlington, Vermont, compliance with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies (the Guide) issued by the Federal Aviation Administration, applicable to its passenger facility charge program for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in item 12-17 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding allowable costs requirements that are applicable to its Passenger Facility Charges. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its passenger facility charge program for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Revenues and Expenditures of Passenger Facility Charges

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 City as of and for the year ended June 30, 2012, and have issued our report thereon dated January 24, 2013, which contained a disclaimer on the Telecom Enterprise Fund, a qualified opinion on the general fund, and governmental activities, and an unqualified opinion on the other opinion units. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the City's financial statements. The accompanying schedule of revenues and expenditures of passenger facility charges is presented for purposes of additional analysis as required by the Passenger Facility Charge Audit Guide for Public Agencies, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Mayor and City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Melanson, Heath + Company P.C.

March 26, 2013

CITY OF BURLINGTON, VERMONT
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
FOR THE YEAR ENDED JUNE 30, 2012

Balance- July 1, 2011	$ 7,037,969
Passenger Facility Charges Collected	2,634,979
Interest Earnings	9,431
Passenger Facility Charges Expended	(5,149,247)
Balance- June 30, 2012	$ 4,533,132

CITY OF BURLINGTON, VERMONT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

• Telecom Enterprise Fund	Disclaimer
• General fund and Government-wide Financial Statements	Qualified
• All other Opinion Units	Unqualified

Internal control over financial reporting:

• Material weaknesses identified?	_✓_ yes ___ no
• Significant deficiencies identified?	_✓_ yes ___ none reported
Noncompliance material to financial statements noted?	___ yes _✓_ no

Federal Awards

Internal control over major programs:

• Material weaknesses identified?	_✓_ yes ___ no
• Significant deficiencies identified?	___ yes _✓_ none reported

Type of auditors' report issued on compliance for major programs:

Airport Improvement Program	Unqualified
Highway Planning and Construction	Qualified
Community Development Block Grant – Entitlement	Qualified
Home	Unqualified
Title I	Unqualified
SPED	Unqualified
Educational Jobs Grant	Unqualified
Child Nutrition	Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	✓ yes ___ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
14.218/14.253	Community Development Block Grant-Entitlement
14.239	Home
84.010/84.389	Title I
84.027/84.173/84.391/84.392	SPED
84.410	Educational Jobs Grant
10.553/10.555	Child Nutrition

Dollar threshold used to distinguish between type A and type B programs:	$689,794
Auditee qualified as low-risk auditee?	___ Yes ✓ no

SECTION II – FINANCIAL STATEMENT FINDINGS

<u>Finding #</u> **<u>Finding/Noncompliance</u>**

12-1 **<u>Segregate the Accounting and Treasury Functions and Evaluate the Department (Material Weakness)</u>**

<u>Prior Year Recommendation</u>:
In the prior year, we recommended that the City consider segregating the accounting and treasury functions in order to create an environment that properly segregates the City's financial management systems. While the City has certain internal control procedures in place to mitigate the risks associated with a lack of segregation of duties, those control procedures could be overridden.

<u>Current Year Status</u>:
This recommendation has not yet been implemented.

<u>Further Action Needed</u>:
We continue to recommend that the City segregate the accounting and treasury functions in order to create an environment that properly segregates the City's financial management systems. In our opinion, the City should hire a consultant to assist with implementing this recommendation and to help ensure that a redesigned office structure has the sufficient level of expertise.

<u>City's Response</u>:
The City believes that the implementation of the New World system alleviates concerns about combining the accounting and treasury functions. The former system was journal-entry based and nearly all activity was recorded in the Clerk/Treasurer's office. With the new system, recording of transactions is decentralized to each department – purchase orders are issued by the department needing the item, and are approved by the Clerk/Treasurer's office before issuance. A similar process is used when an invoice arrives. For revenue transactions, activity is tracked by the applicable subsystem (RecTrac, for example, in Parks and Recreation), and amounts sent for deposit in the bank are reconciled to the subsystem before being recorded into New World. Bank accounts are reconciled monthly. In addition, the City has begun to use Posi-Pay, which sends electronic copies of all checks issued each day to the bank. If a check is presented for payment to the bank that was not on the Posi-Pay listing, it is rejected and the Clerk/Treasurer's office is notified. Blank check stock is under the control of the Chief Administrative Officer, who is not an authorized signer on any bank account. For wire transfers initiated by the Assistant CAO for Finance, we are instituting a procedure whereby the bank will be required to call the Clerk/Treasurer's office and speak with either the CAO or Assistant CAO for Administration to verify that the wire transfer is authorized.

The authority to make journal entries is held only by the Assistant CAO's and senior accountants in the Clerk/Treasurer's office, and each journal entry is reviewed and approved by a person at a higher level of authority than the preparer. Under the New World system, journal entries are rarely needed as compared to the prior system.

Based upon the procedures and controls implemented in connection with the system conversion, we do not believe that the accounting and treasury functions need to be

Finding #	Finding/Noncompliance

split into separate departments.

12-2 **Eliminate Deficit Balances (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended that the City adopt a formal (written) plan to improve cash flow and to eliminate the deficit general fund unassigned fund balance. This would improve the financial condition of the City, and reduce the reliance on bank financing to meet normal cash flow requirements.

Current Year Status:
The City has taken certain steps to eliminate deficit balances and improve cash flow, including increasing water and wastewater rates, obtaining reimbursement from various state agencies, obtaining authorization to bond for project expenditures that were incurred in 2009, and authorizing Fiscal Stability Bonds. A summary of significant deficit cash balances as of June 30, 2012 and 2011 is as follows:

	6/30/2012	3/30/2011
● Telecom	$ 16,936,492	$ 16,936,492
● Wastewater Fund	1,318,620	2,531,914
● Water fund	2,245,679	2,065,706
● Southern connector capital project	628,364	1,211,949
● Westlake garage capital project	564,808	621,031
● Waterfront access capital project	87,139	380,984
● Storm water capital project	432,133	273,264
● CEDO	550,000	550,000
● School project	N/A	1,134,096
● Airport	1,112,299	N/A
Total	$ 23,875,534	$ 25,705,436

Further Action Needed:
We recommend that the City continue to monitor these cash deficits on a monthly basis to help ensure timely corrective action can be implemented if needed.

City's Response:
The City is taking steps to collect all deficit balances, and has made further progress through December 31, 2012. For example, water rates were raised effective on July 1, 2013 to provide the cash flow for that department to repay the general fund. Furthermore, the City developed a written plan, which was approved by both the Board of Finance and City Council, in connection with the approval of the issuance of the Fiscal Stability bonds. The Burlington Telecom deficit balance is the subject of litigation and repayment is not expected in the near term.

12-3 **Develop a More Formal Risk Assessment Process (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended that the City implement a more formal risk

Finding #	Finding/Noncompliance

assessment process that includes written identification of areas where potential fraud or material misstatements to the basic financial statements may occur, as well as how the City intends to respond to those risks, including ongoing monitoring activities. This would help minimize the risk of errors or irregularities occurring and going undetected.

Current Year Status:
This recommendation has not yet been implemented.

Further Action Needed:
We continue to recommend the City implement a fraud risk assessment program, including monitoring controls over any potential related party issues.

City's Response:
In connection with the documentation of internal controls recommended in finding 12-4 below, a more formal risk assessment process will be performed at all departments to identify areas where the potential for fraud or material misstatements exists.

12-4 **Document Internal Control Components (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended that the City document its internal control procedures in accordance with the COSO model. The COSO (Committee of Sponsoring Organizations of the Treadway Commission) model is widely recognized as the standard against which organizations measure the effectiveness of their internal control systems. The COSO components of effective internal control are: Internal Environment, Objective Setting, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring.

Current Year Status:
This recommendation has not yet been implemented.

Further Action Needed:
We continue to recommend the City document the components of internal control in accordance with the COSO model. We understand, however, that the complete implementation of the new financial management system must occur first and in our opinion, recommendation 1 should be implemented first.

City's Response:
The City has developed policies and procedures in connection with the implementation of the New World financial reporting system that have resulted in changes in processes. Now that the implementation is nearly complete, the Clerk/Treasurer's office will work to complete internal control documentation for each significant process during the year ending June 30, 2013.

Finding # **Finding/Noncompliance**

12-5 **Limit Access to the City's General Ledger (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended (as part of the implementation of the new financial management system) the City thoroughly review all employees' job descriptions to ensure that permission levels assigned in the new system are appropriate, given the current job descriptions. We further recommended that the City establish a policy whereby any change to an employee's job description occurs in conjunction with management's review of permission/access levels assigned.

Current Year Status:
We understand that this is occurring with the implementation of the new financial management system.

Further Action Needed:
We continue to recommend that the City thoroughly review all employees' job descriptions to ensure that permission levels assigned in the new system are appropriate and a policy be established whereby any change to an employee's job description occurs in conjunction with management's review of permission/access levels assigned.

City's Response:
Access to post to the general ledger in the New World system is limited to only key personnel in the Clerk/Treasurer's office. Specifically, only the Assistant CAO's and senior accountants in the office are permitted to make journal entries, and each entry is approved by someone at a higher level of authority than the preparer.

12-6 **Implement Regular Internal Audits (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended the City's Accounting Office establish a schedule for periodic internal audits of departmental accounting records. This would result in improved oversight and reduce the risk of errors or irregularities occurring and going undetected.

Current Year Status:
This recommendation has not yet been implemented.

Further Action Needed:
We continue to recommend that the City perform periodic internal audits of the City's departmental accounting records. As noted in comment 1, they City should consider establishing an Internal Audit function.

City's Response:
The City agrees that there are internal audit procedures that can be performed by qualified Clerk/Treasurer's office personnel. At present, we are planning two internal audit procedures which focus on payroll and related accounts, as well as another audit on capital asset acquisition and reporting. We will continue to develop other internal

Finding #	Finding/Noncompliance

audit procedures throughout the year, focusing particularly on purchasing processes and related controls.

12-7 **Improve Monitoring of Capital Projects (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended that the City identify causes for all negative cash balances in capital project funds and that the City use the general ledger (not spreadsheets) to maintain a complete accounting of all capital projects.

Current Year Status:
In fiscal year 2012, many requests for reimbursements were filed with the State of Vermont and many of the negative cash positions have improved, however, most projects were not completely monitored.

Further Action Needed:
We continue to recommend that the City utilize the general ledger to maintain complete accounting of all capital projects.

City's Response:
In the New World financial management system, capital projects funds are established to enable the tracking of expenditures to assure, among other things, that the bond proceeds are used for their intended purpose. In the future, a separate capital projects fund will be established for each bond issued for capital purposes.

12-8 **Utilize a Fixed Asset Accounting System (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended that the City implement software to maintain the historical cost and depreciation of capital assets, and develop a written capitalization policy. This would streamline and provide improved reporting over capital assets, would help accelerate the year-end closing process, and would improve the calculations of annual depreciation.

Current Year Status:
This recommendation has not yet been implemented. We understand, however, that the complete implementation of the new financial management system should occur first.

Further Action Needed:
We continue to recommend that the City implement software to maintain the historical cost and depreciation of capital assets, and develop a written capitalization policy.

City's Response:
The City agrees that its fixed asset accounting system is antiquated and does not well serve the needs of the users of that information. Due to the scope of such a project, it is possible that the implementation of a new automated system for fixed assets will have to wait until fiscal 2014. In the near term, the capitalization policy will be

Finding #	Finding/Noncompliance

reviewed and updated as necessary, and departments involved in capital projects activity and reporting will receive training on the capitalization policy to eliminate the capitalization of minor items, as well as learn how to use Construction in Process to accumulate all costs of a project before it is transferred into the fixed asset accounting system.

12-9 **Analyze Expenditures of Bond Proceeds (Material Weakness)**

The City annually issues bonds to finance capital projects, as specified in the bond offering document, over a period of multiple years. Because the issues discussed further in comments 7 and 24 of the audit management letter, the City is unable to efficiently and effectively monitor controls to provide assurance that the bond proceeds are being used exclusively for the purposes specified in the bond offering statements. As a result, there is an increased risk that bonded monies could be spent on activities that were not part of the original offering.

We recommend that the City analyze, in detail, the expenditures incurred and funded by the general fund bond issuances for the past two years. This recommendation will provide the City with the basis to determine if incurred expenditures were consistent with the offering documents. We further recommend that the City strengthen the controls currently in place to provide assurance that bond proceeds are used exclusively for the purpose outlined in the offering documents.

City's Response:
In addition to the efforts described in No. 7 above, the City will go back to the bonds issued in fiscal 2012 and fiscal 2011 to document the use of the bond proceeds and demonstrate that the proceeds were used for their intended purpose(s).

12-10 **Redesign Vendor and Payroll Approval Process (Material Weakness)**

The current systems for vendor and payroll expenditures processing are not designed consistently or efficiently. Currently all elements of vendor invoice processing is controlled by a single individual without any documented oversight. Payroll is currently processed by three individuals that use two different systems, and each individual processes transactions differently.

Specific recommendations for the vendor disbursement process improvements include, but are not limited, to:

- The vendor clerk should not be permitted to establish new vendors for payment in the accounting system.
- The approval for all invoices should be documented by the Clerk/Treasurer, not simply the vendor clerk.
- Credit card and business related travel expenditures should be reimbursed consistent with policies. It should also be noted these policies have not been updated in over 10 years.
- Budget amendment should be approved prior to incurring expenditure in excess of appropriations.

Finding #	Finding/Noncompliance

- Specific eligibility criteria for grant and bond-financed projects should be formally documented.
- The taxability of employee clothing reimbursements in excess of actual costs should be evaluated.

Specific recommendations for payroll disbursement process improvements, includes, but are not limited, to:

- Pay rates should be entered by Human Resources.
- Approved timesheets should be used for all employees.
- The approval for each payroll run should be documented by the Clerk/ Treasurer, not simply the Payroll Clerks.

We recommend that the City, in conjunction with the implementation of the new financial management system, redesign systems of internal control over the processing and approval of vendor and payroll transactions to incorporate the above-noted items.

City's Response:
The City agrees with the recommendations made and will work to implement improvements in controls over disbursements and payroll before June 30, 2013.

12-11 **Improve Documentation of Cash Receipts (Material Weakness)**

In our testing of receipt procedures in the Clerk/Treasurer's Office, we noted that receipts in cash (currency) are not coded as such in the tax receipt system or on the receipt stubs. Because of the increased exposure in handling cash, it is very important that a clear audit trail exist from the time cash is accepted at the counter to the bank deposit.

We recommend the Clerk/Treasurer's Office include a notation on the receipt stub of those payments that were made by cash, and that the office make efforts to ensure currency transactions are coded as such in taxpayer accounts of the receipt system. Also, the amount of currency deposited should be proven to the receipt stubs and daily receipt posting reports. This will improve controls over cash receipts and will minimize the risk of irregularities occurring and going undetected.

We further recommend the City consider replacing the current "cash drawers" with an automated cash register in the Clerk/Treasurer's Office. The benefits of a cash register include: improved internal controls, since more than one individual is responsible for the cashout/reconciliation process; improved audit trail over cash (currency); and potential to automatically link cash register input to taxpayer account postings.

City's Response:
We will evaluate whether a cash register is needed for the customer service clerks in the Clerk/Treasurer's office, and will examine our current processes to ascertain whether changes are needed to improve internal controls over cash. If cash registers

Finding #	**Finding/Noncompliance**

are installed, we will reconcile cash and checks separately to the information on the daily cash register "Z" tape.

12-12 **Review Practice of Extending the Useful Life of Capital Assets (Material Weakness)**

The City has a practice of extending the useful life of many of its major infrastructure capital assets after normal and customary maintenance is performed on the systems. As a result, assets are actually being depreciated over a much longer period, resulting in an overstatement of the asset's net book value.

We recommend that the City review the practice of extending the useful life of capital assets to ensure it is consistent with generally accepted accounting principles (GAAP). As part of this review, the City should also look at the original useful life assigned to other major capital assets, such as building and improvements for possible impairments. This will help assure that capital assets are being depreciated over their useful lives and in accordance with GAAP.

City's Response:
In connection with the implementation of an automated fixed asset accounting system and review of our capitalization policy, we will clarify what factors must be considered to justify a change in the remaining life of a fixed asset.

12-13 **Improve Controls over CEDO Special Revenue Fund Activities (Significant Deficiency)**

Prior Year Recommendation:
In the prior year, we recommended the City (1) reevaluate the job responsibilities of the Assistant Finance Director to assure an adequate segregation of duties exists, (2) discontinue the use of manual checks, (3) post all receipts and disbursements in the general ledger immediately, (4) record receivable activity in general ledger throughout the year, and (5) perform regular monthly reconciliations of general ledger receivable activity. This would improve controls over CEDO activity and improve the accuracy of general ledger records.

We also recommended the CEDO fund chart of accounts segregate "loans received in advance" from "deferred revenue", and discontinue the tracking of loan allowances in a separate fund 3001, but instead track with the applicable general ledger receivable accounts. This would simplify the accounting and reconciling of general ledger receivable and corresponding deferred revenue accounts.

Current Year Status:
Several prior year recommendations over CEDO Special Revenue Funds were implemented. The items noted above have not yet been implemented.

Further Action Needed:
We continue to recommend that the City implement the aforementioned CEDO recommendations.

Finding #	Finding/Noncompliance
	City's Response: We agree that improved processes are needed in CEDO as a result of its myriad of funding sources and various projects it is involved in. In connection with the review of CEDO processes, the City will address all of the specific items noted above. Furthermore, the CEDO chart of accounts in the New World accounting system has already been modified to accommodate its unique accounting and reporting needs.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding #	Program	Finding/Noncompliance	Questioned Cost
12-14	CDBG Cluster 14.218/ 14.253	Comply with Reporting Requirements (Compliance Finding) Criteria: The Federal Funding Accountability and Transparency Act requires disclosure concerning entities receiving federal financial awards such as federal contracts, subcontracts, grants, and subgrants. See 31 U.S.C. 6101 note. Prime recipients (the City) are required to register in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and report subaward data through FSRS for subawards of $25,000 or greater. Requirements for reporting pursuant to the Federal Funding Accountability and Transparency Act are codified in the FAR interim final rule published in the Federal Register. Condition: The City issued subawards greater than $25,000, however, did not register in the FSRS and report the required data related to the subawards. Effect: The City did not fully comply with the Federal Funding Accountability and Transparency Act reporting requirements. There are no questioned costs associated with this finding as it is a reporting issue only and is not related to costs incurred.	N/A

Finding #	Program	Finding/Noncompliance	Questioned Cost
		Recommendation: We recommend that the City register all subawards in excess of $25,000 in the FSRS as required by the Federal Funding Accountability and Transparency Act. The memorandum and accompanying documents can be found at: www.whitehouse.gov/omb/open. City's Corrective Action Plan: The City will register all subawards in excess of $25,000 that have been made since July 1, 2012 in the Federal Subaward Reporting System (FSRS). The data related to subawards required by the FSRS will be filed as required.	
12-15	Highway Planning and Construction 20.205	Ensure an Approved Indirect Cost Rate is Maintained (Compliance Finding) Criteria: A State approved indirect cost rate proposal is required to document that only allowable costs are charged to Federal awards. Condition: In fiscal year 2012, the City charged personnel costs to grant funded programs at a billed rate that included an overhead rate. However, the billed rate charged was not approved by the awarding authority. Effect: Without a formally approved indirect cost plan, the City is at risk of incurring disallowed costs. Recommendation: We recommend the City obtain the State's approved indirect cost rate to ensure all charges to the Federal award are allowable. City's Corrective Action Plan: The City will file an indirect cost rate proposal with the State of Vermont and gain its approval to reduce the risk of disallowed costs being incurred.	Undetermined

Finding #	Program	Finding/Noncompliance	Questioned Cost
12-16	Highway Planning and Construction 20.205	Improve Documentation of City Matching Requirements (Compliance Finding) Criteria: Federal Highway Planning and Construction grant recipients are required to contribute a match between 2% and 20% toward programs costs. Condition: The City did not utilize the general ledger as an internal control to document that specific expenditures were claimed towards the required match. Instead, the City utilized general fund (not the grant fund) expenditures towards the required match. Effect: As a result, a specific identification of the expenditures claimed as matching funds was not achieved, and uncertainty exists over 1) whether the required match was achieved and or 2) if the claimed expenditures were grant eligible. Recommendation: We recommend the City improve documentation related to matching requirements for Federal awards to ensure the match is met for each fiscal year of the project, and the funds used for the match are allowable per the award documents. City's Corrective Action Plan: The City is now using project accounting within its new accounting and financial reporting system to account for all significant and recurring grants. This will permit the City to better monitor its matching requirements and documentation of such, and assure that the funds used for the matching are allowable under the grant agreement.	Undetermined

Finding #	Program	Finding/Noncompliance	Questioned Cost
12-17	Passenger Facility Charges	Improve Documentation over Passenger Facility Charges (Compliance Finding) Criteria: Passenger Facility Charges (PFC) are airport revenues that are required to be spent on projects approved by the Federal Aviation Administration (FAA). Utilizing PFCs are generally an eligible source for the local matching share of Airport Improvement Program (AIP) grants. Condition: The City did not utilize the general ledger as an internal control to document which specific expenditures were claimed as PFC expenditures. Instead, the Airport tracks expenditures of PFC funds in a variety of spreadsheets or notebooks. Effect: As a result, a comprehensive system of controls is not in place to provide a complete accounting of the use of PFC revenues and to provide reasonable assurance that expenditures claimed as eligible in one year, are not claimed again in a subsequent year. Recommendation: We recommend the City establish improved documentation related to the use of PFC revenues. In implementing this recommendation, the City should consider establishing year-to-date and life-to-date reporting consistent with the FFA's approved Record of Decisions. City's Corrective Action Plan: The City is now accounting for each Airport Improvement Project ("AIP") and Passenger Facility Charge ("PFC") project in separate accounting funds within the new accounting and financial reporting system. This separation will allow the City to clearly indicate the amount of AIP grant or PFC revenue that was used for each project. Further, by using project accounting, each AIP or PFC project can be	Undetermined

Finding #	Program	Finding/Noncompliance	Questioned Cost
		accounted for on both a year-to-date and life-to-date basis.	
12-18	Highway Planning and Construction 20.205	Improve Controls over Accounting Records (Material Weakness) Criteria: An effective system of internal controls requires grant recipients to have policies and procedures that provide reasonable assurance that reports are supported by underlying accounting records, and are fairly presented in accordance with program requirements for reporting of Federal awards, including proper assignment of responsibility for adjusting entries made to the general ledger. Condition: In fiscal year 2012, the general ledger expenditure records for the Federal Highway Planning and Construction Program reflected numerous journal entries. We concur that the journal entries appear to have been appropriately made; however, these adjustments were not posted until December 2012. Effect: Multiple journal entries increase the risk that accounting records may not be appropriately presented in accordance with program requirements. No questioned costs are associated with this finding because the City was able to provide appropriate supporting documentation for all requests for reimbursements we tested. Recommendation: We recommend the City establish stronger internal controls to minimize journal entries. City's Corrective Action Plan: The City's new accounting and reporting system, which went into use on July 1, 2012, is not a journal-entry based system like the prior system was. As a result, purchase orders and invoices are entered by the user departments and reviewed and approved by the	N/A

Finding #	**Program**	**Finding/Noncompliance**	**Questioned Cost**
		Clerk/Treasurer's office, improving segregation of duties. Further, in the new system, only the Clerk/Treasurer's office can make adjusting journal entries, and that authority is held by the senior accountants, chief accountant and assistant chief administrative officers. All journal entries are reviewed and approved by the assistant chief administrative officers, or in certain situations, by the Chief Administrative Officer.	
12-19	Highway Planning and Construction 20.205 CDBG Entitlement 14.218/ 14.253	Request Funds in an Organized and Timely Manner (Material Weakness) Criteria: An effective system of internal controls is required to ensure costs are eligible, and requests for reimbursement are submitted in an organized, timely manner. Condition: In fiscal year 2012, we noted the Highway Planning Grant had multiple requests for reimbursement returned from the State because of a lack of appropriate supporting documentation. Additionally the City did not make timely requests for reimbursement of the Highway Planning grant and the Community Development Block Grant Entitlement program. These instances resulted in increased grant receivables and negative cash flows. Effect: Late and incomplete requests place a burden on the financial resources of the City. Recommendation: We recommend the City strengthen the invoice approval process to ensure all costs submitted for reimbursement are eligible. Further we recommend requests for funds be completed in a more organized and timely manner to ensure prompt payment and improve the City's cash flow.	N/A

Finding #	Program	Finding/Noncompliance	Questioned Cost
		City's Corrective Action Plan: The City has improved the timeliness of billing for grant expenditures, and has been working actively with the State of Vermont Transportation Department to resolve rejected billing items. In the past, if one item in a batch of expenditures was rejected, the State rejected the entire billing. The City and State have since agreed that the State will pay the balance of a billing, less the amount of any rejected items, thus improving cash flow to the City. Further, any rejected item is being investigated and resolved as soon as possible after the notice of a rejected item. Finally, billings under the City's Community Development Block Grant, which got behind as a result of some personnel changes, will be brought current during the year ending June 30, 2013.	

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

Finding #	Program	Finding/Noncompliance
11-12	Highway Planning and Construction 20.205	Improve Controls over Accounting Records and Request for Reimbursements Prior Year Recommendation: We recommended the City make efforts to minimize journal entries and make requests for reimbursement in a timelier manner. Current Year Status: Finding 11-12 is repeated and revised in the current year as findings 12-18 and 12-19.

CITY OF BURLINGTON, VERMONT

Annual Financial Statements

For the Year Ended June 30, 2012

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TABLE OF CONTENTS

MH&Co
MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Burlington, Vermont

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund (except the Burlington Telecom Enterprise Fund and the Burlington Electric Enterprise Fund), and the aggregate remaining fund information of the City of Burlington, Vermont, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Burlington's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Burlington Electric Enterprise Fund, a major enterprise fund, which represents 40% and 60% of the assets and revenues, respectively, of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the Burlington Electric Enterprise Fund and its effects on the business-type activities, is based on the report of the other auditors.

We were engaged to examine the Burlington Telecom Enterprise Fund as of and for the year ended June 30, 2012, however, as discussed on page 96 to the financial statements, the City is a defendant in a lawsuit related to the lease that provided the financing of the Telecom enterprise fund's assets. The lawsuit, among other things, seeks repayment of the original lease amount of $33,500,000 or the return of the equipment, as well as rent from the City for the use of Telecom's assets. As a result of the lawsuit, material uncertainties exist relative to amounts that may be owed to the plaintiff for lease and/or rental payments as well as the reported value of the underlying assets. The effects of these uncertainties on the financial position, results of operation, and cash flows of the Burlington Telecom Enterprise Fund, are not reasonably determinable.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

Management was unable to provide an assessment of the collectability of the General Fund receivable of $16,936,492 due from the Telecom Enterprise Fund. If the Telecom Enterprise Fund cannot repay all, or a portion of the advance, the City's General Fund would be required to transfer to the Telecom Enterprise Fund the amount that cannot be repaid. We are unable to form an opinion on the amount, if any, or the timing of when the advance from the General Fund will be repaid.

Because of the significance of the matters described in the second paragraph of this report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Telecom Enterprise Fund.

In our opinion, and based on the report of other auditors, except for the effects of insufficient audit evidence to provide a basis for an audit opinion on the Telecom Enterprise Fund as part of the business-type activities, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the City of Burlington, Vermont, as of June 30, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, except for the effects of adjustment to the General Fund and Governmental Activities, if any, referred to in the fourth paragraph of this report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, and the governmental activities of the City of Burlington, Vermont, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Finally, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component unit, the School major fund, the Electric Enterprise major fund, the Airport major fund, the wastewater major fund and the aggregate remaining fund information of the City of Burlington, Vermont, as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and School Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has an accumulated unassigned deficit in the General Fund of $14,982,331 as of June 30, 2012 which has resulted principally from the cash deficit in the Telecom Enterprise fund. Liquidity risks and management's plans are discussed in Note 2A on page 48.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

In accordance with Government Auditing Standards, we have also issued a report dated January 24, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Burlington, Vermont's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Melanson, Heath + Company P.C.

January 24, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Burlington, we offer readers this narrative overview and analysis of the financial activities of the City of Burlington for the fiscal year ended June 30, 2012. **Unless otherwise noted, all amounts are expressed in thousands.**

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, education, public works, culture and recreation, and community development. The business-type activities include the operation of the Airport, the Electric, Water, and Wastewater Utilities, Telecommunications (including cable television, internet access, and telephone service) and the food services operation and vocational educational programs administered by the School Department.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for Burlington Electric, Burlington Airport, Burlington Telecom, Wastewater, Water, School Lunch, and other operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Burlington Electric, Burlington Airport, Burlington Telecom and Wastewater all of which are considered to be major funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by $306,693 (i.e., net assets), a change of $(11,500) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of $20,695, a change of $10,348 in comparison to the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $(14,982), a change of $1,809 in comparison to the prior year.
- Total long-term liabilities (i.e., bonds payable) at the close of the current fiscal year was $205,410, a change of $27,353 in comparison to the prior year.
- Total net assets of the component unit of the City, the Burlington Community Development Corporation, amounted to $2,286, an increase of $162 for the year.
- The nonspendable portion of the governmental fund balance was $24,261, which consists of inventories and prepaid assets, as well as general fund advances to other funds not expected to be repaid within a short period of time. $7,740 is restricted for specific purposes. In addition, $8,769 is committed for projects by a dedicated tax rate. The City also has assigned $263 for specific projects. This leaves the City with an unassigned deficit of $(20,338). The majority of this deficit is attributable to advances to other funds that will not be repaid in a short period of time, thus deemed not available to spend.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 43,004	$ 44,669	$ 83,993	$ 67,709	$ 126,997	$ 112,378
Capital assets	162,178	190,279	264,272	258,051	426,450	448,330
Total assets	205,182	234,948	348,265	325,760	553,447	560,708
Long-term liabilities outstanding	65,489	60,202	139,921	117,855	205,410	178,057
Other liabilities	14,587	29,102	26,756	35,355	41,343	64,457
Total liabilities	80,076	89,304	166,677	153,210	246,753	242,514
Net assets:						
Invested in capital assets, net	111,373	140,431	139,041	134,805	250,414	275,236
Restricted	10,773	9,276	39,020	32,945	49,793	42,221
Unrestricted	2,959	(4,063)	3,527	4,799	6,486	736
Total net assets	$ 125,105	$ 145,644	$ 181,588	$ 172,549	$ 306,693	$ 318,193

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ 24,457	$ 23,450	$ 98,910	$ 98,578	$ 123,367	$ 122,028
Operating grants and contributions	77,050	72,054	-	-	77,050	72,054
Capital grants and contributions	3,476	1,525	8,454	26,873	11,930	28,398
General revenues:						
Property taxes	27,884	28,488	-	-	27,884	28,488
Rooms and meals tax	2,762	2,507	-	-	2,762	2,507
Local sales option tax	2,157	1,998	-	-	2,157	1,998
Payment in lieu of tax	3,393	2,116	-	-	3,393	2,116
Franchise fees	2,176	2,048	-	-	2,176	2,048
Impact fees	386	118	-	-	386	118
Interest and penalties on delinquent taxes	332	320	-	-	332	320
Investment income	27	715	271	391	298	1,106
Other revenue	-	-	186	178	186	178
Total revenues	144,100	135,339	107,821	126,020	251,921	261,359
Expenses:						
Governmental activities:						
General government	13,480	13,426	-	-	13,480	13,426
Public safety	22,702	21,932	-	-	22,702	21,932
Education	70,038	66,902	-	-	70,038	66,902
Public works	13,409	13,102	-	-	13,409	13,102
Culture and recreation	9,454	9,245	-	-	9,454	9,245
Community development	4,743	5,082	-	-	4,743	5,082
Interest on long-term debt	1,542	2,792	-	-	1,542	2,792
Business-type activities:						
Electric	-	-	58,155	56,676	58,155	56,676
Airport	-	-	19,983	16,691	19,983	16,691
Telecom	-	-	6,110	7,108	6,110	7,108
Wastewater	-	-	6,863	6,522	6,863	6,522
Water	-	-	4,944	4,939	4,944	4,939
School Enterprise	-	-	2,782	2,546	2,782	2,546
Total expenses	135,368	132,481	98,837	94,482	234,205	226,963
Change in net assets before transfers, additions to permanent fund principal, and special items	8,732	2,858	8,984	31,538	17,716	34,396

(continued)

(continued)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Additions to permanent fund principal	35	-	-	-	35	-
Special items	(29,251)	-	-	6,722	(29,251)	6,722
Transfers in (out)	(55)	5	55	(5)	-	-
Change in net assets	(20,539)	2,863	9,039	38,255	(11,500)	41,118
Net assets - beginning of year	145,644	142,781	172,549	134,294	318,193	277,075
Net assets - end of year	$ 125,105	$ 145,644	$ 181,588	$ 172,549	$ 306,693	$ 318,193

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net assets were $306,693, a change of $(11,500) from the prior year.

The largest portion of net assets $250,414 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net assets $49,793 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets $6,486 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net assets of $(20,539). Key elements of this change are as follows:

Write off of impaired capital asset	$ (29,251)
Collection of long-term CEDO receivable	4,803
Collection of past reimbursable costs	3,897
Capital grants and contributions	3,476
Depreciation in excess of principal debt service expense	(3,705)
Other	241
Total	$ (20,539)

Business-type activities. Business-type activities for the year resulted in a change in net assets of $9,039. Key elements of this change are as follows:

Electric	$	3,922
Airport		3,109
Telecom		619
Wastewater		698
Water		672
School lunch		16
Other		3
Total	$	9,039

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of $20,695 (prior to any provision for the possible write down of the $16,936 advanced to Telecom), a change of $10,348 in comparison to the prior year. Key elements of this change are as follows:

City General fund expenditures and other financing uses in excess of revenues and transfers in	$	2,321
School General fund expenditures and transfers out in excess of revenues and transfers in		(2,003)
Special revenue fund revenue and transfer in excess of expenditures (mostly CEDO Receivable)		4,348
Permanent fund revenues over expenditures		23
Debt service fund transfer in		1,064
Excess of current year bond proceeds and revenues over current		4,594
Total	$	10,348

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was $(14,982), while total fund balance was $15,626 (prior to any provision for the possible write down of the $16,936 advanced to Telecom). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below, and also Note # 2A.

City General Fund		6/30/12		6/30/11		Change	% of Total General Fund Expenditures
Unassigned fund balance	$	(14,982)	$	(16,791)	$	1,809	-27.6%
Total fund balance		15,626 (1)		13,305 (1)		2,321	28.8% (1)

(1) These balances do not include any provision for the possible write-off of the $16,936 receivable from Burlington Telecom.

The total fund balance of the City's general fund changed by $2,321 during the current fiscal year. Key factors in this change are as follows:

Actual revenues in excess of budgeted	$	2,397
Actual expenditures more than budgeted		(1,127)
Unspent dedicated taxes		1,425
Other		(374)
Total	$	2,321

School General Fund		6/30/12		6/30/11		Change	% of Total School General Fund Expenditures
Restricted fund balance	$	548	$	1,462	$	(915)	0.8%
Total fund balance		(512)		1,491		(2,003)	-0.7%

The total fund balance of the School's general fund changed by $(2,003) during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	$	385
Expenditures less than budget		(2,072)
Other		(316)
Total	$	(2,003)

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

A comparison of the unrestricted net assets of each enterprise compared to the prior year is show below:

Unrestricted Net Assets			
	6/30/12	6/30/11	Change
Burlington Electric	$ 17,905	$ 16,020	$ 1,885
Burlington Airport	2,335	6,668	(4,333)
Burlington Telecom	(15,966)	(16,245)	279
Wastewater	(380)	(1,500)	1,120
Nonmajor funds:			
Water	(1,438)	(1,221)	(216)
School Lunch	1,037	1,048	(11)
School Other	33	30	3

Specific factors concerning the finances of each proprietary fund are discussed below:

- The Electric Department's net assets increased as a result of its profitable operations for the year ended June 30, 2012. However, income from operations declined during 2012 as a result of decreased sales to ultimate customers and increased power supply and transmission and distribution costs. For more information, please refer to the separate financial statements issued for the Department.
- The Airport's unrestricted net assets declined primarily as a result of an increase in depreciation expense of $2 million resulting from the opening of the parking garage addition, increases in other operating costs of approximately $471 thousand and increased interest expense of nearly $700 thousand. In addition, the Airport increased transfers into restricted fund balance to fund debt service reserve funds. For additional information, please refer the separate financial statements issued for the Airport.
- Burlington Telecom's unrestricted net assets increased modestly during 2012 primarily as a result of cost controls implemented beginning in 2011, as well as the elimination of several employee positions.
- The net improvement in the Wastewater and Water funds, which are managed on a combined basis, is primarily the result of a 10% wastewater rate increase that was effective July 1, 2011. The Water fund will reflect improved operating performance in 2013 as a result of a 5% rate increase that was effective July 1, 2012.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no changes made to the originally approved budget and the final budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to $162,178 (net of accumulated depreciation), a change of $(28,101) from the prior year. Total investment in capital assets for business-type activities at year-end amounted to $264,272 (net of accumulated depreciation), a change of $6,221 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year for Governmental Activities included the following:

Write-off of Southern Connector	$ (29,251)
Infrastructure improvements	6,331
Vehicles	718
Other capital projects	1,783
Depreciation expense	(7,682)
Total	$ (28,101)

Change in capital assets, net of Accumulated Depreciation for Business-Type Activities are as follows:

Electric	$ 6,518
Airport	1,159
Telecom	339
Wastewater	(1,403)
Water	(419)
School Lunch	27
Total	$ 6,221

Additional information on capital assets can be found in the notes to the financial statements.

Change in credit rating. On June 20, 2012, Moody's Investor Service (Moody's) lowered the City's credit rating on the City's general obligation debt from A3 to Baa3 with a negative outlook. The rating for the City's certificates of participation was lowered to Baa2 to Ba1, also with a negative outlook.

Factors cited by Moody's as the reason for the downgrade include the continuing exposure to loss related to the Burlington Telecom (BT) lawsuit, the lack of liquidity resulting from the $16.9 million of City funds used for the build-out of BT, the long-term viability of BT, and the operating deficits in the Water and Wastewater funds.

As a result of the credit downgrade, the City has done the following:

- Obtained voter approval in November 2012 for the issuance of up to $9 million in Fiscal Stability bonds to reduce reliance on Tax Anticipation notes used to fund general fund operations during the periods between property tax payment due dates;
- Continued its efforts to resolve the BT situation. For more detailed information about the BT situation, please refer to footnote 26 to the audited financial statements; and
- Raised the Water rate by 5% effective July 1, 2012.

The City will continue its efforts to address the concerns expressed by Moody's, and will undergo another credit review in connection with the issuance of the Fiscal Stability bonds, which is anticipated to occur in March 2013.

Long-term debt. At the end of the current fiscal year, total outstanding bonds payable and long-term bond anticipation notes (excluding premiums and discounts) outstanding was $191,346, all of which was backed by the full faith and credit of the government.

	Bonds & BANS Payable 6/30/12	Change from prior year
Governmental Activities:		
City	$ 29,982	$ 464
School	22,775	1,278
Total	$ 52,757	$ 1,742
Business-Type Activities:		
Electric	$ 84,535	$ 6,259
Airport	34,650	(2,460)
Wastewater	18,084	(915)
Water	1,320	(1,260)
Total	$ 138,589	$ 1,624

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

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Listed below are some of the factors involved in formulating the budget for fiscal year 2012:

- The City Tax Rate was set at .728 cents per hundred dollars of value in FY 2012.
- Once again, wage increases are a major driver of the City's overall FY 2012 Budget. The contracts for both the AFSCME and Police Unions, and Fire Union were still under negotiation, and have been settled.
- In January 2006, the City Council also created a "Super Committee" to study the City's financial needs and problems. The Committee recommendations were adopted by the City Council and include the following policy goals for future budgets:

  a. Limit the growth of the operating budget to 3% a year;
  b. Reduce the cost of personnel benefits as a percent of wages;
  c. Reduce the costs of salaries, wages and benefits as a percent of the Budget; and,
  d. Maintain the Fund Balance at 5% of annual operating expenses.

The achievement of these goals was a predominant theme of the FY 2012 budget.

Fiscal Year 2013 City Budget

The City of Burlington approved a General Fund Operating Budget for fiscal year 2013 in the amount of $52,245. This represented an increase of 6.7% over the final budget of the previous fiscal year, with the majority of the increase resulting from higher salaries and wages required under our collective bargaining agreements with the Police, Fire, and AFSCME unions. In addition, the General Fund Capital Improvements budget of $4,609 represented a decrease of 17.5% compared to the budget for fiscal year 2012. The third year of the street repaving program consumed the majority of the capital budget.

The budget for FY 2013 provided for full funding of the annual contribution to the Burlington Employees Retirement System. The changes in the tax rates are shown in the table below:

Tax Rate Item	FY12 Tax Rate per $100	FY13 Approved Tax Rate	Change
Revenue Neutral Rates:			
General City	$ 0.23290	$ 0.23290	$ -
Police/Fire	0.08070	0.08070	-
Housing Trust	0.00540	0.00540	-
Open Space	0.00540	0.00540	-
Streets	0.06170	0.06170	-
Fixed Rates:			-
Parks	0.03500	0.03500	-
Highway	0.03120	0.03120	-
Library	0.00500	0.00500	-
Budget Driven Rates:			-
CCTA	0.03440	0.03900	0.00460
County Tax	0.00540	0.00500	(0.00040)
Retirement	0.19090	0.16780	(0.02310)
Debt Service	0.04000	0.04623	0.00623
Total	$ 0.72800	$ 0.71533	$ (0.01267)

2013 School Budget

The budgeting process for FY 2013 led to the adoption of a budget of $53,391 which represents an increase of $1,458 or 2.81% over the FY 2012 budget of $51,933. The FY 2013 local budget covered positions previously funded through grants for 16 FTE existing teacher positions, .5 FTE magnet coach, .5 FTE Student Assistance Counselor positions and a nurse position. The FY 2013 local budget reflected reductions in spending from several areas: savings from the prior year's retirement incentive plan, administrative costs, special education costs and a behavior specialist position. The actual homestead tax rate changed from $1.3018 in FY 2012 to $1.4302 in FY 2013. This is a $0.1284 or 9.86% increase over the previous year. The income cap percentage for education property tax for eligible taxpayers changed from 2.38% to 2.55% in FY 2013 or an increase of 7.14%. The district spending adjustment, a key factor in determining the homestead property tax rate, increased from 131.801% in FY 2012 to 141,390% in FY 2013. This is the amount of spending above the state wide base education amount which was $3 per equalized pupil in FY 2012 and $4 per equalized pupil FY 2013. The common level of appraisal was 88.08% in FY 2012 compared to 87.57% in FY 2013.

2013 Budget for Utility Funds

The wastewater rate remained unchanged in FY 2013; the water rate was increased in FY2013 by 5%. Effective June 26, 2009, the Electric Department rates were increased by 11.3%, primarily to cover the increased costs of purchased power and overhead. There were no other significant increases in charges and fees this year. The budget for FY 2013 also includes the operating and capital expense for Burlington Telecom.

Further information regarding the budget and operations for Burlington Electric can be found in the Management's Discussion and Analysis section of the Department's separate audit report. Questions concerning any information of the Electric Department may be directed to Daryl J. Santerre, Chief Financial Officer at 585 Pine Street, Burlington, Vermont, 05401.

This financial report is designed to provide a general overview of the City of Burlington, Vermont's financial condition. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Clerk/Treasurer, City of Burlington, City Hall, 149 Church Street, Burlington, VT 05401.

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CITY OF BURLINGTON, VERMONT

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Burlington Community Development Corporation
ASSETS				
Current:				
Cash and cash equivalents	$ 10,253,770	$ 3,911,634	$ 14,165,404	$ 7,174
Restricted cash	-	21,861,245	21,861,245	-
Restricted investments	-	1,091,174	1,091,174	-
Receivables, net of allowance for uncollectibles:				
Property taxes	1,021,682	-	1,021,682	-
User fees	-	8,360,507	8,360,507	-
Departmental and other	3,265,994	-	3,265,994	-
Intergovernmental	1,616,033	3,650,829	5,266,862	-
Estimated unbilled revenues	59,413	3,632,393	3,691,806	-
Capital lease receivable	-	-	-	82,922
Internal balances	(38,269)	38,269	-	-
Due from component unit	93,454	62,100	155,554	-
Inventory	367,164	5,367,232	5,734,396	-
Prepaid expenses	221,419	66,330	287,749	-
Deferred charges	620,250	2,510,848	3,131,098	534,396
Other assets	213,554	826,526	1,040,080	3,830
Total current assets	17,694,464	51,379,087	69,073,551	628,322
Noncurrent:				
Restricted investments	-	24,160,546	24,160,546	-
Notes and loans receivable	3,540,840	1,203,183	4,744,023	-
Capital lease receivable	-	-	-	1,824,790
Internal balances	20,500,791	(20,500,791)	-	-
Due from component unit	492,138	1,001,956	1,494,094	-
Accrued interest receivable	775,611	-	775,611	-
Investment in associated companies	-	19,660,786	19,660,786	-
Deferred charges	-	6,312,907	6,312,907	-
Nonutility property	-	775,600	775,600	-
Capital assets:				
Land and construction in progress	19,630,137	46,118,663	65,748,800	1,155,249
Other capital assets, net of accumulated depreciation	142,547,883	218,153,308	360,701,191	5,059,751
Total noncurrent assets	187,487,400	296,886,158	484,373,558	8,039,790
TOTAL ASSETS	205,181,864	348,265,245	553,447,109	8,668,112

(continued)

(continued)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Burlington Community Development Corporation
LIABILITIES				
Current:				
Accounts payable	4,183,425	5,484,220	9,667,645	1,363
Accrued payroll and benefits payable	5,855,988	120,746	5,976,734	-
Accrued liabilities	25,000	44,447	69,447	-
Accrued interest payable	326,838	1,647,334	1,974,172	3,830
Due to fiduciary funds	1,163,121	-	1,163,121	-
Deferred revenues	2,577,432	57,334	2,634,766	-
Line of credit	-	3,500,000	3,500,000	-
Bond anticipation notes	-	12,000,000	12,000,000	-
Grant anticipation notes	-	819,000	819,000	-
Due to primary government	-	-	-	155,554
Other liabilities	455,350	3,083,436	3,538,786	-
Current portion of long-term liabilities:				
General obligation bonds and other debt payable	3,015,579	1,771,940	4,787,519	206,402
Revenue bonds payable	-	12,577,213	12,577,213	-
Capital lease payable	993,855	621,896	1,615,751	-
Compensated absences	405,658	-	405,658	-
Total current liabilities	19,002,246	41,727,566	60,729,812	367,149
Noncurrent:				
Due to primary government	-	-	-	1,494,094
General obligation bonds and other debt payable	49,100,556	41,105,094	90,205,650	4,520,394
Revenue bonds payable	-	73,699,377	73,699,377	-
Note payable	1,000,000	2,000,000	3,000,000	-
Capital lease payable	1,755,734	1,698,158	3,453,892	-
Compensated absences	3,650,920	1,581,455	5,232,375	-
Insurance reserves	1,619,000	-	1,619,000	-
Net OPEB obligation	2,148,666	189,175	2,337,841	-
Net pension obligation	1,799,371	-	1,799,371	-
Other liabilities	-	4,676,845	4,676,845	-
Total noncurrent liabilities	61,074,247	124,950,104	186,024,351	6,014,488
TOTAL LIABILITIES	80,076,493	166,677,670	246,754,163	6,381,637
NET ASSETS				
Invested in capital assets, net of related debt	111,373,478	139,041,152	250,414,630	-
Restricted for:				
Education	547,567	-	547,567	-
Community development	5,070,584	-	5,070,584	-
Debt service/renewal and replacements/capital projects	1,064,339	14,859,478	15,923,817	-
Permanent funds	1,149,368	-	1,149,368	-
Other purposes	2,941,351	24,160,545	27,101,896	-
Unrestricted	2,958,684	3,526,400	6,485,084	2,286,475
TOTAL NET ASSETS	$ 125,105,371	$ 181,587,575	$ 306,692,946	$ 2,286,475

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$ 13,479,552	$ 4,566,523	$ 469,195	$ -
Public safety	22,702,099	6,298,499	392,538	231,228
Education	70,038,411	3,112,442	66,235,396	-
Public works	13,409,033	7,019,336	298,569	3,231,611
Culture and recreation	9,453,885	3,328,668	1,086,592	13,631
Community development	4,743,445	131,415	8,567,814	-
Interest on long-term debt	1,541,535	-	-	-
Total Governmental Activities	135,367,960	24,456,883	77,050,104	3,476,470
Business-Type Activities:				
Electric	58,154,956	58,837,344	-	2,696,831
Airport	19,983,379	17,478,275	-	5,757,334
Telecom	6,109,867	6,701,375	-	-
Wastewater	6,863,244	7,588,128	-	-
Water	4,943,543	5,603,229	-	-
School	2,781,648	2,701,514	-	-
Total Business-Type Activities	98,836,637	98,909,865	-	8,454,165
Total Primary Government	$ 234,204,597	$ 123,366,748	$ 77,050,104	$ 11,930,635
Component Unit:				
Burlington Community Development Corporation	$ 405,230	$ 440,426	$ -	$ -

General Revenues:
- Property taxes
- Gross receipts taxes
- Local option sales tax
- Payments in lieu of taxes
- Franchise fees
- Impact fees
- Interest and penalties on delinquent taxes
- Unrestricted investment earnings
- Other revenues

Additions to permanent funds
Special item - impairment of a capital asset
Transfers, net

Total general revenues, additions to permanent funds, special item and transfers

Change in Net Assets

Net Assets:
Beginning of year

End of year

See notes to financial statements.

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Burlington Community Development Corporation
$ (8,443,834)	$ -	$ (8,443,834)	$ -
(15,779,834)	-	(15,779,834)	-
(690,573)	-	(690,573)	-
(2,859,517)	-	(2,859,517)	-
(5,024,994)	-	(5,024,994)	-
3,955,784	-	3,955,784	-
(1,541,535)	-	(1,541,535)	-
(30,384,503)	-	(30,384,503)	-
-	3,379,219	3,379,219	-
-	3,252,230	3,252,230	-
-	591,508	591,508	-
-	724,884	724,884	-
-	659,686	659,686	-
-	(80,134)	(80,134)	-
-	8,527,393	8,527,393	-
(30,384,503)	8,527,393	(21,857,110)	-
-	-	-	35,196
27,884,131	-	27,884,131	-
2,761,865	-	2,761,865	-
2,157,170	-	2,157,170	-
3,392,592	-	3,392,592	-
2,176,076	-	2,176,076	-
385,702	-	385,702	-
331,971	-	331,971	-
27,695	271,471	299,166	28
-	185,004	185,004	127,056
34,565	-	34,565	-
(29,251,302)	-	(29,251,302)	-
(54,728)	54,728	-	-
9,845,737	511,203	10,356,940	127,084
(20,538,766)	9,038,596	(11,500,170)	162,280
145,644,137	172,548,979	318,193,116	2,124,195
$ 125,105,371	$ 181,587,575	$ 306,692,946	$ 2,286,475

CITY OF BURLINGTON, VERMONT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	General	School Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 3,786,648	$ 22,471	$ 6,444,652	$ 10,253,771
Receivables, net of allowance for uncollectibles:				
Property and other taxes	1,021,682	-	-	1,021,682
Departmental and other	2,248,951	-	1,017,043	3,265,994
Intergovernmental	320	487,048	1,128,665	1,616,033
Unbilled revenues	-	-	59,413	59,413
Due from other funds	-	6,708,961	4,339,930	11,048,891
Notes and loans receivable	-	-	3,540,840	3,540,840
Accrued interest receivable	-	-	775,611	775,611
Advances to other funds	22,763,234	-	-	22,763,234
Inventory	168,962	-	198,201	367,163
Prepaid expenditures	199,954	19,200	2,265	221,419
Other current assets	213,554	-	-	213,554
Due from component unit	34,075	-	551,517	585,592
TOTAL ASSETS	$ 30,437,380	$ 7,237,680	$ 18,058,137	$ 55,733,197
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,233,648	$ 1,424,470	$ 1,525,313	$ 4,183,431
Accrued payroll and benefits payable	878,875	5,100,880	72,040	6,051,795
Accrued liabilities	-	-	25,000	25,000
Deferred revenues	2,418,093	1,224,055	6,167,678	9,809,826
Due to other funds	9,925,987	-	2,324,294	12,250,281
Advances from other funds	-	-	2,262,443	2,262,443
Other liabilities	354,997	-	100,353	455,350
TOTAL LIABILITIES	14,811,600	7,749,405	12,477,121	35,038,126
Fund Balances:				
Nonspendable	23,132,150	19,200	1,109,696	24,261,046
Restricted	3,867,936	547,568	3,324,681	7,740,185
Committed	3,345,215	-	5,423,885	8,769,100
Assigned	262,810	-	-	262,810
Unassigned	(14,982,331)	(1,078,493)	(4,277,246)	(20,338,070)
TOTAL FUND BALANCES	15,625,780	(511,725)	5,581,016	20,695,071
TOTAL LIABILITIES AND FUND BALANCES	$ 30,437,380	$ 7,237,680	$ 18,058,137	$ 55,733,197

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS

JUNE 30, 2012

Total governmental fund balances	$ 20,695,071
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	162,178,020
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	7,232,399
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(326,837)
• Deferred bond issue costs, net of amortization, on the statement of net assets, whereas all debt expense is reported when paid in the governmental funds.	620,250
• Long-term liabilities, including bonds and BANS payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(65,293,532)
Net assets of governmental activities	$ 125,105,371

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	General	School	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 31,848,679	$ -	$ 1,560,880	$ 33,409,559
Payments in lieu of taxes	2,068,995	1,322,723	-	3,391,718
Licenses and permits	5,046,372	-	224,334	5,270,706
Intergovernmental	1,618,401	63,645,258	8,397,060	73,660,719
Charges for services	9,439,689	3,112,442	5,602,231	18,154,362
Investment income	631,422	5,513	38,899	675,834
Fines and forfeits	1,572,016	-	-	1,572,016
Loan repayments	-	-	4,873,509	4,873,509
Other	2,634,712	2,582,456	319,690	5,536,858
Total Revenues	54,860,286	70,668,392	21,016,603	146,545,281
Expenditures:				
Current:				
General government	13,311,627	-	27,623	13,339,250
Public safety	21,768,729	-	-	21,768,729
Education	-	70,387,936	12,009	70,399,945
Public works	3,172,083	-	5,822,608	8,994,691
Culture and recreation	8,263,436	-	-	8,263,436
Community development	-	-	4,739,169	4,739,169
Capital outlay	4,548,455	-	4,222,300	8,770,755
Debt service:				
Principal	2,229,189	721,667	1,025,695	3,976,551
Interest	1,021,501	557,430	493,149	2,072,080
Total Expenditures	54,315,020	71,667,033	16,342,553	142,324,606
Excess (deficiency) of revenues over (under) expenditures	545,266	(998,641)	4,674,050	4,220,675
Other Financing Sources (Uses):				
Issuance of bond and loans	1,560,000	-	2,000,000	3,560,000
Issuance of notes	1,000,000	-	-	1,000,000
Issuance of leases	532,703	-	1,088,883	1,621,586
Transfers in	272,226	62,926	2,295,635	2,630,787
Transfers out	(1,589,225)	(1,067,281)	(29,009)	(2,685,515)
Total Other Financing Sources (Uses)	1,775,704	(1,004,355)	5,355,509	6,126,858
Net change in fund balances	2,320,970	(2,002,996)	10,029,559	10,347,533
Fund Balances, at Beginning of Year	13,304,810	1,491,271	(4,448,543)	10,347,538
Fund Balances, at End of Year	$ 15,625,780	$ (511,725)	$ 5,581,016	$ 20,695,071

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ 10,347,533
• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay purchases	8,884,089
Depreciation	(7,682,492)
Loss on disposal of capital assets	(51,709)
Special item - impairment of a capital asset	(29,251,302)
• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, etc.) differ between the two statements. This amount represents the net change in deferred revenue.	(1,755,198)
• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:	
Issuance of debt	(6,181,586)
Repayments of debt	3,976,551
Bond premium, discount and deferred charges	(68,868)
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(34,456)
• Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	1,547,048
Net pension obligation	26,657
Net OPEB obligation	(320,033)
Landfill liability	25,000
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (20,538,766)

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	General Fund			
	Budgeted Amounts			
	Original Budget	Final Budget	Adjusted Actual Amounts	Variance With Final Budget
Revenues and other sources:				
Taxes and special assessments	$ 29,256,320	$ 29,256,320	$ 29,681,248	$ 424,928
Local option sales tax	2,180,000	2,180,000	2,157,170	(22,830)
Payments in lieu of taxes	3,019,702	3,019,702	3,027,678	7,976
Licenses and permits	4,543,550	4,543,550	4,793,512	249,962
Intergovernmental	1,338,000	1,338,000	1,774,474	436,474
Charges for services	10,941,195	10,941,195	11,912,548	971,353
Investment income	627,500	627,500	907,359	279,859
Transfers in	34,000	34,000	83,052	49,052
Proceeds of bonds	2,360,000	2,360,000	2,360,000	-
Other	-	-	-	-
Total Revenues and Other Sources	54,300,267	54,300,267	56,697,041	2,396,774
Expenditures and other uses:				
General administration	14,325,566	14,325,566	13,628,719	696,847
Safety services	14,865,385	14,865,385	15,855,409	(990,024)
Public works	2,629,402	2,629,402	2,704,252	(74,850)
Culture and recreation	7,122,870	7,122,870	7,325,110	(202,240)
Education	-	-	-	-
Debt service	1,438,094	1,438,094	1,593,943	(155,849)
Capital outlay	5,588,571	5,588,571	6,159,736	(571,165)
Transfers out	8,363,367	8,363,367	8,192,709	170,658
Total Expenditures and Other Uses	54,333,255	54,333,255	55,459,878	(1,126,623)
Excess of revenues and other sources over expenditures and other uses	$ (32,988)	$ (32,988)	$ 1,237,163	$ 1,270,151

See notes to financial statements.

School "General Fund"			
Budgeted Amounts			
Original Budget	Final Budget	Adjusted Actual Amounts	Variance With Final Budget
$ -	$ -	$ -	$ -
-	-	-	-
1,318,787	1,318,787	1,322,723	3,936
-	-	-	-
50,721,119	50,721,119	50,804,773	83,654
791,123	791,123	962,209	171,086
10,000	10,000	5,322	(4,678)
-	-	12,064	12,064
-	-	-	-
550,000	550,000	668,566	118,566
53,391,029	53,391,029	53,775,657	384,628
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
51,351,063	51,351,063	53,423,764	(2,072,701)
1,259,966	1,259,966	1,259,367	599
-	-	-	-
780,000	780,000	715,325	64,675
53,391,029	53,391,029	55,398,456	(2,007,427)
$ -	$ -	$ (1,622,799)	$ (1,622,799)

CITY OF BURLINGTON, VERMONT

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-Type Activities Enterprise Funds					
	Electric	Airport	Telecom	Wastewater	Nonmajor Enterprise Funds	Total
ASSETS						
Current:						
Cash and cash equivalents	$ 3,605,945	$ 18,783	$ 286,346	$ 200	$ 360	$ 3,911,634
Restricted cash	7,001,767	13,396,366	-	-	1,463,112	21,861,245
Restricted investments	1,091,174	-	-	-	-	1,091,174
Receivables, net of allowance for uncollectibles:						
User fees	5,595,537	1,220,537	349,805	695,681	498,947	8,360,507
Intergovernmental	-	3,347,650	-	-	303,179	3,650,829
Estimated unbilled revenues	2,292,695	337,726	5,695	580,633	415,644	3,632,393
Due from other funds	-	52,908	302,716	-	845,802	1,201,426
Due from Burlington Community Development Corporation - current	-	62,100	-	-	-	62,100
Inventory	4,089,600	278,611	581,574	149,577	267,870	5,367,232
Prepaid expenses	-	-	62,282	3,548	500	66,330
Deferred charges	1,476,514	1,034,334	-	-	` -	2,510,848
Other current assets	801,517	20,009	5,000	-	-	826,526
Total current assets	25,954,749	19,769,024	1,593,418	1,429,639	3,795,414	52,542,244
Noncurrent:						
Restricted investments	24,160,546	-	-	-	-	24,160,546
Due from Burlington Community Development Corporation - long-term	-	1,001,956	-	-	-	1,001,956
Notes receivable	1,203,183	-	-	-	-	1,203,183
Investment in associated companies	19,660,786	-	-	-	-	19,660,786
Deferred charges	6,312,907	-	-	-	-	6,312,907
Nonutility property	775,600	-	-	-	-	775,600
Capital assets:						
Land and construction in progress	4,628,816	40,432,845	157,800	847,952	51,250	46,118,663
Capital assets, net of accumulated depreciation	66,955,066	105,152,547	2,849,413	30,812,667	12,383,615	218,153,308
Total noncurrent assets	123,696,904	146,587,348	3,007,213	31,660,619	12,434,865	317,386,949
TOTAL ASSETS	149,651,653	166,356,372	4,600,631	33,090,258	16,230,279	369,929,193

(continued)

(continued)

	Business-Type Activities Enterprise Funds					
	Electric	Airport	Telecom	Wastewater	Nonmajor Enterprise Funds	Total
LIABILITIES						
Current:						
Accounts payable	3,623,522	983,979	447,015	297,644	132,058	5,484,218
Accrued payroll and benefits payable	-	43,584	22,589	17,425	37,148	120,746
Accrued liabilities	-	-	44,447	-	-	44,447
Accrued interest payable	-	1,647,334	-	-	-	1,647,334
Due to other funds	-	1,112,299	-	50,858	-	1,163,157
Deferred revenue	-	-	-	-	57,334	57,334
Other liabilities	1,959,249	-	-	-	-	1,959,249
Line of credit	3,500,000	-	-	-	-	3,500,000
Bond anticipation notes	-	12,000,000	-	-	-	12,000,000
Grant anticipation notes	-	819,000	-	-	-	819,000
Payable from restricted assets:						
Accrued interest payable	-	-	-	-	33,013	33,013
Revenue bonds payable	-	-	-	-	1,320,000	1,320,000
Deposits with bond trustees	1,091,174	-	-	-	-	1,091,174
Current portion of long-term liabilities:						
General obligation bonds payable	1,700,000	-	-	71,940	-	1,771,940
Revenue bonds payable	7,550,000	2,599,415	-	1,107,798	-	11,257,213
Capital leases payable	-	520,825	-	42,591	58,480	621,896
Total current liabilities	19,423,945	19,726,436	514,051	1,588,256	1,638,033	42,890,721
Noncurrent:						
Advances from other funds	-	-	16,936,492	1,318,620	2,245,679	20,500,791
General obligation bonds payable	39,836,126	-	-	1,268,968	-	41,105,094
Revenue bonds payable	25,843,035	32,220,617	-	15,635,727	-	73,699,379
Note payable	2,000,000	-	-	-	-	2,000,000
Capital leases payable	-	1,579,253	-	32,937	85,968	1,698,158
Compensated absences payable	1,078,585	201,423	48,479	96,817	156,151	1,581,455
Net OPEB obligation	-	61,988	60,119	28,756	38,312	189,175
Other liabilities	4,676,845	-	-	-	-	4,676,845
Total noncurrent liabilities	73,434,591	34,063,281	17,045,090	18,381,825	2,526,110	145,450,897
TOTAL LIABILITIES	92,858,536	53,789,717	17,559,141	19,970,081	4,164,143	188,341,618
NET ASSETS						
Invested in capital assets, net of related debt	14,727,550	96,835,315	3,007,213	13,500,657	10,970,417	139,041,152
Restricted:						
For debt service/renewal and replacements/capital projects	-	13,396,366	-	-	1,463,112	14,859,478
Deposits with bond trustees	24,160,545	-	-	-	-	24,160,545
Unrestricted	17,905,022	2,334,974	(15,965,723)	(380,480)	(367,393)	3,526,400
TOTAL NET ASSETS	$ 56,793,117	$ 112,566,655	$ (12,958,510)	$ 13,120,177	$ 12,066,136	$ 181,587,575

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds					
	Electric	Airport	Telecom	Wastewater	Nonmajor Enterprise Funds	Total
Operating Revenues:						
Charges for services	$ 48,053,634	$ 14,577,365	$ 6,701,375	$ 7,588,128	$ 6,394,568	$ 83,315,070
Intergovernmental	-	206,915	-	-	1,735,157	1,942,072
Miscellaneous	8,384,048	-	-	-	175,018	8,559,066
Total Operating Revenues	56,437,682	14,784,280	6,701,375	7,588,128	8,304,743	93,816,208
Operating Expenses:						
Personnel	-	4,101,926	1,697,994	1,303,452	3,148,216	10,251,588
Nonpersonnel	-	6,686,409	3,669,774	3,001,989	3,482,337	16,840,509
Electric department	46,476,332	-	-	-	-	46,476,332
Depreciation and amortization	3,938,297	6,172,481	259,320	1,592,649	544,595	12,507,342
Payments in lieu of taxes	1,632,993	-	115,665	851,602	363,273	2,963,533
Total Operating Expenses	52,047,622	16,960,816	5,742,753	6,749,692	7,538,421	89,039,304
Operating Income (Loss)	4,390,060	(2,176,536)	958,622	838,436	766,322	4,776,904
Nonoperating Revenues (Expenses):						
Dividends from associated companies	2,399,662	-	-	-	-	2,399,662
Passenger facility charges	-	2,693,995	-	-	-	2,693,995
Investment income	200,116	69,516	-	1,775	64	271,471
Other income/expense - net	342,378	(212,904)	27,103	1,050	27,377	185,004
Interest expense	(3,970,946)	(2,834,812)	(367,114)	(113,552)	(125,720)	(7,412,144)
Amortization of debt issue costs	(2,047,411)	(187,751)	-	-	(61,050)	(2,296,212)
Gain/loss on disposal of capital assets	(88,977)	-	-	-	-	(88,977)
Total Nonoperating Revenues (Expenses)	(3,165,178)	(471,956)	(340,011)	(110,727)	(159,329)	(4,247,201)
Income Before Contributions and Transfers	1,224,882	(2,648,492)	618,611	727,709	606,993	529,703
Capital contributions	2,696,831	5,757,334	-	-	-	8,454,165
Transfers in	-	-	-	-	99,500	99,500
Transfers out	-	-	-	(30,072)	(14,700)	(44,772)
Change in Net Assets	3,921,713	3,108,842	618,611	697,637	691,793	9,038,596
Net Assets at Beginning of Year	52,871,404	109,457,813	(13,577,121)	12,422,540	11,374,343	172,548,979
Net Assets at End of Year	$ 56,793,117	$ 112,566,655	$ (12,958,510)	$ 13,120,177	$ 12,066,136	$ 181,587,575

See notes to financial statements.

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CITY OF BURLINGTON, VERMONT

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

	Electric	Airport	Telecom	Wastewater	Nonmajor Enterprise Funds	Total
Cash Flows From Operating Activities:						
Receipts from customers and users	$ 47,157,527	$ 15,144,590	$ 6,564,748	$ 7,463,719	$ 6,347,961	$ 82,678,545
Receipts of operating grants	-	206,915	-	-	1,692,155	1,899,070
Receipts for interfund services	-	1,464,279	-	-	168,613	1,632,892
Other receipts	8,691,970	255,722	-	-	33,782	8,981,474
Payments to suppliers	(35,664,936)	(7,565,486)	(3,386,377)	(2,808,851)	(3,474,450)	(52,900,100)
Payments for wages and benefits	(6,337,065)	(4,054,256)	(1,658,982)	(1,278,408)	(3,089,818)	(16,418,529)
Payment in lieu of taxes	(1,632,993)	-	(115,665)	(851,602)	(363,273)	(2,963,533)
Payments for other expenses	(566,825)	(470,330)	-	-	-	(1,037,155)
Net Cash Provided by Operating Activities	11,647,678	4,981,434	1,403,724	2,524,858	1,314,970	21,872,664
Cash Flows From Noncapital Financing Activities:						
Other income, net	342,378	-	27,103	9,050	-	378,531
Increase(decrease) in due to other funds	-	-	(396,743)	(1,213,294)	194,179	(1,415,858)
Payments from BCDC on loan receivable	-	60,267	-	-	-	60,267
Receipt/(payment) of interfund transfers	-	-	-	(30,072)	84,800	54,728
Interest paid on cash deficit to general fund	-	(68,244)	(367,114)	(56,129)	(54,979)	(546,466)
Net Cash Provided/(Used) by Noncapital Financing Activities	342,378	(7,977)	(736,754)	(1,290,445)	224,000	(1,468,798)
Cash Flows From Capital and Related Financing Activities:						
Proceeds from bonds, notes & leases payable	20,021,082	7,494,021	-	-	-	27,515,103
Proceeds of revenue anticipation note	-	5,000,000	-	1,000,000	-	6,000,000
Repayments of revenue anticipation note	-	(5,000,000)	-	(1,000,000)	-	(6,000,000)
Proceeds from sale of equipment	33,529	-	-	-	-	33,529
Acquisition and construction of capital assets	(9,187,105)	(7,331,503)	(598,668)	(198,096)	(74,276)	(17,389,648)
Capital grants/contributions	2,696,831	7,578,526	-	-	-	10,275,357
Passenger facility charges	-	2,693,995	-	-	-	2,693,995
Increase in deferred charges/loss on refunding	(281,003)	-	-	-	-	(281,003)
Principal Paid on:						
General obligation bonds	(1,616,667)	-	-	(70,529)	-	(1,687,196)
Revenue bonds	(7,130,000)	(2,460,000)	-	(844,569)	(1,260,000)	(11,694,569)
Capital lease obligations	(2,100)	(482,966)	-	(65,572)	(73,951)	(624,589)
Short term note	(5,077,340)	(6,675,021)	-	-	-	(11,752,361)
Line of credit	(611,082)	-	-	-	-	(611,082)
Interest Paid on:						
General obligation bonds	(1,849,255)	-	-	(28,229)	-	(1,877,484)
Revenue bonds	(1,841,869)	(1,734,669)	-	(25,505)	(97,500)	(3,699,543)
Capital lease obligations	-	-	-	(3,689)	(4,741)	(8,430)
Short term note	(228,034)	(326,451)	-	-	-	(554,485)
Line of credit	(35,464)	-	-	-	-	(35,464)
Net Cash Used by Capital and Related Financing Activities	(5,108,477)	(1,244,068)	(598,668)	(1,236,189)	(1,510,468)	(9,697,870)
Cash Flows From Investing Activities:						
Net (additions)/reductions to restricted cash and investments	(8,635,086)	(4,377,842)	-	-	(28,566)	(13,041,494)
Receipt of interest & dividends	2,442,757	69,516	-	1,776	64	2,514,113
Net Cash Provided/(Used) by Investing Activities	(6,192,329)	(4,308,326)	-	1,776	(28,502)	(10,527,381)
Net Increase/(Decrease) in Cash	689,250	(578,937)	68,302	-	-	178,615
Cash - July 1, 2011	9,918,462	597,720	218,044	200	360	10,734,786
Cash - June 30, 2012	$ 10,607,712	$ 18,783	$ 286,346	$ 200	$ 360	$ 10,913,401

(continued)

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	Electric	Airport	Telecom	Wastewater	Nonmajor Enterprise Funds	Total
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:						
Operating income/(loss)	$ 4,390,060	$ (2,176,536)	$ 958,622	$ 838,436	$ 766,322	$ 4,776,904
Depreciation and amortization	7,251,782	6,172,481	259,320	1,592,649	544,595	15,820,827
Other non-operating net revenues and expenses	-	(212,904)	-	-	27,377	(185,527)
(Increase)/decrease in receivables	(947,994)	412,178	(136,627)	(29,530)	(38,004)	(739,977)
(Increase)/decrease in unbilled revenues	145,561	166,762	-	(94,879)	(66,783)	150,661
(Increase)/decrease in inventory	560,422	(33,466)	214,607	(20,917)	(13,253)	707,393
Increase/(decrease) in accounts payable	(80,604)	(845,611)	23,750	214,401	20,817	(667,247)
Increase/(decrease) in customer deposits	-	-	-	-	15,182	15,182
Increase/(decrease) in accrued payroll and benefits	-	19,448	7,329	8,641	25,162	60,580
Increase/(decrease) in accrued liabilities	-	-	44,447	-	-	44,447
Due to/from other municipal funds	-	1,464,279	-	-	-	1,464,279
Increase/(decrease) in compensated absences	-	9,336	13,366	7,642	21,563	51,907
Increase/(decrease) in other post employment benefits liability	-	18,886	18,317	8,761	11,673	57,637
Increase/(decrease) in other operating assets/liabilities	328,451	(13,419)	593	(346)	319	315,598
Net Cash Provided by Operating Activities	$ 11,647,678	$ 4,981,434	$ 1,403,724	$ 2,524,858	$ 1,314,970	$ 21,872,664

See Notes to Financial Statements

CITY OF BURLINGTON, VERMONT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2012

	Pension Trust Fund	Private Purpose Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents	$ -	$ 190,042	$ 239,997
Investments	134,753,034	-	-
Due from other funds	1,131,045	32,076	-
Reimbursement receivable	10,949	-	-
Total Assets	135,895,028	222,118	239,997
LIABILITIES			
Accounts payable	157,996	-	-
Accrued liabilities	191,703	-	-
Compensated absences	10,670	-	-
Due to student organizations	-	-	239,997
Total Liabilities	360,369	-	239,997
NET ASSETS			
Held in trust for:			
Employees' pension benefits	135,534,659	-	-
Individuals and organizations	-	222,118	-
Total Net Assets	$ 135,534,659	$ 222,118	$ -

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Pension Trust Fund	Private Purpose Trust Fund
Additions:		
Contributions:		
Employer - pension	$ 7,549,043	$ -
Employer - FICA	2,916,095	-
Employer - post-employment health	73,848	-
Plan members	2,007,424	-
Other	-	17,000
Total Contributions	12,546,410	17,000
Investment earnings:		
Interest and dividends	2,752,525	
Net increase in the fair value of investments	(438,776)	160
Total Investment Earnings	2,313,749	160
Less Investment Expenses	(600,459)	-
Net Investment Earnings	1,713,290	160
Total Additions	14,259,700	17,160
Deductions:		
Benefits - pension	9,351,901	-
Benefits - FICA	2,915,175	-
Benefits - post employment health	73,848	-
Refunds of contributions	246,550	-
Administrative expenses	217,288	-
Total deductions	12,804,762	-
Change in net assets	1,454,938	17,160
Net assets:		
Beginning of year	134,079,720	204,958
End of year	$ 135,534,658	$ 222,118

See notes to financial statements.

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CITY OF BURLINGTON, VERMONT

Notes to Financial Statements

Incorporated in 1865, the City of Burlington operates under a tripartite system of government with the Mayor serving as Chief Executive, the City Council as the legislative body and the Commissioners as the primary policy makers within their respective departments. The City Charter authorizes the provision for the following services for the residents of the City: general administration, public safety, public works, community development, culture and recreation, utilities and education.

1. Summary of Significant Accounting Policies

The accounting policies adopted by the City of Burlington (the "City") conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. The Financial Reporting Entity

This report includes all of the funds of the City of Burlington, Vermont. The reporting entity consists of the primary government; organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The Burlington Community Development Corporation is the only entity that meets this definition and, as a discretely presented component unit, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. Excluded are organizations such as the Chittenden County Transportation Authority, Burlington Housing Authority, Chittenden County Government, the Winooski Valley Park District, the Friends of Fletcher Free Library, the Burlington City Arts Foundation, Burlington Schools Foundation, and the Chittenden Solid Waste District, since after considering all factors related to oversight responsibility, the City has concluded they are not part of the reporting entity.

The Burlington Community Development Corporation's primary purpose is to carry out the industrial and economic development of the City of Burlington, including specifically the development of businesses located, or to be located, on lands owned by the City of Burlington at the Burlington International Airport. As such, the purposes of the Corporation shall include fostering, encouraging and assisting the physical location of business enterprises in the Greater Burlington area and otherwise fulfilling the purposes of a "local development corporation". The Board of Directors of the Burlington Community Development Corporation must be members of the City of Burlington's Board of Finance.

B. *Basis of Presentation*

The accounts of the City are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

The basic financial statements of the City include both government-wide statements and fund financial statements. The focus of the government-wide statements is on reporting the operating results and financial position of the City as a whole and present a longer term view of the City's finances. The focus of the fund financial statements is on reporting on the operating results and financial position of the most significant funds of the City and present a shorter term view of how operations were financed and what remains available for future spending.

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government, the City, and its component unit, the Burlington Community Development Corporation. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of activities between funds. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each segment of the City's business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating revenues consists of sales of electricity, rents of electric property, fees to transmit electricity of others, sales of renewable energy credits, operation of other utilities to run generation facilities, rent of airport terminal space and buildings, concessions, commissions, parking receipts, sales of water, wastewater user charges, telephone, cable and internet access, hot lunch sales and other miscellaneous fees for service. Nonoperating revenues result from certain nonexchange transactions or ancillary activities. Non-operating revenues consist of investment earnings, electric services rendered to customers upon their request, passenger facility charges, grant income and building rents from buildings purchased for future expansion.

Operating expenses are defined as the ordinary costs and expenses for the operation, maintenance and repairs of the electric plant, airport, water facility, wastewater facility, telecommunications equipment and lines, and hot lunch programs. Operating expenses include the cost of production, purchased power, maintenance of transmission and distribution systems, administrative, and general expenses and depreciation and amortization. Operating expenses do not include the interest on bonds, notes or other evidences or indebtedness and related costs.

The City reports on the following major governmental funds:

General Fund - This is the City's main operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

School Fund - This Fund accounts for all of the governmental activity of the Burlington School Department.

The City reports on the following major Enterprise funds:

Electric Fund - This fund accounts for the operations of the Burlington Electric Department.

Airport Fund - This fund accounts for the operations of the Burlington International Airport.

Telecom Fund - This fund accounts for the operations of Burlington Telecom.

Wastewater Fund - This fund accounts for the operations of the Department of Public Works-Wastewater Division.

Additionally, the City reports the following fund types:

Private-Purpose Trust Funds - These funds are used to report trust arrangements under which resources are to be used for the benefit of firemen injured in the line of duty, Christmas gifts for servicemen overseas, Christmas dinners for the destitute and student educational expenses and scholarships. All investment earnings, and in some cases, the principal of these funds may be used to support these activities.

Pension Trust Fund - This fund accounts for monies contributed by the City and its employees and the income on investments less amounts expended for the pensions of retired City employees. This fund is supported by a dedicated tax rate from the General Fund and charges to Non-general Fund funds based on a percentage of payroll. This Fund also pays for the FICA costs for the City's employer's share of FICA.

Agency Fund - This fund accounts for monies maintained for various student groups at the Burlington High School and at the elementary and middle schools.

C. *Measurement Focus*

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

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources, and are segregated into nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. <u>*Basis of Accounting*</u>

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

The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined, and “available” means the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues reported in governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, certain compensated absences, self-insured health and dental benefits, reserves for property and casualty and workers’ compensation claims, landfill post-closure costs, net pension obligation, post-employment benefits and other long-term liabilities which are recognized when the obligations are expected to be liquidated or are funded with expendable available financial resources.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City’s policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and other grant requirements have been met.

Recognition of revenues on funds received in connection with loan programs are recognized when loans are awarded and expenses incurred in excess of current grants and program income. An offsetting deferred revenue is recognized for all loans receivable. Loan repayment revenue is recognized as the loans are repaid.

The government-wide and proprietary fund financial statements follow Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

The Burlington 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 which 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 Service Board (VPSB) 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.

As permitted under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental entities that use Proprietary Fund Accounting* (GASB Codification Section P80, *Proprietary Fund Accounting and Financial Reporting)*, the Department has elected not to apply Statements of Financial Accounting Standards issued after November 30, 1989.

E. *Cash and Short-Term Investments*

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

F. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at fair value.

G. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

H. Jointly Owned Facilities

The Burlington Electric 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:

McNeil Station	50.0%
Highgate Station	7.7%

The Department is responsible for its proportionate share of the operating expenses of the jointly owned facilities which are billed to the Department on a monthly basis. The associated operating costs allocated to the Department are classified in their respective expense categories in the statement of operations. Separate financial statements are available from the Department for these jointly owned facilities.

I. *Investments in Associated Companies*

The Electric 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 ownership interest in Vermont Electric Power Company, Inc. (VELCO), and its 4.34% ownership interest in Vermont Transco LLC (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.

On December 28, 2011, the Department purchased 50,600 Class A units and 64,400 Class B units in VT Transco LLC for a cost of $1,150,000.

During the year ended June 30, 2011, there were no additional purchases of Vermont Transco LLC Class A or Class B units.

J. *Inventories*

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

K. *Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets, (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life of five years or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

	Capitalization Threshold	Estimated Service Life
Land	$ 25,000	N/A
Antiques and Works of Art	5,000	N/A
Land Improvements	25,000	5-30 years
Buildings and Building Improvements	20,000	25-150 years
Vehicles, Machinery, Equipment and Furniture	5,000	5-15 years
Book Collections	1,000	5 years
Infrastructure	25,000	10-40 years
Distribution, Production and Collection Systems	10,000	10-100 years

The Electric Department has recorded its ownership in jointly owned facilities as capital assets. The associated operating costs allocated to the Electric Department are classified in their respective expense categories.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight line method of calculating depreciation. The Electric Department depreciates the McNeil & Highgate Converter Stations using the straight-line method. However, only a portion of the current depreciation is recoverable through future rates. The difference is included in deferred depreciation and will be recovered through future rates.

L. *Nonutility Property*

In 1986, land along the Winooski River was purchased at a cost of $775,600 from a neighboring utility for the development of the Chace Mill hydroelectric project. Although the Department incurred various engineering and other related costs in investigating the feasibility of pursuing this project, the Department declined to move forward. In 1991, under a long-term agreement, the land and land rights were leased to the Winooski One Partnership for the construction of the Winooski One hydroelectric facility.

M. *Renewable Energy Credit Sales*

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 allow the station to qualify to sell Connecticut Class 1 Renewable Energy Certificates (RECs). The McNeil RECs are determined to be qualified for sale based on a review of emissions outputs by McNeil. At the end of every quarter, an affidavit is signed stating whether or not McNeil's emissions out met the requirements needed to sell the RECs. McNeil receives a certification from the State of Connecticut indicating that they met the standards for the quarter based on the statistics provided by

McNeil. Connecticut Class 1 RECs are one of the more valuable REC products in New England and REC sales from McNeil are expected to continue to be a significant revenue source for the Department. Sales are recorded as revenue upon delivery of the RECs to the customer.

In addition, beginning in FY 2012, the Department receives RECs from the Vermont Wind Project in Sheffield. These RECs are qualified for participation in most of the New England REC markets, making revenue for the sale of these RECs a significant source of revenue as well (though not as large a source as the McNeil RECs previously discussed).

The Department planning staff monitors McNeil and Vermont Wind output levels, REC commitments made, and the markets for these RECs and periodically sells RECs either through an auction structure, through broker-initiated transactions, or through direct placement with entities who need the RECs to comply with various New England statutes. The Department enters into agreements to sell these RECs for both the current year's generation and future years' production.

N. *Pollution Remediation Obligations*

The Electric 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 a recent 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, 2012 or 2011.

O. *Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

P. *Liabilities to be Paid from Restricted Assets*

The balance in these liabilities represents accrued interest payable on the revenue bonds and construction invoices which will be paid from restricted assets. The restricted assets will also be used for additional construction of certain assets, including certain costs in accounts and contracts payable.

Q. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

R. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net assets".

Fund Balance - Fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The City's fund balance classification policies and procedures are as follows:

1) Nonspendable funds are either unspendable in the current form (i.e. inventory or prepaid items) or can never be spent (i.e., perpetual care).
2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the City Council).
4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.
5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the City uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

S. *Use of Estimates*

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. *Liquidity Risk*

Liquidity risk is the risk of not having sufficient liquid financial resources to meet obligations when they fall due, or having to incur excessive costs to do so. Primarily as a result of the Burlington Telecom deficit and various capital project and enterprise funds deficits, the City has relied on short-term borrowing to obtain cash to pay operating expenditures. Continued reliance on short-period borrowing for cash purposes places the City in a vulnerable position. In order to reduce this vulnerability, a plan that identifies the recapture of the Burlington Telecom deficit needs to be realized. The City is working on an out-of-court settlement with Citibank. Until this occurs, however, the City will likely continue to experience cash flow pressures in the near-term. The City also faces a further deterioration of its financial status and credit worthiness if a long-term plan cannot be developed and realized for the Burlington Telecom deficit.

The accumulated unassigned fund balance deficit in the General Fund could potentially affect the City's ability to access credit markets and could potentially increase the costs of borrowing. Continued liquidity improvement is dependent upon eliminating the City's accumulated deficits. It is the City's intent to arrange its financial affairs and manage its budget to eliminate its current deficit and provide for future balanced financial operations.

The City's current plans include:

- Adhere to policy with financing first, and spending second.
- Continue to monitor cash position daily, and update forecast weekly.
- Improve the collection rate on outstanding receivables.
- Issuance of a $9m Fiscal Stability bond.
- Increase water and wastewater rates.
- Refinance short-term debt with attractive rates, and issue long-term debt approved by the voters.

- Utilize lines of credit instead of anticipation notes.
- Ensure Enterprise and Special Funds operate at a profit, and are cash positive reducing reliance on General Fund pooled cash.
- The City is negotiating with potential private investors to address the deficits at Burlington Telecom.

B. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements for the General Fund:

1. Departments, and departments with commission approval, prepare detailed recommendations to the Mayor on the budget. Prior to June 15, the Mayor, with the assistance of the other members of the Board of Finance, prepares and submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimated revenues.
2. Prior to July l, the budget is legally enacted through passage of a resolution of the City Council.
3. The Mayor may propose, with the advice of the Board of Finance, amendments to the budget. Such proposed amendments require a majority approval of the City Council. The amount of such proposed amendments may be decreased by a simple majority vote of the City Council. Such proposed amendments may be increased above the level proposed by the Mayor only with a two-thirds vote of the City Council.
4. The Board of Finance is authorized to transfer budgeted amounts between line items within an appropriation account or within accounts of a department. Any revisions which increase the total expenditures of any department function or fund above the original appropriation must be approved by resolution of the City Council.
5. That portion of the designated fund balance that consists of operating and capital improvement carry-overs, represents unexpended appropriations which are allowed to be carried over to later years as provided for by City Charter or by resolution of the City Council. All other unexpended appropriations lapse at the close of the fiscal year. The City Charter specifically prohibits expenditures in excess of appropriations except on an emergency basis for health, police, fire and public welfare.
6. The City of Burlington tax rate can change each year by the cost of CCTA, Retirement, County and Debt Service without voter approval. However, any rate change on the tax rate for other purposes, above the maximum approved tax rate previously approved by voters, must be approved by City voters.

The City follows these procedures in establishing the budgetary data reflected in the financial statements for the School Department General Fund:

1. In December, the Superintendent submits recommendations based upon the budget prioritization team spending priority list to the School Board. The operating budget includes proposed expenditures and estimated revenues.
2. In December, public hearings are conducted to obtain taxpayer comments and the budget is formally approved by the School Board in January.
3. Any tax increase requested by the School Board must be submitted to the City Council during the first week of January so that they can put it on the March ballot.
4. The School Board is authorized to transfer budgeted amounts between line items, however, any revisions that alter the total expenditures in excess of total revenues plus budgeted fund balance designated for subsequent years' expenditures must be authorized by the legal voters of the City.
5. The budget that is adopted is only for the School's "General Fund". Budgets for the School's other funds were not formally adopted for the year ended June 30, 2012.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in any fund in the City.

C. *Budgetary Basis*

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

D. *Budget/GAAP Reconciliation*

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

City General Fund	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Revenues/Expenditures (GAAP Basis)	$ 54,860,286	$ 54,315,020
Other financing sources/uses (GAAP Basis)	3,364,929	1,589,225
Subtotal (GAAP Basis)	58,225,215	55,904,245
Reverse non-budget grant revenues	(520,656)	-
Reverse non-budgeted grant expenditures	-	(720,164)
Include effect of unspent dedicated tax revenues	-	1,425,408
Recognize other timing issues	(1,007,518)	(1,149,611)
Budgetary Basis	$ 56,697,041	$ 55,459,878

School General Fund	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Revenues/Expenditures (GAAP Basis)	$ 56,778,409	$ 57,697,947
Other financing sources/uses (GAAP Basis)	12,064	1,063,888
Subtotal (GAAP Basis)	56,790,473	58,761,835
To reverse the effect of nonbudgeted State contributions for teachers retirement	(2,293,316)	(2,293,316)
Reclassify preschool charges	(721,500)	(721,500)
Adjust for transfers to City for sinking fund	-	(348,563)
Budgetary Basis	$ 53,775,657	$ 55,398,456

E. *Excess of Expenditures Over Appropriations*

Departments with expenditures exceeding appropriations during the current fiscal year were as follows:

Mayor	$	19,157
Voter registration		2,671
Clerk Treasurer		670,904
Attorney		8,217
Planning and zoning		26,842
Fire		488,885
Police		552,979
Library		61,054
Parks and rec		140,550
BCA		16,829
Debt service		155,848
School		2,007,427
Total	$	4,151,363

F. *Deficit Fund Equity*

The following funds had deficits as of June 30, 2012:

General fund (Unassigned)	$	(14,982,331)
School fund (Unassigned)		(1,078,493)
Telecom fund		(15,965,723)
Wastewater fund		(380,480)
Non-major Governmental funds:		
Community and Economic Development Office		(1,134,270)
Church St.		(204,081)
Southern Connector		(923,679)
South End & Downtown Transit Centers		(17,944)
Street improvements		(977,624)
Riverside Ave. & North St.		(23,069)
Barge Canal		(16,133)
Moran Plant		(31,693)
Stormwater		(432,132)
Westlake		(11,132)
Capital software replacement		(419,060)
Other		(86,429)
Non-major Enterprise funds:		
Water		(1,437,539)
Total	$	(38,121,812)

The City is working on a plan to address the general fund unassigned deficit and the deficit in the Telecom fund. The deficits in the other funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Cash and Cash Equivalents

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 City's deposits may not be recovered. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. The deposits with TD Bank at June 30, 2012 totaled $36,611,448, of which $34,318,948 were insured by the FDIC and FHLB Pittsburgh letter of credit for $35,000,000. At June 30, 2012, $2,292,501 remains uncollateralized and exposed to custodial credit risk.

4. Investments

Burlington Electric Department

A. 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 evidence 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 contribution contracts with the United States or 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 which are members of the FDIC and each of which has a combined capital and surplus of not less than ten million dollars, provided that the time deposits in and

acceptances of any bank under the Resolution (a) do not exceed at any time twenty-five percent of the combined capital and surplus of the bank or (b) are fully secured by obligations described in items 1, 2, 3, and 4 of this paragraph.

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

B. *Concentration of Credit Risk - Investments*

Concentration of credit risk of investments is the risk of loss attributable to the magnitude of a government's investment in a single issuer. The Electric Department invests its current operating cash in three money market accounts with TD Bank and its restricted noncurrent funds in several money market accounts with its bond trustees (US Bank and Peoples United), which exceed 28% of the total investment balance at June 30, 2012. The invested balance of current money market funds at June 30, 2012 was $9,236,286. The invested balance on noncurrent money market funds at June 30, 2012 was $15,570,312.

C. *Interest Rate Risk*

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

The Electric Department's investments as of June 30, 2012 (all of which are restricted by Bond resolution) are presented below by investment type, and debt securities are presented by maturity.

Investment Type	Fair Value
Money market	$ 15,570,312
Certificates of deposit	9,515,000
Total investments	$ 25,085,312

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:

		6/30/12
Bond funds:		
Renewal and replacement fund	$	871,386
Debt service fund		14,662,201
Debt service reserve fund		9,551,725
		25,085,312
Accrued interest receivable		166,408
Total	$	25,251,720

Burlington Employees Retirement System

A. *Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

Presented below is the actual rating as of year-end of the System (in thousands):

Investment Type		Fair Value
State investment pool*	$	124,988
Private equities		3,518
Mutual funds		3,180
Other external investment pool		3,067
Total investments	$	134,753

*Fair value is the same as the value of the pool share. The Vermont Pension Investment Committee (VPIC) was established by Act of the Vermont Legislature (Acts 2005, No. 215 (Adj. Sess.), as amended by Acts of 2007, No. 100 (Adj. Sess.)) to combine the assets of the State Teachers' Retirement System of Vermont, the Vermont State Employees' Retirement System, and the Vermont Municipal Employees' Retirement System for the purpose of (i) investment in a manner that is more cost and resource efficient; (ii) improving the effectiveness of the oversight and management of the assets of the Retirement Systems; and (iii) maintaining the actuarial accounting, and asset allocation integrity of the Retirement systems. Subsequent legislation (Acts of 2005, No. 50) authorized the VPIC to enter into agreements with municipalities administering their own retirement systems to invest retirement funds for those municipal plans. The VPIC is operated under contract with professional investment managers. All external investment managers shall be retained pursuant to written contracts that delineate their respective responsibilities and performance expectation and include a formal set of investment guidelines and administrative requirements for management of each portfolio. The VPIC shall retain one or more custodian bank or trust institutions to hold the VPIC portfolio. The custodian bank accounts for and assists in the settlement of all transactions executed by VPIC's investment managers and reports to the VPIC and to staff on holdings and transactions of the VPIC portfolio.

B. *Custodial Credit Risk*

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City and System do not have policies for custodial credit risk.

Of the System's investment in Mutual Funds of \$3,180,165, Private Equities of \$3,518,200 and Pooled Funds of \$128,054,669, the System has a custodial credit risk exposure of \$134,753,034 because the related securities are uninsured, unregistered, and held by VPIC. The System manages the risk with SIPC, Excess SIPC and because the assets are held in separately identifiable trust accounts. Of the System's total exposure, \$124,988,198 is invested in the State Investment Pool.

C. *Concentration of Credit Risk*

The System does not have an investment in one issuer greater than 5% of total investments, with the exception of VPIC Fund.

D. *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

E. *Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City and System do not have any such investments, or policies for foreign currency risk.

5. Taxes Receivable

The City is responsible for assessing and collecting its own property taxes as well as education property taxes for the State. Property taxes are assessed based on property valuations as of April 1, annually. Taxes are due four times per year on August 12, November 12, March 12, and June 12. Taxes unpaid after each due date are considered to be late and are subject to 1% interest added on the next day; an additional 4% interest is added after the tenth day late and an additional 1% per month thereafter. Taxes which remain unpaid ten days after the June 12 due date are delinquent and are subject to an 8% penalty and interest calculated at 12%. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale.

Taxes receivable at June 30, 2012 consist of the following (in thousands):

Property Taxes - 2012	$ 532,656
Property Taxes - 2011	172,279
Property Taxes - 2010	80,586
Property Taxes - 1986-2009	793,183
Gross Receipts Taxes	403,598
Allowance for Doubtful Taxes	(960,620)
Total	$ 1,021,682

6. User Fees Receivable

User fees receivable include amounts due from customers for electric service, rent and passenger facility charges at the airport, cable, internet and phone services, and water and sewer usage. User fees receivable are reported net of an allowance for doubtful accounts estimated at up to 30% of accounts receivable depending on the aging of the receivables. Water and sewer delinquent receivables are liened in a similar manner as property taxes, described in Note 5.

User fees receivable and related allowance for doubtful accounts at June 30, 2012 consist of the following:

	Electric	Airport	Telecom	Wastewater	Nonmajor Fund - Water	Total
Billed Service Fees	$ 5,856,325	$ 2,208,788	$ 536,106	$ 698,681	$ 501,947	$ 9,801,847
Allowance for Doubtful Fees	(260,788)	(988,251)	(186,301)	(3,000)	(3,000)	(1,441,340)
Total	$ 5,595,537	$ 1,220,537	$ 349,805	$ 695,681	$ 498,947	$ 8,360,507

7. Departmental and Other Receivables

Departmental and other receivables, as reported in the governmental funds, represent ambulance, police tickets, local option sales tax, community and economic development office receivables, and other reimbursements.

	Ambulance	Police	Local Option Sales Tax	CEDO	Other	Total
Gross	$ 859,128	$ 2,190,925	$ 547,032	$ 979,340	$ 858,543	$ 5,434,968
Less: Allowance for doubtful accounts	(497,875)	(1,600,000)	-	-	(71,099)	(2,168,974)
Total	$ 361,253	$ 590,925	$ 547,032	$ 979,340	$ 787,444	$ 3,265,994

8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2012.

	Governmental Funds	Enterprise Funds	Total
School Tuition	$ 204,433	$ -	$ 204,433
School Grants	279,280	-	279,280
School Other	3,335	-	3,335
Stormwater Grants	80,143	-	80,143
Capital Project Grants	1,048,522	-	1,048,522
Other	320	-	320
Airport Improvements	-	3,347,650	3,347,650
School Food Service	-	303,179	303,179
Total	$ 1,616,033	$ 3,650,829	$ 5,266,862

9. Notes and Loans Receivables

The City, through various state and federal grant programs, has extended loans for the development or rehabilitation of residential and commercial properties within the City and small business loans for new Burlington businesses. The repayment terms of these loans and interest rates all vary and are contingent on numerous factors outside of the control of the City, such as the financial viability of the projects. It is the City's policy to recognize the grant revenues when the loans are repaid.

The following is a summary of the major components of notes, loans, and accrued interest receivables at June 30, 2012:

	Governmental Funds	Enterprise Funds
Interest free HODAG loan receivable for Riverside Avenue and Salmon Run dated October 16, 2009 maturing on October 16, 2039.	$ 2,750,000	$ -
Less: allowance for doubtful accounts	(2,750,000)	-
CEDO loans receivable represent loans under Housing and Urban Development programs.	8,225,490	-
Less: allowance for doubtful accounts	(4,684,650)	-
Burlington Electric Department notes receivable from Winooski One Partnership.	-	1,203,183
Total notes and loans receivable	$ 3,540,840	$ 1,203,183

10. Capital Lease Receivable - BCDC

The Burlington Community Development Corporation (BCDC) has various receivables on outstanding development or rehabilitation of properties within the City from new businesses. The repayment terms vary and are contingent on numerous factors outside the control of the City.

The following is a summary of the major components of capital lease receivables for BCDC at June 30, 2012:

	Component Unit
BCDC capital lease receivable from Westlake Parking, LLC dated 7/26/2007. The annual lease payment is $72,000, including interest at 7% annually, maturing on 7/26/2026 with a lump sum payment of $448,000. The lease requires an annual contribution of $6,000 to a capital reserve fund.	$ 818,146
BCDC 1993 relief bond receivables (3) from Champlain Housing Trust Corporation, offset by bond payable. The total quarterly payments are $21,588 including interest rates between 3.25% - 4.00%, maturing in February 2022.	838,274
BCDC Multi-generational bond receivable from Champlain Housing Trust Corporation, offset by bond payable. The monthly payment is $1,879, maturing on June 1, 2015.	251,292
Total capital leases receivable	1,907,712
Less: amount due within one year	(82,922)
Capital leases receivable, net of current portion	$ 1,824,790

Expected future receipts of BCDC's lease receivables are as follows:

Fiscal Year		Principal		Interest		Total
2013	$	82,922	$	97,969	$	180,891
2014		86,522		94,371		180,893
2015		309,354		90,599		399,953
2016		82,382		75,963		158,345
2017		85,920		72,427		158,347
2018-2022		645,980		301,328		947,308
2023-2027		614,632		193,368		808,000
Total	$	1,907,712	$	926,025	$	2,833,737

11. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2012 balances in interfund receivable and payable accounts:

Fund		Due From Other Funds		Due To Other Funds
General Fund	$	-	$	9,925,987
School Fund		6,708,961		-
Airport Fund		52,908		1,112,299
Telecom Fund		302,716		-
Wastewater Fund		-		50,858
Pension Trust Fund		1,131,045		-
Private Purpose Trust Funds		32,076		-
Other Nonmajor Funds:				
Traffic Fund		267,443		52,908
Community and Economic Development Office Fund		-		941,548
Housing Trust Fund		270,287		-
Tax Increment Financing Fund		923,736		-
Stormwater Fund		162,297		-
Church Street Marketplace Fund		-		158,455
Mary E. Waddell Fund		13,886		-
Southend/Downtown Transit Center Funds		-		6,281
Fuel Depot Fund		24,038		-
Street Improvements Fund		56,819		687,598

(continued)

(continued)

Fund	Due From Other Funds	Due To Other Funds
Riverside Ave. & North Street Fund	25,000	23,069
Barge Canal Pond Fund	-	56,126
Moran Plant Fund	-	6,701
Capital Software Replacement	-	376,658
School Capital Fund	1,531,984	-
City Other Capital Fund	15,732	14,950
Cemetery Trust Fund	1,024,307	-
Loomis Library Fund	10,948	-
Lolita Deming	11,217	-
WEZF 93 FS DARE Fund	2,236	-
School Food Service Fund	812,589	-
School Other Enterprise Funds	33,213	-
Total	$ 13,413,438	$ 13,413,438

The composition of Advances To/From Other Funds (amounts considered to be long-term) as of June 30, 2012 is as follows:

Fund	Advances to Other Funds	Advances from Other Funds
General Fund	$ 22,763,234	$ -
Telecom Fund	-	16,936,492
Wastewater Fund	-	1,318,620
Water Fund	-	2,245,679
Southern Connector Fund	-	628,364
Stormwater Upgrade fund	-	432,132
Westlake Fund	-	564,808
Community and Economic Development Office Fund	-	550,000
City Other Capital Fund	-	87,139
Total	$ 22,763,234	$ 22,763,234

The City reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2012:

Governmental Funds:	Transfers In	Transfers Out
Major Funds:		
General Fund	$ 272,226	$ 1,589,225
School	62,926	1,067,281
Nonmajor Funds:		
Special Revenue Funds:		
Traffic commission	310,000	-
Community and economic development	325,054	-
Housing trust	191,888	-
Capital Project Funds:		
Southern connector	13,618	-
Street improvements	380,523	-
Other capital projects	10,213	-
Debt Service Fund	1,064,339	-
Permanent Funds:		
Cemetery	-	28,987
Loomis library	-	22
Subtotal Nonmajor Governmental Funds	2,295,635	29,009
Business-Type Funds:		
Wastewater fund	-	30,072
Nonmajor Funds:		
Water fund	-	14,700
School food service	99,500	-
Subtotal Nonmajor Business-Type Funds	99,500	14,700
Grand Total	$ 2,730,287	$ 2,730,287

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

12. Capital Assets

Capital asset activity for the City's Governmental and Business-Type Activities, as well as each enterprise fund, for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 15,932,130	$ -	$ -	$ 15,932,130
Construction in progress [(A)]	43,976,560	1,818,823	(42,149,376)	3,646,007
Antiques and works of art	52,000	-	-	52,000
Total capital assets, not being depreciated	59,960,690	1,818,823	(42,149,376)	19,630,137
Capital assets, being depreciated:				
Land improvements	2,559,806	-	-	2,559,806
Buildings and building improvements	81,864,438	11,631,113	-	93,495,551
Vehicles, machinery, equipment and furniture	27,133,371	1,805,013	(1,086,382)	27,852,002
Book collections	1,320,776	196,031	(84,075)	1,432,732
Infrastructure	105,873,832	6,331,183	(11,250)	112,193,765
Total capital assets, being depreciated	218,752,223	19,963,340	(1,181,707)	237,533,856
Less accumulated depreciation for:				
Land improvements	(418,952)	(97,119)	-	(516,071)
Buildings and building improvements	(18,959,323)	(1,526,060)	-	(20,485,383)
Vehicles, machinery, equipment and furniture	(16,600,052)	(2,155,786)	1,035,329	(17,720,509)
Book collections	(773,169)	(184,316)	84,075	(873,410)
Infrastructure	(51,681,983)	(3,719,211)	10,594	(55,390,600)
Total accumulated depreciation	(88,433,479)	(7,682,492)	1,129,998	(94,985,973)
Total capital assets, being depreciated, net	130,318,744	12,280,848	(51,709)	142,547,883
Governmental activities capital assets, net	$ 190,279,434	$ 14,099,671	$ (42,201,085)	$ 162,178,020

[(A)] Includes the City's special item charge of $29,251,302 because the City has determined the engineering and design costs of the Southern Connector project are impaired.

	Beginning Balance	Increases	Decreases	Ending Balance
City:				
Capital assets, not being depreciated:				
Land	$ 13,680,454	$ -	$ -	$ 13,680,454
Construction in progress	33,463,206	1,143,860	(31,669,935)	2,937,131
Antiques and works of art	52,000	-	-	52,000
Total capital assets, not being depreciated	47,195,660	1,143,860	(31,669,935)	16,669,585
Capital assets, being depreciated:				
Land improvements	2,559,806	-	-	2,559,806
Buildings and building improvements	51,124,351	615,815	-	51,740,166
Vehicles, machinery, equipment and furniture	19,381,752	1,674,494	(1,086,382)	19,969,864
Book collections	1,320,776	196,031	(84,075)	1,432,732
Infrastructure	105,873,832	6,331,183	(11,250)	112,193,765
Total capital assets, being depreciated	180,260,517	8,817,523	(1,181,707)	187,896,333
Less accumulated depreciation for:				
Land improvements	(418,952)	(97,119)	-	(516,071)
Buildings and building improvements	(9,661,634)	(688,652)	-	(10,350,286)
Vehicles, machinery, equipment and furniture	(11,294,472)	(1,682,426)	1,035,329	(11,941,569)
Book collections	(773,169)	(184,316)	84,075	(873,410)
Infrastructure	(51,681,983)	(3,719,211)	10,594	(55,390,600)
Total accumulated depreciation	(73,830,210)	(6,371,724)	1,129,998	(79,071,936)
Total capital assets, being depreciated, net	106,430,307	2,445,799	(51,709)	108,824,397
City capital assets, net	$ 153,625,967	$ 3,589,659	$ (31,721,644)	$ 125,493,982

	Beginning Balance	Increases	Decreases	Ending Balance
School:				
Capital assets, not being depreciated:				
Land	$ 2,251,676	$ -	$ -	$ 2,251,676
Construction in progress	10,513,354	674,963	(10,479,441)	708,876
Total capital assets, not being depreciated	12,765,030	674,963	(10,479,441)	2,960,552
Capital assets, being depreciated:				
Buildings and building improvements	30,740,087	11,015,298	-	41,755,385
Vehicles, machinery, equipment and furniture	7,751,619	130,519	-	7,882,138
Total capital assets, being depreciated	38,491,706	11,145,817	-	49,637,523
Less accumulated depreciation for:				
Buildings and building improvements	(9,297,689)	(837,408)	-	(10,135,097)
Vehicles, machinery, equipment and furniture	(5,305,580)	(473,360)	-	(5,778,940)
Total accumulated depreciation	(14,603,269)	(1,310,768)	-	(15,914,037)
Total capital assets, being depreciated, net	23,888,437	9,835,049	-	33,723,486
School capital assets, net	$ 36,653,467	$ 10,510,012	$ (10,479,441)	$ 36,684,038

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities-				
Combined all Enterprise Funds:				
Capital assets, not being depreciated:				
Land	$ 21,160,656	$ 2,437,153	$ (102,761)	$ 23,495,048
Construction in progress	62,351,935	12,498,189	(52,226,509)	22,623,615
Total capital assets, not being depreciated	83,512,591	14,935,342	(52,329,270)	46,118,663
Capital assets, being depreciated:				
Land improvements	38,058,273	28,669,905	(3,005)	66,725,173
Buildings and building improvements	68,688,589	16,393,389	-	85,081,978
Vehicles, machinery, equipment and furniture	22,696,832	1,689,122	(171,575)	24,214,379
Distribution and collection systems	213,996,782	8,820,313	(666,015)	222,151,080
Total capital assets, being depreciated	343,440,476	55,572,729	(840,595)	398,172,610
Less accumulated depreciation for:				
Land improvements	(21,276,971)	(3,209,066)	-	(24,486,037)
Buildings and building improvements	(22,313,414)	(2,586,556)	-	(24,899,970)
Vehicles, machinery, equipment and furniture	(10,900,327)	(1,230,011)	153,575	(11,976,763)
Distribution and collection systems	(114,411,703)	(4,842,136)	597,307	(118,656,532)
Total accumulated depreciation	(168,902,415)	(11,867,769)	750,882	(180,019,302)
Total capital assets, being depreciated, net	174,538,061	43,704,960	(89,713)	218,153,308
Business-type activities capital assets, net	$ 258,050,652	$ 58,640,302	$ (52,418,983)	$ 264,271,971

	Beginning Balance	Increases	Decreases	Ending Balance
Electric Enterprise Fund:				
Capital assets, not being depreciated:				
Land	$ 559,594	$ -	$ -	$ 559,594
Construction in progress	2,906,894	7,038,409	(5,876,081)	4,069,222
Total capital assets, not being depreciated	3,466,488	7,038,409	(5,876,081)	4,628,816
Capital assets, being depreciated:				
Distribution and collection systems	132,221,607	8,722,641	(599,152)	140,345,096
Total capital assets, being depreciated	132,221,607	8,722,641	(599,152)	140,345,096
Less accumulated depreciation for:				
Distribution and collection systems	(70,622,182)	(3,298,292)	530,444	(73,390,030)
Total accumulated depreciation	(70,622,182)	(3,298,292)	530,444	(73,390,030)
Total capital assets, being depreciated, net	61,599,425	5,424,349	(68,708)	66,955,066
Electric Enterprise Fund capital assets, net	$ 65,065,913	$ 12,462,758	$ (5,944,789)	$ 71,583,882

	Beginning Balance	Increases	Decreases	Ending Balance
Airport Enterprise Fund:				
Capital assets, not being depreciated:				
Land	$ 19,544,060	$ 2,437,153	$ (102,761)	$ 21,878,452
Construction in progress	59,445,041	5,459,780	(46,350,428)	18,554,393
Total capital assets, not being depreciated	78,989,101	7,896,933	(46,453,189)	40,432,845
Capital assets, being depreciated:				
Land improvements	38,058,273	28,669,905	(3,005)	66,725,173
Buildings and building improvements	66,105,382	15,811,243	-	81,916,625
Vehicles, machinery, equipment and furniture	8,309,306	1,410,046	-	9,719,352
Total capital assets, being depreciated	112,472,961	45,891,194	(3,005)	158,361,150
Less accumulated depreciation for:				
Land improvements	(21,276,971)	(3,209,066)	-	(24,486,037)
Buildings and building improvements	(22,039,570)	(2,503,574)	-	(24,543,144)
Vehicles, machinery, equipment and furniture	(3,719,151)	(460,271)	-	(4,179,422)
Total accumulated depreciation	(47,035,692)	(6,172,911)	-	(53,208,603)
Total capital assets, being depreciated, net	65,437,269	39,718,283	(3,005)	105,152,547
Airport Enterprise Fund capital assets, net	$ 144,426,370	$ 47,615,216	$ (46,456,194)	$ 145,585,392

	Beginning Balance	Increases	Decreases	Ending Balance
Telecom Enterprise Fund:				
Capital assets, not being depreciated:				
Land	$ 157,800	$ -	$ -	$ 157,800
Total capital assets, not being depreciated	157,800	-	-	157,800
Capital assets, being depreciated:				
Buildings and building improvements	2,583,207	582,146	-	3,165,353
Vehicles, machinery, equipment and furniture	787,543	16,522	-	804,065
Total capital assets, being depreciated	3,370,750	598,668	-	3,969,418
Less accumulated depreciation for:				
Buildings and building improvements	(273,844)	(82,982)	-	(356,826)
Vehicles, machinery, equipment and furniture	(586,841)	(176,338)	-	(763,179)
Total accumulated depreciation	(860,685)	(259,320)	-	(1,120,005)
Total capital assets, being depreciated, net	2,510,065	339,348	-	2,849,413
Telecom Enterprise Fund capital assets, net	$ 2,667,865	$ 339,348	$ -	$ 3,007,213

	Beginning Balance	Increases	Decreases	Ending Balance
Wastewater Enterprise Fund:				
Capital assets, not being depreciated:				
Land	$ 847,952	$ -	$ -	$ 847,952
Total capital assets, not being depreciated	847,952	-	-	847,952
Capital assets, being depreciated:				
Vehicles, machinery, equipment and furniture	11,831,244	183,042	(107,775)	11,906,511
Distribution and collection systems	47,444,618	15,053	-	47,459,671
Total capital assets, being depreciated	59,275,862	198,095	(107,775)	59,366,182
Less accumulated depreciation for:				
Vehicles, machinery, equipment and furniture	(5,440,587)	(495,294)	99,775	(5,836,106)
Distribution and collection systems	(21,620,054)	(1,097,355)	-	(22,717,409)
Total accumulated depreciation	(27,060,641)	(1,592,649)	99,775	(28,553,515)
Total capital assets, being depreciated, net	32,215,221	(1,394,554)	(8,000)	30,812,667
Wastewater Enterprise Fund capital assets, net	$ 33,063,173	$ (1,394,554)	$ (8,000)	$ 31,660,619

	Beginning Balance	Increases	Decreases	Ending Balance
Water Enterprise Fund:				
Capital assets, not being depreciated:				
Land	$ 51,250	$ -	$ -	$ 51,250
Total capital assets, not being depreciated	51,250	-	-	51,250
Capital assets, being depreciated:				
Vehicles, machinery, equipment and furniture	1,364,674	20,663	(63,800)	1,321,537
Distribution and collection systems	34,330,557	82,619	(66,863)	34,346,313
Total capital assets, being depreciated	35,695,231	103,282	(130,663)	35,667,850
Less accumulated depreciation for:				
Vehicles, machinery, equipment and furniture	(864,325)	(66,030)	53,800	(876,555)
Distribution and collection systems	(22,169,467)	(446,489)	66,863	(22,549,093)
Total accumulated depreciation	(23,033,792)	(512,519)	120,663	(23,425,648)
Total capital assets, being depreciated, net	12,661,439	(409,237)	(10,000)	12,242,202
Water Enterprise Fund capital assets, net	$ 12,712,689	$ (409,237)	$ (10,000)	$ 12,293,452

	Beginning Balance	Increases	Decreases	Ending Balance
Other Nonmajor Enterprise Funds:				
Capital assets, being depreciated:				
Vehicles, machinery, equipment and furniture	$ 404,065	$ 58,849	$ -	$ 462,914
Total capital assets, being depreciated	404,065	58,849	-	462,914
Less accumulated depreciation for:				
Vehicles, machinery, equipment and furniture	(289,423)	(32,078)	-	(321,501)
Total accumulated depreciation	(289,423)	(32,078)	-	(321,501)
Total capital assets, being depreciated, net	114,642	26,771	-	141,413
Other Nonmajor Enterprise Funds capital assets, net	$ 114,642	$ 26,771	$ -	$ 141,413

Certain amounts in the beginning balance column have been reclassified from amounts reported in the 2011 financial statements.

At June 30, 2012, approximately $451,200 and $0 in assets were acquired through existing capital leases for governmental and business type activities, respectively. These assets are included in vehicles, machinery, equipment and furniture. The amortization on these assets is included with depreciation.

Depreciation expense was charged to functions of the City as follows:

Governmental Activities:	
General government	$ 277,644
Public safety	933,370
Public works	3,962,246
Community Development	4,275
Culture and recreation	1,194,189
Education	1,310,768
Total depreciation expense - governmental activities	$ 7,682,492
Business-Type Activities:	
Electric	$ 3,298,292
Airport	6,172,911
Telecom	259,320
Wastewater	1,592,649
Water	512,519
Education	32,078
Total depreciation expense - business-type activities	$ 11,867,769

A summary of Burlington's component unit Burlington Community Development Corporation's capital assets activity is as follow:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit				
Capital Assets, Not Being Depreciated:				
Land	$ 1,155,249	$ -	$ -	$ 1,155,249
Total Capital Assets, Not Being Depreciated	1,155,249	-	-	1,155,249
				-
Capital Assets, Being Depreciated:				-
Buildings	5,340,387	-	-	5,340,387
Land Improvements	342,548	-	-	342,548
Total	5,682,935	-	-	5,682,935
Less accumulated depreciation for:				
Buildings	(495,766)	(70,326)	-	(566,092)
Land Improvements	(51,382)	(5,710)	-	(57,092)
Totals	(547,148)	(76,036)	-	(623,184)
Total Capital Assets, Being Depreciated	5,135,787	(76,036)	-	5,059,751
Component Unit Capital Assets, Net	$ 6,291,036	$ (76,036)	$ -	$ 6,215,000

13. Deferred Charges

Deferred Charges represent unamortized bond issue costs and various other Burlington Electric Department's accounts. Amounts deferred at June 30, 2012 are comprised of the following:

	Governmental Activities	Electric Fund	Airport Fund	Total Enterprise Funds
Unamortized bond issue costs	$ 620,250	$ 1,476,514	$ 1,034,334	$ 3,131,098 (A)
Deferred depreciation expense to be recovered in future years	-	2,328,993	-	2,328,993
Unamortized costs of demand side management (DSM)	-	1,856,490	-	1,856,490
Loss on transfer of Moran Station	-	410,928	-	410,928
Costs associated with Chace Hydro	-	894,311	-	894,311
Deferred VPSB accounting orders	-	801,397	-	801,397
Deferred prepayments	-	20,788	-	20,788
Total	$ 620,250	$ 7,789,421	$ 1,034,334	$ 9,444,005

(A) Considered current as the City will implement GASB 63 in fiscal year 2013.

A. *Unamortized Bond Issue Costs*

The City has deferred charges resulting from the cost of issuing new debt. Consistent with the rate-making treatment, such deferred charges are being amortized using the sinking fund method as they are recovered through rates over the terms of the related debt. In 2012, the City incurred additional bond issuance costs in the amount of $38,308, while Burlington Electric Department incurred additional costs of $454,411. Amortization of debt issuance costs was $156,593 and $146,946 for the years ended June 30, 2012 and 2011, respectively.

B. *Unamortized Costs of Demand Side Management (DSM)*

In March 1990, the voters of the City of Burlington approved an $11,300,000 bond issue to fund DSM programs. In October 1992, the Department issued revenue bonds of $40,900,000, of which $11,300,000 was designated to finance the costs of these programs.

The costs of these programs have been deferred. Consistent with the rate-making treatment, the Department is amortizing and recovering these costs through rates over the life of the long-term bonds and the related debt service. Amortization was $156,593 and $250,546 for the years ending June 30, 2012 and 2011, respectively. On December 31, 2002, the Department discontinued its deferral of new costs incurred for its demand side management programs as a statewide energy efficiency charge (EEC), billable to Department customers, went into effect January 1, 2003. Accordingly, future program costs incurred are charged directly to expense. The Department is allowed reimbursement for these program costs from the EEC up to 100% of the aggregate amount billed to its customers.

C. *Loss on Transfer of Moran Station*

The Moran Station was deactivated in 1986. The undepreciated costs of the plant are being amortized and recovered through rates over the remaining life of the outstanding bonds that were issued to finance improvements to the Station. Amortization was $471,226 and $443,968 for the years ending June 30, 2012 and 2011, respectively.

D. *Costs Associated with Chace Hydro*

In December 1991, the Electric Department entered into an agreement with Winooski One Partnership (WIP), a Vermont General Partnership, whereby WIP constructed and maintains Chace Hydro, a hydroelectric generating station built on Department-owned land on the Winooski River. The costs associated with Chace Hydro are being amortized and recovered through rates over the life of the outstanding bonds which were issued to finance the Department's interest in the project. Amortization was $127,499 and $120,693 for the years ending June 30, 2012 and 2011, respectively.

E. Deferred-VPSB Accounting Orders

In 2012, the Electric Department obtained an accounting order from the VPSB approving the deferral of its 50% joint ownership share of the costs incurred related to the 2011 McNeil Station turbine overhaul. The total deferred cost was $934,044 and will be amortized over 84 months beginning July 2011. Amortization expense related to the deferred overhaul charges was $133,647 for 2012, and has been reported as a component of production expense.

During 2005, the Electric Department obtained two accounting orders from the VPSB enabling the Department to defer certain costs incurred during the period in which the cost will be recovered through future rates. The first order approved by the VPS was for the deferral of rate design expenses incurred by the Department and the second accounting order approved the deferral of the Department's 50% joint ownership share of the costs incurred related to the McNeil Station turbine overhaul. At June 30, 2012, both amounts have been fully amortized. Amortization expense related to these deferred costs was $0 and $246,546 for the years ending June 30, 2012 and 2011, respectively.

14. Accounts Payable and Accrued Expenses

Accounts payable represent 2012 expenditures paid on or after July 1, 2012.

15. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2012 receivable balances, except certain receipts that were received within 60 days of the end of the year.

16. Anticipation Notes Payable

The City had the following notes outstanding at June 30, 2012:

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/12
Bond anticipation notes:				
General fund capital	variable	6/25/2012	11/30/2012	$ 1,000,000 [(A)]
Electric fund capital	variable	6/25/2012	11/30/2012	2,000,000 [(A)]
Airport fund - garage	6.50%	6/27/2011	12/1/2012	12,000,000
Total bond anticipation notes				15,000,000
Revenue anticipation notes:				
Electric fund	variable	2/1/2012	1/30/2013	3,500,000
Total revenue anticipation notes				3,500,000
Grant anticipation notes:				
Airport fund - AIP	variable	8/18/2011	12/31/2012	819,000
Total grant anticipation notes				819,000
Total notes outstanding				$ 19,319,000

[(A)] The City recognizes these as long-term notes as they were permanently financed in October 2012.

The following summarizes activity in bond anticipation notes (BANS) and lines of credit (LOC) during fiscal year 2012:

Note	Balance Beginning of Year	New Issues	Maturities	Balance End of Year
BAN - General fund	$ 5,015,000	$ -	$ (5,015,000)	$ -
BAN - Airport fund	12,000,000	-	-	12,000,000
TAN - General fund	11,000,000	-	(11,000,000)	-
RAN - BED	-	5,000,000	(5,000,000)	-
RAN - Wastewater	-	1,000,000	(1,000,000)	-
RAN - Airport fund	-	5,000,000	(5,000,000)	-
TAN - General (LOC)	-	36,082,726	(36,082,726)	-
RAN - BED (LOC)	-	4,000,000	(500,000)	3,500,000
GAN - Airport (LOC)	-	2,494,021	(1,675,021)	819,000
BAN - General fund	-	1,000,000	-	1,000,000
BAN - BED	-	2,000,000	-	2,000,000
Total	$ 28,015,000	$ 56,576,747	$ (65,272,747)	$ 19,319,000

17. Long-Term Obligations – City of Burlington

A. Types of Long-Term Obligations

General Obligation Bonds. The City issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior bond issues. General obligation bonds have been issued for both governmental and proprietary activities. Bonds are reported in governmental activities if the debt is expected to be repaid from governmental fund revenues and in business-type activities if the debt is expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the City.

No-Interest Revolving Loans. The State of Vermont offers a number of no-interest revolving loan programs to utilize for predetermined purposes. Two of the five no-interest loans do charge a 2% administration fee. The City has borrowed money from the Vermont Special Environmental Revolving Fund for sewer stormwater projects. These bonds are both general obligation and revenue supported bonds.

Revenue Bonds - The City issues bonds where the City pledges income to pay the debt service. Revenue bonds are reported in business type activities only because the debt is expected to be repaid from proprietary fund revenues.

Certificates of Participation - The City enters into agreements for the purpose of financing the acquisition and/or renovation of land and buildings. These agreements qualify as long-term debt obligations for accounting purposes (even though they include clauses that allow for cancellation of the certificate of participation in the event the City does not appropriate funds in future years). The Certificates of Participation are reported in governmental activities because all of the debt is expected to be repaid from general governmental revenues.

Other Notes Payable - The City has other notes payable to finance various capital projects through local banks and U.S. Government agencies.

Capital Lease Obligations. The City enters into lease agreements as the lessee for the purpose of financing the acquisition of major pieces of equipment. These lease agreements qualify as capital lease obligations for accounting purposes (even though they include clauses that allow for cancellation of the lease in the event the City does not appropriate funds in future years) and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date of the leases. Leases are reported in governmental activities if the debt is expected to be repaid from general governmental revenue and in business–type activities if the debt is expected to be repaid from proprietary fund revenues.

Compensated Absences - It is the policy of the City to permit certain employees to accumulate earned but unused benefits. The City, excluding the School Fund, allows employees to carryover up to 360 hours of vested vacation time to the next fiscal year. The City also allows all employees hired prior to July 1, 2000 to carryover the lesser of 25% of their sick leave balance or 120 hours. City employees hired after July 1, 2000 may carryover earned sick leave balances; however, it is not a vested benefit upon termination. The School Fund allows certain employees to carryover up to 80 hours vested vacation time. The School Fund also allows sick leave to be vested upon reaching certain plateaus, depending on the individual contract. The School has made the assumption that the employee will likely reach the eligibility threshold once they are within three (3) years of the actual vesting date. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements and proprietary fund financial statements.

Unamortized Premiums, Discounts, Issue Costs, and Refunding Losses

Debt premiums, discounts, issue costs, and refunding losses 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.

Other Post-employment Benefits

The City has recorded a liability for the governmental activities in the government-wide financial statements and in the individual enterprise funds and for the business-type activities in the government-wide financial statements which represent their actuarially determined costs for post-employment benefits. These 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.

Compensated Absences and Post-employment Benefits are paid by the applicable fund where the employee is charged. Insurance Reserves are generally liquidated by the General Fund. Landfill Post-Closure Liabilities have been liquidated by the Wastewater Fund.

A detailed listing of the general obligation bonds and other notes payable expected to be repaid by governmental funds are as follows:

Governmental Activities:	Serial Maturities Through	Interest Rate(s) %	Amount Issued	Amount Outstanding as of 6/30/12
General obligation bonds:				
General Improvements 2002 Series A	09/01/2012	3.00 - 4.00%	$ 750,000	$ 90,000
Fire Equipment Bond 2003A	11/01/2018	3.50 - 4.00%	2,500,000	1,350,000
General Improvements 2003 Series B	11/01/2013	2.00 - 3.75%	750,000	175,000
General Improvements 2004 Refunding Series B	12/01/2016	2.00 - 3.80%	530,000	205,000
General Improvements 2004 Series A	05/01/2015	2.25 - 3.75%	750,000	250,000
General Improvements 2005 Series A	11/01/2015	3.50 - 3.60%	250,000	110,000
General Improvements 2005 Series B	11/1/2015	3.25 - 3.50%	1,000,000	450,000
General Improvements 2006 Series B	11/1/2026	3.50 - 4.00%	1,000,000	820,000
General Improvements 2007 Series A	11/1/2027	3.50 - 4.25%	1,000,000	860,000
General Improvements 2009 Series C	11/1/2029	2.00 - 4.125%	1,000,000	925,000
General Improvements 2009 Series C	11/1/2029	2.00 - 4.125%	1,000,000	925,000
General Improvements 2009 Series C Street Impr.	11/1/2029	2.00 - 4.125%	2,250,000	2,095,000
General Improvements 2011 Series A - City FY 2010	11/1/2031	3.00 - 4.75%	1,000,000	1,000,000
General Improvements 2011 Series A - Street Paving	11/1/2031	3.00 - 4.75%	3,250,000	3,250,000
General Improvements 2011 Series A - City Fire	11/1/2031	3.00 - 4.75%	1,325,000	1,325,000
General Improvements 2011 Series B - City FY 2011	11/1/2031	2.00 - 4.75%	1,000,000	1,000,000
G.O. School 2002 Series Refunding Bonds	09/01/2013	2.50 - 4.00%	1,070,000	235,000
G.O. School 2002 Series A Bonds	03/01/2018	3.00 - 4.375%	860,000	560,000
G.O. School 2004 Refunding Series B Bonds	12/01/2016	2.00 - 3.80%	2,370,000	900,000
G.O. School 2005 Series B Bonds	11/1/2025	3.25 - 4.2%	750,000	590,000
G.O. School 2006 Series A Bonds	11/1/2026	3.50 - 4.00%	750,000	615,000
G.O. School 2006 Series A Bonds - Athletic Field	11/1/2026	3.50 - 4.00%	3,615,000	2,970,000
G.O. School 2007 Series A Bonds	11/1/2027	3.50 - 4.25%	750,000	650,000
G.O. School 2009 Series C Bonds	11/1/2029	2.00 - 4.125%	750,000	695,000
G.O. School 2009 Series C Bonds	11/1/2026	2.00 - 4.125%	2,000,000	1,860,000
G.O. School 2010 Series A Qualified School Constr.	11/1/2026	6.50%	9,700,000	9,700,000
G.O. School 2010 Series B Taxable GO Public Impr.	11/1/2031	6.50%	2,000,000	2,000,000
General Improvements 2011 Series B - School	11/1/2031	2.00 - 4.75%	2,000,000	2,000,000
Total general obligation bonds				37,605,000

(continued)

(continued)

Governmental Activities:	Serial Maturities Through	Interest Rate(s) %	Amount Issued	Amount Outstanding as of 6/30/12
Other debt:				
Downtown Parking - Certificate of Participation	12/01/2018	4.30 - 4.80%	5,500,000	1,730,000
Waterfront Refunding - Certificate of Participation	12/01/2018	4.30 - 4.80%	1,390,000	640,000
Capital Projects - Certificate of Participation	12/01/2020	5.375 - 5.75%	4,100,000	2,380,000
Police Facility - Certificate of Participation Refunding	05/01/2015	3.00 - 4.25%	2,075,000	575,000
Downtown Parking - Certificate of Participation	05/01/2025	4.0 - 4.375%	7,870,000	6,225,000
HUD Section 108 - US Guaranteed Notes 1999	08/01/2017	5.40 - 6.20%	1,930,000	570,000
HUD Section 108 - US Guaranteed Notes 2003	08/01/2022	3.25%	3,602,000	495,000
HUD Section 108 - US Guaranteed Notes 2005	08/01/2018	variable	1,827,000	800,000
Stormwater Revenue Obligation Bond	10/01/2031	2.00%	1,204,000	736,866
Total other debt				14,151,866
Total Governmental Activities:				$ 51,756,866

The HUD Section 108-US guaranteed notes, originally issued in 2003 and 2005, have a variable rate of interest based on the three (3) month LIBOR rate plus .2%.

A detailed listing of the general and revenue obligation bonds expected to be repaid by proprietary funds are as follows:

Business-Type Activities:	Serial Maturities Through	Interest Rate(s) %	Amount Issued	Amount Outstanding as of 6/30/12
General obligation bonds:				
Electric 2004 Series B Refunding Bonds	12/01/2016	2.00 - 3.80%	$ 510,002	$ 195,000
Electric 2005 Series A Bonds	11/01/2025	3.50 - 4.20%	1,000,000	790,000
Electric 2005 Series B Bonds	11/01/2025	3.25 - 4.20%	1,000,000	785,000
Electric 2006 Series A Bonds	11/1/2026	3.50 - 4.00%	1,000,000	820,000
Electric 2007 Series A Bonds	11/1/2027	3.50 - 4.30%	1,000,000	860,000
Electric 2009 Series A Bonds	11/1/2029	2.00 - 4.375%	12,750,000	11,780,000
Electric 2009 Series B Bonds	11/1/2029	4.00 - 6.00%	8,250,000	7,735,000
Electric 2009 Series D Bonds	11/1/2029	1.45 - 5.60%	4,615,000	4,360,000
Electric 2009 Series C Bonds	11/1/2029	2.00 - 4.125%	1,000,000	925,000
Electric 2009 Series C Bonds	11/1/2029	2.00 - 4.125%	1,000,000	925,000
Electric 2009 Series C Bonds	11/1/2029	2.00 - 4.125%	10,985,000	10,210,000
General Improvements 2011 Series A - Electric Portion	11/1/2031	3.00 - 4.75%	1,000,000	1,000,000
General Improvements 2011 Series B - Electric Portion	11/1/2031	2.00 - 4.75%	1,000,000	1,000,000
Total general obligation bonds				41,385,000

(continued)

(continued)

Business-Type Activities:	Serial Maturities Through	Interest Rate(s) %	Amount Issued	Amount Outstanding as of 6/30/12
Other debt:				
Electric Revenue Bonds 1996 Series A	12/01/2012	3.80 - 6.38%	54,475,000	4,965,000
Electric Revenue Bonds 2001 Series A	07/01/2014	2.30 - 4.60%	11,115,000	5,715,000
Electric Revenue Bonds 2002 Series A	07/01/2014	5.00 - 5.375%	20,875,000	11,260,000
Electric Revenue Bonds 2004 Series A	07/01/2024	4.27%	10,000,000	7,300,000
Electric Revenue Bonds 2011 Series A	07/01/2032	4.25 - 5.75%	8,775,000	8,775,000
Electric Revenue Bonds 2011 Series B	07/01/2032	7.25 - 8.25%	3,135,000	3,135,000
Wastewater State of VT-EPA 1991 Series 1	12/01/2014	0.00%	19,403,807	15,443,791
Wastewater State of VT-EPA 2006 Series 1 (Siphon)	02/01/2027	2.00%	1,650,000	1,206,829
Wastewater State of VT-EPA 2009 Series I (Turbo)	10/01/2031	2.00%	120,000	92,903
State of VT-EPA 2001 Series 1 (Digester)	10/01/2026	2.00%	2,500,000	1,340,909
Water Revenue Bonds 1997 Series A	12/01/2012	4.10 - 5.00%	13,925,000	1,320,000
Airport Revenue Bonds 1997 Series A	07/01/2017	3.85 - 5.60%	12,380,000	5,185,000
Airport Revenue Bonds 1997 Series B	07/01/2017	4.00 - 5.75%	7,450,000	3,150,000
Airport Revenue Bonds 2000 Series A	07/01/2020	4.80 - 6.20%	10,435,000	6,110,000
Airport Revenue Bonds 2003 Series A and B	07/01/2028	2.00 - 5.00%	24,800,000	20,205,000
Total other debt				95,204,432
Total Business-Type Activities:				$ 136,589,432

B. *Future Debt Service*

The annual payments to retire all governmental general obligation long-term debt outstanding as of June 30, 2012 are as follows:

Governmental Activities Combined	Principal	Interest	Total
2013	$ 2,992,111	$ 2,276,732	$ 5,268,843
2014	3,002,791	2,168,629	5,171,420
2015	2,913,346	2,058,034	4,971,380
2016	2,723,913	1,947,221	4,671,134
2017	2,674,492	1,843,285	4,517,777
2018 - 2022	12,381,546	7,640,146	20,021,692
2023 - 2027	20,522,838	5,246,604	25,769,442
2028 - 2032	4,545,829	430,876	4,976,705
Total	$ 51,756,866	$ 23,611,527	$ 75,368,393

City		Principal		Interest		Total
2013	$	2,262,111	$	1,109,308	$	3,371,419
2014		2,237,791		1,026,231		3,264,022
2015		2,238,346		939,802		3,178,148
2016		2,028,913		852,063		2,880,976
2017		1,959,492		772,502		2,731,994
2018 - 2022		9,436,546		2,612,912		12,049,458
2023 - 2027		5,537,838		1,215,614		6,753,452
2028 - 2032		3,280,829		315,401		3,596,230
Total	$	28,981,866	$	8,843,833	$	37,825,699

School		Principal		Interest		Total
2013	$	730,000	$	1,167,424	$	1,897,424
2014		765,000		1,142,398		1,907,398
2015		675,000		1,118,232		1,793,232
2016		695,000		1,095,158		1,790,158
2017		715,000		1,070,783		1,785,783
2018 - 2022		2,945,000		5,027,234		7,972,234
2023 - 2027		14,985,000		4,030,990		19,015,990
2028 - 2032		1,265,000		115,475		1,380,475
Total	$	22,775,000	$	14,767,694	$	37,542,694

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2012:

		Principal		Interest		Total
General fund - City	$	26,380,000	$	8,578,275	$	34,958,275
General fund - School Department		22,775,000		14,767,694		37,542,694
Special revenue fund - City		2,601,866		265,558		2,867,424
Total	$	51,756,866	$	23,611,527	$	75,368,393

The annual payments to retire all business-type (and each Enterprise fund) long-term debt outstanding as of June 30, 2012 are as follows:

Business-Type Activities Combined all Enterprise Funds		Principal		Interest		Total
2013	$	14,262,798	$	5,396,577	$	19,659,375
2014		26,865,180		4,903,330		31,768,510
2015		12,867,451		4,326,546		17,193,997
2016		5,925,400		3,704,972		9,630,372
2017		6,188,408		3,445,644		9,634,052
2018 - 2022		27,064,309		13,493,480		40,557,789
2023 - 2027		26,304,061		7,600,066		33,904,127
2028 - 2032		17,111,822		1,657,470		18,769,292
Total	$	136,589,429	$	44,528,085	$	181,117,514

Electric Enterprise Fund		Principal		Interest		Total
2013	$	9,250,000	$	3,642,203	$	12,892,203
2014		9,435,000		3,317,346		12,752,346
2015		9,875,000		2,883,755		12,758,755
2016		2,785,000		2,412,168		5,197,168
2017		2,875,000		2,310,795		5,185,795
2018 - 2022		16,035,000		9,747,297		25,782,297
2023 - 2027		18,520,000		5,828,102		24,348,102
2028 - 2032		13,760,000		1,490,659		15,250,659
Total	$	82,535,000	$	31,632,325	$	114,167,325

Airport Enterprise Fund		Principal		Interest		Total
2013	$	2,585,000	$	1,670,419	$	4,255,419
2014		2,715,000		1,537,864		4,252,864
2015		2,845,000		1,397,562		4,242,562
2016		2,990,000		1,250,524		4,240,524
2017		3,160,000		1,095,577		4,255,577
2018 - 2022		10,215,000		3,597,092		13,812,092
2023 - 2027		6,885,000		1,707,625		8,592,625
2028 - 2029		3,255,000		164,875		3,419,875
Total	$	34,650,000	$	12,421,538	$	47,071,538

Wastewater Enterprise Fund		Principal		Interest		Total
2013	$	1,107,798	$	50,955	$	1,158,753
2014		14,715,180		48,120		14,763,300
2015		147,451		45,229		192,680
2016		150,400		42,280		192,680
2017		153,408		39,272		192,680
2018 - 2022		814,309		149,091		963,400
2023 - 2027		899,061		64,339		963,400
2028		96,822		1,936		98,758
Total	$	18,084,429	$	441,222	$	18,525,651

Water Enterprise Fund		Principal		Interest		Total
2013	$	1,320,000	$	33,000	$	1,353,000
Total	$	1,320,000	$	33,000	$	1,353,000

C. *Changes in General Long-Term Liabilities*

During the year ended June 30, 2012, the following changes occurred in long-term liabilities for the City's Governmental and Business-Type Activities, as well as each enterprise fund:

	Total Balance 7/1/2011	Additions	Reduction	Total Balance 6/30/2012	Less Current Portion	Equal Long Term Portion
Governmental Activities						
General obligation bonds payable	$ 30,753,333	$ 8,575,000	$ (1,723,333)	$ 37,605,000	$ (1,750,000)	$ 35,855,000
Other debt	15,246,866	-	(1,095,000)	14,151,866	(1,242,111)	12,909,755
Add unamortized premium	367,507	67,082	(29,316)	405,273	(32,670)	372,603
Subtract deferred loss on refunding bonds	(55,206)	-	9,202	(46,004)	9,202	(36,802)
Subtotal	46,312,500	8,642,082	(2,838,447)	52,116,135	(3,015,579)	49,100,556
Obligations under capital leases	2,294,817	1,621,586	(1,166,814)	2,749,589	(993,855)	1,755,734
Long-term note payable	5,015,000	1,000,000	(5,015,000)	1,000,000	-	1,000,000
Compensated absences	5,603,626	-	(1,547,048)	4,056,578	(405,658)	3,650,920
Landfill closure	25,000	-	(25,000)	-	-	-
Insurance reserves	1,619,000	-	-	1,619,000	-	1,619,000
Net OPEB obligation	1,828,633	320,033	-	2,148,666	-	2,148,666
Net pension obligation	1,826,028	-	(26,657)	1,799,371	-	1,799,371
Total	$ 64,524,604	$ 11,583,701	$ (10,618,966)	$ 65,489,339	$ (4,415,092)	$ 61,074,247

Business-type activities - Combined all Enterprise funds	Total Balance 7/1/2011	Additions	Reduction	Total Balance 6/30/2012	Less Current Portion	Equal Long Term Portion
General obligation bonds payable	$ 42,413,105	$ 2,000,000	$ (1,687,197)	$ 42,725,908	$ (1,771,940)	$ 40,953,968
Add unamortized premium	185,597	19,667	(7,526)	197,738	-	197,738
Subtract unamortized discount	(37,373)	-	1,301	(36,072)	-	(36,072)
Subtract deferred loss on refunding bonds	(12,818)	-	2,278	(10,540)	-	(10,540)
Subtotal	42,548,511	2,019,667	(1,691,144)	42,877,034	(1,771,940)	41,105,094
Revenue bonds payable	93,648,092	11,910,000	(11,694,567)	93,863,525	(12,562,798)	81,300,727
Add unamortized premium	997,498	153,743	(237,264)	913,977	(20,597)	893,380
Subtract unamortized discount	(70,452)	-	12,151	(58,301)	6,182	(52,119)
Subtract deferred loss on refunding bonds	(10,589,469)	-	2,146,860	(8,442,609)	-	(8,442,609)
Subtotal	83,985,669	12,063,743	(9,772,820)	86,276,592	(12,577,213)	73,699,379
Obligations under capital leases	2,866,790	77,852	(624,588)	2,320,054	(621,896)	1,698,158
Long-term note payable	904,014	2,000,000	(904,014)	2,000,000	-	2,000,000
Compensated absences	1,477,999	103,456	-	1,581,455	-	1,581,455
Net OPEB obligation	131,538	57,637	-	189,175	-	189,175
Other noncurrent liabilities	1,870,553	2,975,756	(169,464)	4,676,845	-	4,676,845
Total	$ 133,785,074	$ 19,298,111	$ (13,162,030)	$ 139,921,155	$ (14,971,049)	$ 124,950,106

Electric Enterprise Fund	Total Balance 7/1/2011	Additions	Reduction	Total Balance 6/30/2012	Less Current Portion	Equal Long Term Portion
General obligation bonds payable	$ 41,001,667	$ 2,000,000	$ (1,616,667)	$ 41,385,000	$ (1,700,000)	$ 39,685,000
Add unamortized premium	185,597	19,667	(7,526)	197,738	-	197,738
Subtract unamortized discount	(37,373)	-	1,301	(36,072)	-	(36,072)
Subtract deferred loss on refunding bonds	(12,818)	-	2,278	(10,540)	-	(10,540)
Subtotal	41,137,073	2,019,667	(1,620,614)	41,536,126	(1,700,000)	39,836,126
Revenue bonds payable	36,370,000	11,910,000	(7,130,000)	41,150,000	(7,550,000)	33,600,000
Add unamortized premium	782,108	153,743	(215,768)	720,083	-	720,083
Subtract unamortized discount	(39,563)	-	5,124	(34,439)	-	(34,439)
Subtract deferred loss on refunding bonds	(10,548,018)	-	2,105,409	(8,442,609)	-	(8,442,609)
Subtotal	26,564,527	12,063,743	(5,235,235)	33,393,035	(7,550,000)	25,843,035
Obligations under capital leases	2,099	-	(2,099)	-	-	-
Long-term note payable	904,014	2,000,000	(904,014)	2,000,000	-	2,000,000
Compensated absences	1,027,036	51,549	-	1,078,585	-	1,078,585
Net OPEB obligation	-	-	-	-	-	-
Other noncurrent liabilities	1,870,553	2,975,756	(169,464)	4,676,845	-	4,676,845
Total	$ 71,505,302	$ 19,110,715	$ (7,931,426)	$ 82,684,591	$ (9,250,000)	$ 73,434,591

Airport Enterprise Fund	Total Balance 7/1/2011	Additions	Reduction	Total Balance 6/30/2012	Less Current Portion	Equal Long Term Portion
Revenue bonds payable	$ 37,110,000	$ -	$ (2,460,000)	$ 34,650,000	$ (2,585,000)	$ 32,065,000
Add unamortized premium	215,390	-	(21,496)	193,894	(20,597)	173,297
Subtract unamortized discount	(30,889)	-	7,027	(23,862)	6,182	(17,680)
Subtotal	37,294,501	-	(2,474,469)	34,820,032	(2,599,415)	32,220,617
Obligations under capital leases	2,583,044	-	(482,966)	2,100,078	(520,825)	1,579,253
Compensated absences	192,087	9,336	-	201,423	-	201,423
Net OPEB obligation	43,102	18,886	-	61,988	-	61,988
Total	$ 40,112,734	$ 28,222	$ (2,957,435)	$ 37,183,521	$ (3,120,240)	$ 34,063,281

Telecom Enterprise Fund	Total Balance 7/1/2011	Additions	Reduction	Total Balance 6/30/2012	Less Current Portion	Equal Long Term Portion
Compensated absences	$ 35,113	$ 13,366	$ -	$ 48,479	$ -	$ 48,479
Net OPEB obligation	41,802	18,317	-	60,119	-	60,119
Total	$ 76,915	$ 31,683	$ -	$ 108,598	$ -	$ 108,598

Wastewater Enterprise Fund	Total Balance 7/1/2011	Additions	Reduction	Total Balance 6/30/2012	Less Current Portion	Equal Long Term Portion
General obligation bonds payable	$ 1,411,438	$ -	$ (70,530)	$ 1,340,908	$ (71,940)	$ 1,268,968
Subtotal	1,411,438	-	(70,530)	1,340,908	(71,940)	1,268,968
Revenue bonds payable	17,588,092	-	(844,567)	16,743,525	(1,107,798)	15,635,727
Subtotal	17,588,092	-	(844,567)	16,743,525	(1,107,798)	15,635,727
Obligations under capital leases	141,100	-	(65,572)	75,528	(42,591)	32,937
Compensated absences	89,175	7,642	-	96,817	-	96,817
Net OPEB obligation	19,995	8,761	-	28,756	-	28,756
Total	$ 19,249,800	$ 16,403	$ (980,669)	$ 18,285,534	$ (1,222,329)	$ 17,063,205

Water Non-Major Enterprise Fund	Total Balance 7/1/2011	Additions	Reduction	Total Balance 6/30/2012	Less Current Portion	Equal Long Term Portion
Revenue bonds payable	$ 2,580,000	$ -	$ (1,260,000)	$ 1,320,000	$ (1,320,000)	$ -
Subtract deferred loss on refunding bonds	(41,451)	-	41,451	-	-	-
Subtotal	2,538,549	-	(1,218,549)	1,320,000	(1,320,000)	-
Obligations under capital leases	140,547	77,852	(73,951)	144,448	(58,480)	85,968
Compensated absences	134,588	21,563	-	156,151	-	156,151
Net OPEB obligation	26,639	11,673	-	38,312	-	38,312
Total	$ 2,840,323	$ 111,088	$ (1,292,500)	$ 1,658,911	$ (1,378,480)	$ 280,431

18. Capital Lease Obligations

The City is the lessee of certain equipment under capital and operating leases expiring in various years through 2020. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2012:

	Governmental Activities	Business-Type Activities
Capital lease for equipment. The rental payments are to be made in equal monthly installments of $2,561 including interest at 3.69% annually, maturing on April 27, 2015.	$ 82,561	$ -
Capital lease for garage equipment. The rental payments are to be made in equal monthly installments of $12,380 including interest at 4.3601% annually, maturing on June 29, 2017.	55,527	-
Capital lease for vehicles for the following departments: water, traffic, police, public works, parks and recreation, and wastewater. The rental payments are to be made in equal monthly installments of $27,510 including interest at 3.83% annually, maturing on October 23, 2013.	367,180	61,276
Capital lease for various equipment for the following departments: water, traffic, airport, public works, police, parks and recreation, and human resources. The rental payments are to be made in equal monthly installments of $27,008 including interest at 3.19% annually, maturing on July 6, 2014.	318,699	333,737
Capital lease for various equipment for the following departments: wastewater, traffic, airport, public works, information technology, police, parks and recreation, fire, and marketplace. The rental payments are to be made in equal semiannual installments of $259,908 including interest at 2.29% annually, maturing on December 25, 2014.	612,879	639,969
Capital lease for airport equipment. The rental payments are to be made in equal semiannual installments of $86,730 including interest at 3.214% annually, maturing on June 26, 2020.	-	1,213,771
Capital lease for accounting software, police cars, public works vehicles, office equipment, mowers, tractors, backhoe, and zamboni. The rental payments are to be made in equal semiannual installments of $120,160 including interest at 1.96% annually, maturing on November 18, 2016.	959,001	71,301
Capital lease for recycling equipment. The rental payments are to be made in equal annual installments of $96,147 including interest at 3.43% annually, maturing on March 9, 2016.	353,742	-
Total capital lease obligations	2,749,589	2,320,054
Less: amount due within one year	(993,855)	(621,896)
Capital lease obligation, net of current portion	$ 1,755,734	$ 1,698,158

Fiscal Year		Governmental Activities		Business-Type Activities
2013	$	1,060,562	$	668,525
2014		871,954		637,055
2015		500,232		336,617
2016		334,233		190,090
2017		126,242		181,775
2018-2020		-		520,380
Total minimum lease payments		2,893,223		2,534,442
Less amounts representing interest		(143,634)		(214,388)
Present Value of Minimum Lease Payments	$	2,749,589	$	2,320,054

19. Long-Term Obligations – BCDC

A. *Notes Payable*

The Burlington Community Development Corporation (BCDC) has various loans outstanding as follows:

		Component Unit
TD Bank (Gilbane Property) Note secured by the mortgage on the property. The terms require annual payment of $33,483 for 15 years with an interest rate of 6.25% maturing in October 2025.	$	300,818
People's United Bank notes offset by notes receivable from Champlain Housing Trust Corporation. The terms require annualized payment of $27,639 for 10 years with an interest rate of 3.75% maturing in November 2020.		251,292
Union Bank Note (refinanced previous VEDA Loan) requiring annual payment of $217,818 for 20 years with an interest rate of 4.09% maturing in November 2020. A balloon payment of $1,803,380 is due at maturity.		2,804,681
BCDC 1993 Relief Bonds terms require annual payments of $86,352 with an interest rate ranging between 3.25% - 4.00% maturing in February 2022.		838,274
Swap Terminator Fee Loan (related to above noted VEDA refinancing) terms require annual payment of $38,333 for 10 years with an interest rate of 3.75% maturing in November 2020.		531,731
Total Notes Payable	$	4,726,796

B. *Future Debt Service*

The annual payments to retire BCDC's notes payable outstanding as of June 30, 2012 are as follows:

Fiscal Year	Principal	Interest	Total
2013	$ 206,402	$ 192,123	$ 398,525
2014	215,014	183,512	398,526
2015	443,059	174,527	617,586
2016	221,195	154,787	375,982
2017	230,668	145,313	375,981
2018 - 2022	3,310,104	445,460	3,755,564
2023 - 2027	100,354	10,942	111,296
Total	$ 4,726,796	$ 1,306,664	$ 6,033,460

C. *Due to Primary Government*

	Component Unit
BCDC borrowed $1,400,000 from the Airport Enterprise fund to assist in financing construction of the Aviation Support Hanger. The terms require annual payments of $93,172 for 20 years with an interest rate of 3%, maturing in June 2026.	$ 1,064,056
BCDC owes the City (the Primary Government) for its share of the Westlake Parking Garage. The terms requires annual payment of at least $72,000 with an interest rate of 2.3%, maturing in December 2020.	551,517
Subtotal	1,615,573
Due to City for negative cash position	34,075
Total Due to Primary Government	$ 1,649,648

D. *Future Debt Service*

The annual payments to retire the amounts that BCDC owes to the City (the Primary government) are as follows:

Fiscal Year		Principal		Interest		Total
2013	$	121,479	$	43,693	$	165,172
2014		124,800		40,373		165,173
2015		128,213		36,959		165,172
2016		131,720		33,453		165,173
2017		135,324		29,848		165,172
2018-2022		623,252		93,202		716,454
2023-2027		350,785		21,907		372,692
Total	$	1,615,573	$	299,435	$	1,915,008

20. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The City has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions,* which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2012:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority, the City Council. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at City Council meetings, capital reserve funds set aside by City Council vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the City's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the City's fund balances at June 30, 2012:

	General Fund	School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Inventory and prepaid expenditures	$ 368,916	$ 19,200	$ 200,466	$ 588,582
Advances to other funds	22,763,234	-	-	22,763,234
Nonexpendable permanent funds	-	-	909,230	909,230
Total Nonspendable	23,132,150	19,200	1,109,696	24,261,046
Restricted				
Bonded projects	3,064,963	-	-	3,064,963
Tax increment financing	-	-	923,736	923,736
Impact fees	802,973	-	-	802,973
Grants	-	-	-	-
Debt service	-	-	1,064,339	1,064,339
School	-	547,568	1,082,592	1,630,160
Expendable permanent funds	-	-	240,128	240,128
Mary Waddell fund	-	-	13,886	13,886
Total Restricted	3,867,936	547,568	3,324,681	7,740,185
Committed				
Conservation legacy	701,977	-	-	701,977
CCTA and County tax	363,129	-	-	363,129
Street repaving	658,061	-	-	658,061
Police equitable sharing funds	432,106	-	-	432,106
Pennies for parks	681,205	-	-	681,205
Greenbelt	299,132	-	-	299,132
Library books and donations	152,565	-	-	152,565
Public records restoration	34,040	-	-	34,040
Parking	23,000	-	-	23,000
Traffic	-	-	228,678	228,678
Housing	-	-	4,919,605	4,919,605
Other	-	-	275,602	275,602
Total Committed	3,345,215	-	5,423,885	8,769,100

(continued)

(continued)

	General Fund	School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assigned				
Recycling funds	78,795	-	-	78,795
Insurance reserves	184,015	-	-	184,015
Total Assigned	262,810	-	-	262,810
Unassigned	(14,982,331)	(1,078,493)	(4,277,246)	(20,338,070)
Total Unassigned	(14,982,331)	(1,078,493)	(4,277,246)	(20,338,070)
Total Fund Balance	$ 15,625,780	$ (511,725)	$ 5,581,016	$ 20,695,071

21. Restricted Net Assets

The accompanying entity-wide financial statements report restricted net assets when external constraints from grantors or contributors are placed on net assets.

Permanent fund restricted net assets are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

22. Subsequent Events

Debt

Subsequent to June 30, 2012, the City has incurred the following additional debt:
In October 2012, the City issued $11,250,000 in General Obligation Public Improvement Bonds for the purpose of (1) financing City street repairs and capital improvements, (2) financing certain capital improvements for the City's Electric Department, (3) and refunding the City's $3,000,000 General Obligation Bond Anticipation Notes, Series 2010C due on August 10, 2012.

In November 2012, the City's Airport Enterprise Fund issued $24,880,000 in Airport Revenue Refunding Bonds for the purpose of (1) currently refunding the City's $12,000,000 Subordinate Airport Improvement Bond Anticipation Note, Series 2011, issued for the interim financing of the expansion of the Airport's parking garage, (2) currently refund all of the City's outstanding (i) Airport Revenue Bonds, Series 1997A, Series 1997B and Series 2000, (3) fund the Debt Service Reserve Funds with respect to the Series 2012 Bonds and (4) pay the cost of issuance associated with the Series 2012 Bonds.

In November 2012, the City Authorized a $9,000,000 Fiscal Stability Bond. The City expects this bond to be issued in March 2013.

Since June 30, 2012, the City has re-authorized the following Revenue Anticipation Notes and Line of Credit:

- $16,000,0000 Tax anticipation note
- $2,000,000 Airport general revenue anticipation note
- $3,000,000 Airport grant anticipation note

23. Retirement System

The City follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description and Contribution Information

The City maintains a single employer defined benefit pension plan covering substantially all of its employees except elective officials, other than the mayor, and the majority of the public school teachers, who are eligible for the Vermont State Teacher's Retirement System. The plan is broken down into Class A participants and Class B participants. Class A participants are composed of firemen and policemen. Class B participants include all other covered City employees. The City's total covered payroll, except for school teachers, was $43,865,945. The System does not issue a stand-alone financial report.

Class A participants vest 20 percent after three years of creditable service, and 20 percent for each year thereafter until they are 100 percent vested after 7 years of creditable service. The normal benefit is payable commencing at age 55 or with 25 years of service. Class A participants who retire at or after age 55 with 7 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2.75 percent of their average final compensation (AFC) during the highest three non-overlapping twelve-month periods (five years for certain non-union police employees) times creditable service not in excess of 25 years plus .5 percent of the AFC times years of creditable service between 25 and 35 years, prior to age 60 and a yearly COLA based on CPI. Class A retirees could alternatively elect to choose an accrual rate of 3.25% and one-half the yearly COLA, or an accrual rate of 3.8% (3.6% for service from July, 2006 forward) and no COLA. The half and no COLA options have been eliminated for new policemen hired after July 1, 2006 and new firemen hired after January 1, 2007. Also, these new hires have a 2.65 percent accrual rate only. Employees may retire prior to age 55 and receive reduced retirement benefits. Class A employees have unreduced benefits after 25 years of service, regardless of age.

Class A participants contribute 10.8 percent of earnable compensation for the first 35 years of creditable service and then none thereafter. Class A employees do not contribute to the social security retirement system.

All eligible City Class B employees vest 20 percent after three years of creditable service, and 20 percent for each year thereafter until they are 100 percent vested after 7 years of creditable service. Class B participants who retire at or after age 65 are entitled to a retirement benefit, payable monthly for life, equal to 1.60 percent of AFC (at age 65) during the highest three non-overlapping twelve-month periods times creditable service at age 65 not in excess of 25 years plus .5 percent of AFC times creditable service at age 65 in excess of 25 years and a yearly COLA based on the CPI. Class B retirees could alternatively elect to choose an accrual rate of 1.9% for service up to June 30, 2006 and 1.8% thereafter and one half the yearly COLA, or an accrual rate of 2.2% for service up to June 30, 2006 and 2.0% thereafter and no COLA. The half and no COLA options have been eliminated for new hires after January 1, 2006 and they are only entitled to a 1.4% accrual rate. Employees may retire prior to age 65 and receive reduced retirement benefits. Creditable service or an actuarial increase is used after age 65. Class B participants contribute 3% of earnable compensation until they reach 35 years of creditable service and none thereafter.

The system also provides accidental and line of duty death benefits for Class A participants, and disability and survivor income benefits for both Class A and Class B participants. The benefits are changed by negotiation and by the Retirement Board with budgetary approval by the City Council.

There are 172 active members and 151 retirees and beneficiaries in Class A and 672 active members and 366 retirees and beneficiaries in Class B. Additionally, there are 372 former Class A and Class B employees with vested rights.

It is the policy of the City of Burlington to fund, by actuarially determined periodic contributions, the normal cost of the Plan plus a provision for amortization of past service cost over a thirty (30) year period from date of establishment. The contribution rate for normal cost is determined using the projected unit credit cost method with costs allocated based on earnings of plan members. The City funded one-hundred percent (100%) of the annual required contribution in 2012. The cumulative net pension obligation as of June 30, 2012 is $1,799,371 which is being amortized over thirty (30) years with interest at eight percent (8%). The City's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2012	$ 7,547,910	$ 7,547,954	100%
2011	$ 6,778,735	$ 6,779,226	100%
2010	$ 5,728,980	$ 5,752,571	100%
2009	$ 5,798,294	$ 5,875,295	101%
2008	$ 5,978,195	$ 5,719,282	96%
2007	$ 5,514,753	$ 6,241,147	113%

B. *Summary of Significant Accounting Policies*

Basis of Accounting - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value.

C. *Funding Status and Funding Progress*

The information presented below is from the Burlington Employee Retirement System's most recent valuation (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent-age of Covered Payroll [(b-a)/c]
6/30/2012	$ 137,838,546	$ 196,445,981	$ (58,607,435)	70.2%	$ 43,865,945	133.6%

The Schedule of Funding Progress following the notes to the financial statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

D. *Actuarial Methods and Assumptions*

The total annual required contribution (ARC) to the system for 2012 was $7,547,910 which was computed through an actuarial valuation performed as of June 30, 2012. All funds contributed approximately 12.24% percent of current covered payroll. The Electric Department also pays additional amounts based on exposure and past service.

The system uses the level percentage of payroll method to amortize the unfunded accrued liability over a thirty (30) year period from date of establishment. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are as follows:

Valuation Method	Five year expected average market value method
Actuarial Cost Method	Projected unit credit cost
Interest rate	8%
Salary increases	Range of 8.8% at age 25 to 3.89% at age 69
Inflation rate	3%

E. *Teachers*

All School Department employees with proof of certification are eligible for participation in the Vermont State Teacher's Retirement System, at either the Class A or Class C level. The system is funded 100 percent by the State of Vermont. Employees participating in the Class A level contribute 5.5 percent and Class C employees contribute 5.0 percent of the total gross wages through a payroll deduction plan. The School has no liability to the system. The premise of this plan is to provide a retirement plan covering teachers at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont teachers. Activity in these plans is done in the aggregate, not by school district. Due to the nature of these plans, net assets available for benefits as well as present value of vested and non-vested plan benefits by district are not determinable.

The State makes retirement contributions of approximately 7.74% of all eligible covered salaries on-behalf of the School District. The Schools' estimated eligible covered payroll was $29,629,406 resulting in an estimated $2,293,316 of on-behalf payments. This amount is included as revenue and as an expense. Additional information regarding the Vermont State Teacher’s Retirement system can be obtained from the State of Vermont.

24. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions,* requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Assets over time.

A. Plan Description

In addition to providing the pension benefits described, the City provides post-employment healthcare and life insurance benefits for retired employees through the City and School's plan. The School Department pays for half of the cost of health benefits to retired educators with 15 years of service until they reach the age of 62. The School Department also pays for half of the cost of health benefits for administrative assistants who have 15 years of service with the Department and have reached the age of 55. There are 536 active members and 41 retirees and beneficiaries as of June 30, 2010, the date of the last actuarial valuation.

The City provides post-employment health benefits to all eligible unionized Class A employees. This amount is funded monthly by the Retirement Fund and is equal to 1% of each employee's gross pay. The expense for the year ended June 30, 2012 was $359,232. Contributions prior to 1998 for current employees are being held in the Retirement Fund and shown as a liability. All other contributions after 1998 are being sent to and administered by Nationwide Retirement Solutions. As employees leave employment with the City, the Retirement Fund forwards the money to Nationwide Retirement Solutions. The Retirement Fund has guaranteed an earnings rate of 8% but assumes no other liability.

In addition, the City allows certain retired employees to purchase health insurance through the City at the City's group rates. GASB No. 45 recognizes this as an implied subsidy and requires accrual of this liability.

B. Benefits Provided

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

C. Funding Policy

Retirees contribute various amounts of the cost of the health plan, as determined by the City. The City contributes the remainder of the health plan costs on a pre-funded basis.

D. Annual OPEB Costs and Net OPEB Obligation

The City's fiscal 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The City has elected not to pre-fund OPEB liabilities. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2012, the amount actually contributed to the plan, and the change in the

City's net OPEB obligation based on an actuarial valuation as of June 30, 2011 for the City and June 30, 2012 for the School District.

	City	School Department	Total
Annual Required Contribution (ARC)	$ 359,232	$ 231,880	$ 591,112
Interest on net OPEB obligation	36,500	27,664	64,164
Adjustment to ARC	(30,433)	(23,976)	(54,409)
Annual OPEB cost	365,299	235,568	600,867
Contributions made	(118,314)	(62,814)	(181,128)
Increase in net OPEB obligation	246,985	172,754	419,739
Net OPEB obligation - beginning of year	1,140,113	1,037,112	2,177,225
Net OPEB obligation - end of year [1]	$ 1,387,098	$ 1,209,866	$ 2,596,964

[1] $259,123 of the Net OPEB obligation relates to Burlington Electric Department, but is not recorded on their Statement of Net Assets as it is deemed immaterial.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal year ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
	Combined City and School Plan:		
2012	$ 600,887	30.1%	$ 2,596,964
2011	580,995	31.2%	2,177,225
2010	560,368	11.7%	1,777,358
2009	689,360	3.7%	1,282,664
2008	666,054	5.1%	618,796
	City Plan:		
2012	$ 365,319	32.4%	$ 1,387,098
2011	345,427	34.3%	1,140,113
2010	324,800	0.8%	913,000
2009	306,048	0.9%	591,000
2008	303,548	0.9%	287,452
	School Department Plan:		
2012	$ 235,568	26.7%	$ 1,209,866
2011	235,568	26.7%	1,037,112
2010	235,568	26.7%	864,358
2009	383,312	6.0%	691,664
2008	362,506	8.6%	331,344

E. *Funded Status and Funding Progress*

The funded status of the plan as of the date of the most recent actuarial valuation (City's valuation June 30, 2011, School's valuation June 30, 2012) was as follows:

	City	School Department	Total
Actuarial accrued liability (AAL)	$ 3,593,453	$ 2,365,074	$ 5,958,527
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	$ 3,593,453	$ 2,365,074	$ 5,958,527
Funded ratio (actuarial value of plan assets/AAL)	0%	0%	0%
Covered payroll (active plan members)	$ 34,624,868	$ 30,358,375	$ 64,983,243
UAAL as a percentage of covered payroll	10%	8%	9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. *Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the City and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2011 City actuarial valuation and June 30, 2012 School actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 8%, which decreases to a 5% long-term rate for all healthcare benefits after six years for the City and an initial annual healthcare cost trend rate of 10%, which decreases to a 5% long-term rate for all healthcare benefits after twenty years for the School. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open basis. This has been calculated assuming the amortization payment increases at a rate of 4%.

25. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

26. Commitments and Contingencies

A. Burlington Telecom

The City of Burlington previously entered into a Master State and Municipal Lease/Purchase Agreement dated August 15, 2007 (the "Lease") with Municipal Leasing Consultants, for certain equipment used in the Burlington Telecom system. The Lease was subsequently assigned by Municipal Leasing Consultants to CitiCapital Municipal Finance. The payments under the Lease were subject to annual appropriation. The City did not appropriate funds to make the payments due in fiscal year 2011 and, pursuant to the terms of the Lease, the Lease terminated.

On September 2, 2011, Citibank, N.A., as purported assignee of CitiCapital Municipal Finance ("Citibank"), filed a complaint in the United States District Court for the District of Vermont against the City with respect to the Lease. The complaint seeks monetary damages, including the return of the $33,500,000 lease proceeds, punitive damages, and/or equitable relief, including the return of the equipment under the Lease and rescission of the Lease. On December 22, 2011, the City filed an answer, affirmative defenses and counterclaims in response to the lawsuit commenced by Citibank, N.A. On December 19, 2011, Citibank filed a Motion for Mandatory Preliminary Injunction and/or Preliminary Injunction against the City. The City filed an opposition thereto.

In March 2012, a hearing was held on Citibank's motion for a Mandatory Preliminary Injunction. The Court did not order the removal or de-installation of the equipment and indicated to the parties that it was unlikely to do so. The parties stipulated to entry of an order that would provide for the City of Burlington to set aside 60% of the net revenues of the Burlington Telecom Enterprise. Of such amount, the amount of interest due on the debt to the City of Burlington's cash pool on account of the approximate $16.9 million due from Burlington Telecom to the City of Burlington's general fund will be paid into the US District Court. The balance is to be paid to Citibank on account of the continued use of equipment by Burlington Telecom. The City of Burlington may seek relief from such stipulated order if necessary to comply with applicable court orders or orders of the Vermont Public Service Board or if the continued payment would prevent the City of Burlington from operating Burlington Telecom as a commercially viable enterprise.

The City's financial statements reflect the termination of the Lease by removing any future lease payments as a liability on the books of Burlington Telecom and by removing the depreciated leased assets from Burlington Telecom's fixed asset records. Whether the City has any obligation or liability to Citibank for the return, replacement or monetary compensation of the Burlington Telecom's assets or for use of Burlington Telecom's assets during fiscal 2012 and future years, costs or other demands made in the complaint, is subject to the pending proceeding described above and is not determinable at this time.

There is a pending proceeding before the State of Vermont Public Service Board (the "Public Service Board") regarding violations by Burlington Telecom of certain conditions of its "Certificate of Public Good" or "CPG" issued in connection with the operation of certain aspects of the Burlington Telecom system. The proceeding includes matters seeking to address the City's use of funds from sources other than the Burlington Telecom system for Burlington Telecom capital and operating expenses. On or about October 8, 2010, the Public Service Board issued a partial summary judgment on several motions related to non-compliance with several conditions and provisions of the CPG, including a condition restricting use of City funds and a condition requiring a build-out of the Burlington telecom system. The summary judgment provides the opportunity for Burlington Telecom to cure the violations effective on the date of the order.

Burlington Telecom has requested relief related to certain conditions of the CPG, including a determination that certain payments, primarily for legal services and to Dorman & Fawcett on behalf of the City, do not constitute a violation of condition 60 of the CPG. The Public Service Board ruled in favor of the City of Burlington on such payments and the Public Service Board requires monthly reports to be filed in connection with the October 8, 2010 order.

B. <u>Burlington International Airport</u>

The City is in receipt of communication from the Federal Aviation Administration (FAA) requesting additional information regarding taxes and fees paid by the City to the City of South Burlington and the payment's compliance with the Office of Management and Budget's Circular's A-87 and A-133 and the FAA's Revenue Use Policy. The communication also requests a meeting in Washington, DC to determine a final correction action plan. The City is unable to determine a liability, if any, at this time.

C. ***Electric Department Commitments and Contingencies***

The Electric Department receives output from generation of the McNeil Station (of which the Department is the 50% owner and operator) and the Burlington Gas Turbine (which the Department wholly owns and operates).

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 year ended June 30, 2012, long-term sources of purchased power included:

- 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, 2017 (St. Lawrence).
- Vermont Electric Power Producers, Inc. (VEPP) which is agent for 16 hydro facilities and one biomass facility located within Vermont (hydro facility contracts expire between 2013 and 2020 and the biomass facility contract expired in 2012).
- Deliveries pursuant to a long term contract with Vermont Wind commenced in September 2011 (for test energy), with the official ten year contract start date being October 19, 2011 when commercial energy production began. Under the contract, the Department receives 16 MW (40%) of Vermont Wind s wind farm in northeast Vermont (Sheffield). BED s 16 MW entitlement is expected to provide approximately 13% of BED's annual energy requirements.
- The output from a small landfill methane to electricity project located in the Burlington
- Interval (production of electricity at this facility ended in FY2012 due to decreased methane output).
- Long-term purchases from a number of small in-state resources under a state mandated feed-in tariff program (called SPEED resources).
- Purchase of the output from 5 small in-city solar projects under long term agreements.

Payments under these long-term power supply contracts were $6,204,103 and $3,607,751 for the years ended June 30, 2012 and 2011, respectively. Budgeted commitments under these long-term contracts and long-term contracts approved and executed for future delivery periods total approximately $46,245,924 for the 5-year period from July 1, 2013 to June 30, 2017.

The remainder of the Department s energy requirement is satisfied through short-term purchases including:

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

- Green Mountain Power Corporation (GMP) power to serve the Burlington International Airport (physically located in GMP s service territory). Note the purchase of power under this agreement was terminated by BED effective May 1, 2011 at which time BED began to serve the airport from its own portfolio of resources.

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

	2012	2011
McNeil Generating Station and Gas Turbine	32.1%	32.3%
New York Power Authority	4.6%	4.1%
Vermont Electric Power Producers, Inc.	4.6%	6.4%
Landfill/SPEED	0.5%	0.4%
Vermont Wind	8.3%	-
Solar	0.1%	-
Other	49.8%	56.8%
Total	100.0%	100.0%

In 2008, the Department entered into a contract with Enernoc, Inc. This contract is not designed to meet energy needs, but rather allows Enernoc to assist the Department and its customers in managing their demand on peak days. The contract continues through December 31, 2012.

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department manages these risks through a combination of commercial insurance packages purchased in the name of the Department, and through the City s risk management program. Insurance settlements have not exceeded insurance coverage for any of the past three fiscal years.

The City maintains, for itself and the Department, a self-insurance program for health, dental, and life insurance. The City has entered into commercial insurance contracts to administer these programs and the risk of loss has been transferred to re insurance carriers for amounts paid in excess of $130,000 per person per year.

The Department also purchases commercial insurance to cover other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Long Term Contracts Approved and Executed for Future Delivery Periods

The Burlington City Council has approved, and the Vermont Public Service Board has likewise approved, a 25 year contract with Georgia Mountain Community Wind. The contract has been executed, construction has commenced, and commercial operations are expected in late 2012. Under the proposed contract, the Department will receive 11 MW (100%) of Georgia Mountain s permitted wind farm in Milton/Georgia Vermont. BED s 11 MW entitlement is expected to provide approximately 10% of BED s annual energy requirements.

The Burlington City Council, the Vermont Public Service Board, and the voters of Burlington have approved a 23 year energy-only contract with Hydro-Quebec. The contract has been executed and deliveries will begin (for BED) in 2015. Under the contract, the Department will receive 5 MW of contract energy for the period November 1, 2015 to October 31, 2020 and a second (additional) 4 MW of contract energy for the period November 1, 2020 to October 31, 2038. BED s entitlement is expected to provide approximately 6%-15% of BED s annual energy requirements depending on whether one, or both, contract entitlements are flowing in a particular year.

D. Other Funds' Commitments and Contingencies

1. Lake Champlain Barge Canal

The City has a continuing possible liability as a potentially responsible party ("PRP") with respect to a certain hazardous waste site known as the Lake Champlain Barge Canal. A settlement and containment plan has been implemented and the City does not anticipate additional costs as the Landowners Trust Fund contains adequate resources to cover foreseeable expenses.

2. North/South Connector Project

In the 1980's, the City undertook a major project to construct connector highways on the north and south boundaries of the City. The northern part was completed in 1987. However, due to the fact that the southern route was to go through a hazardous waste "superfund" site known as the Lake Champlain Barge Canal, construction in the south side has been delayed. The scope and route for the road has changed much over the years. The City, working with the State of Vermont, has redesigned the route of the highway and a plan is under consideration. Engineering and administrative fees in the amount of $713,744 were expended in fiscal year 2012. Federal and State permitting and final design are ongoing and construction will not begin until sometime in the future.

3. **Chittenden Solid Waste District**

The City is a member of the Chittenden Solid Waste District with a membership share approximating 25%. There is a pending case at the Federal District Court level. The District expects that any liability will be covered by insurance. The City, as a member, could share in the costs of any unfavorable outcomes not covered by insurance.

4. **Grant Programs**

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for, or including, the year ended June 30, 2012 have not yet been conducted. Accordingly, the City's compliance with grant application requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

5. **Construction Commitments**

The Airport has a number of ongoing Airport Improvement Program (AIP) projects for construction and land acquisition as well as several Passenger Facility Program (PFC) projects for terminal improvements that are funded from restricted assets. AIP projects include taxiway reconstruction, stormwater treatment projects, building demolition related to previously acquired property and land acquisition. The PFC projects include energy projects, cargo apron reconstruction, escalator and baggage carousel projects and related work.

6. **Letters of Credit**

In June 2010, the Airport, through TD Bank, issued two irrevocable standby letters of credit for the benefit of the City of South Burlington totaling $447,417. The purpose of the letters of credit were to ensure the Airport performed adequate landscaping and repairs on Airport Drive as agreed upon. One letter of credit totaling $81,667 expired September 1, 2011 and the other one for $365,750 expires September 1, 2014.

7. **Development of the Land at the Corner of Cherry and Battery Streets**

On May 19, 2003, the City entered into a development agreement with Westlake Development to provide for the construction of a hotel and parking facility on the southeast corner of Battery and Cherry Streets. The City exercised its right to purchase land and completed construction of a parking garage containing 200 public spaces known as the Westlake Garage. As part of the agreement, the City financed and added two decks to the existing

Lakeview Parking Garage adjacent to the hotel site in 2005. It is anticipated that repayment will come from additional property taxes that will accrue to the City within its tax increment financing (TIF) district.

The developer completed construction of a hotel on this site and residential condominiums on the land adjacent to the Lakeview Garage. The final phase of the project provided for the construction of a project with affordable housing on City property known as "site A". The developer has not initiated construction of this phase and notified the City that the planned housing project was not viable. The City entered into an agreement effective December, 2008, with the hotel developer to lease the land and build a new hotel on Site A. The hotel developer has received local and State permits to build the new hotel on Site A and construction began in fiscal 2012.

8. Transportation Center

The City stopped the development of the Transportation Center in July, 2003 due to public concern about the location of the project. The Mayor then convened an ad hoc task force with representatives of the Chittenden County Metropolitan Planning Organization, the Chittenden County Transportation Authority, (CCTA) the Vermont Agency of Transportation, the Burlington Business Association, Burlington City Council, the Department of Public Works, and the Burlington Planning Commission to evaluate the City's position and options relative to the project. This task force presented a plan that evaluated five locations for the Transportation Center. The City Council reviewed these alternatives and the City has proceeded with further evaluation of a preferred site on Pine Street between Pearl Street and Cherry Street. Subsequently, a Memorandum of Understanding, dated December 17, 2008, to that effect was executed by the City and CCTA.

The engineering and design costs for the Transportation Center were paid for with Federal Transportation Authority (FTA) funds. In the event that the Pine Street location is not used, the FTA may recall funds for the design and engineering of the project totaling approximately $1,400,000. The City's portion would be funded with tax increment funds to pay back the proceeds of a Certificate of Participation issued in June of 2005.

In 2011, the City entered into an agreement to transfer grant funding, project authority and liability for the project to the Chittenden County Transportation Authority.

9. Moran Project

The "Moran Center" is a public-private partnership involving the redevelopment of a defunct coal-fired electric generating plant on Burlington, Vermont's waterfront. Built in 1954, decommissioned in 1986, the J.E. Moran plant has sat abandoned and blighted ever since. Nonetheless, the site has long been recognized for its redevelopment potential because of the building's structural integrity and strategic location anchoring the north end of the downtown waterfront.

The building was then turned over to the City and, in 1993, the Public Service Board directed the City to repay Burlington Electric $375,000 for the property. The purchase of the property and payment to BED has been completed.

Over the past four years, the City has actively engaged the community to create a viable redevelopment plan. The "Moran Center" will clean-up a significant brownfield on the shores of Lake Champlain, redevelop a blighted industrial property, create new public amenities, provide educational and recreational opportunities for residents and visitors, and have a significant economic impact.

Due to the fact that the Moran Building is a defunct coal-fired electric generating plant, the City has remediation costs associated with known environmental contamination. The City has currently estimated a remediation liability approximating $265,000. However, this estimate is subject to change due to factors such as price increases and decreases, changes in technology, further environmental discoveries, or changes in applicable laws or regulations.

As currently planned, the redeveloped site will have a mix of free and fee-based uses, including year-round public access to an observation deck over-looking the lake, public rest rooms, a rebuilt skate boarding park, an improved bike path and new public park space. The site may be managed by the Department of Parks and Recreation, and the renovated building will be leased to prospective tenants.

The project is being led by a development team coordinated by the Community and Economic Development Office (CEDO). CEDO has been successfully implementing complex community, housing and economic development projects and programs for the past twenty-five years. CEDO administers several HUD programs, including the Community Development Block Grant, HOME Investment Partnership, and Lead Hazard Reduction programs, and has a strong track record of successfully utilizing Section 108 loan funds. CEDO has always met timely expenditure standards, has no unresolved audit or monitoring findings, and has been recognized for several best practices.

In addition to the proposed HUD Section 108 Guaranteed Loan, CEDO has assembled various resources to finance the project including a $1 million HUD BEDI grant, several EPA grants, and local funds. The project is also being structured to benefit from Rehabilitation Investment Tax Credits (RITC) and New Markets Tax Credits (NMTC). The City is currently working with three NMTC allocatees: Coastal Enterprises Inc., Vermont Rural Ventures, and Massachusetts Housing Investment Corporation (the City has also had discussions with National Development Council and Local Initiatives Support Corporation).

The Moran project enjoys wide community support: in March 2008, Burlington voters approved by a 2-1 margin an advisory referendum endorsing the proposal. It has been thoroughly vetted by the City Council's Board of Finance, the Parks Arts and Culture Committee, and by a citizen's advisory committee whose membership included local business leaders and residents from each of the City's wards.

E. ***General Commitments and Contingencies***

The City has several claims for which the insurance carriers have issued a reservation of rights. The City is not able to assess the likelihood or the amount, if any, of an unfavorable outcome on these cases at this time.

1. Insurance Reserves

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages these risks through a combination of specific commercial insurance packages purchased in the name of the Electric, Airport, Telecom and School Funds, and through the City's risk management program.

On January 1, 2007, the City purchased commercial insurance to manage all of its risks except for workers' compensation claims. The City is self-insuring worker's compensation claims up to $250,000 per occurrence and with an aggregate limit that changes each year. On January 1, 2010, the City increased the per occurrence limit to $350,000 per claim. The aggregate limit for calendar years 2010 and 2011 was $2,758,800. The City has hired a third-party administrator, the Travelers Indemnity Company, to process, pay and administer the claims after which they bill the City for reimbursement. The City has an irrevocable standby letter of credit with the Travelers Indemnity Company as beneficiary in the amount of $1,500,000 to secure the payment of claims.

The City also self-insures for health insurance. The Plan is administered by a third-party administrator that is responsible for approval, processing and payment of claims, after which they bill the City for reimbursement. The City has reinsurance for individual claims in excess of $130,000 and for aggregate stop loss of 125% of projected claims for the 2012 policy year. The School is a member of Vermont Educational Health Initiative (VEHI). VEHI is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont school districts and is owned by the participating members. The agreement does not permit VEHI to make additional assessments to its members.

The City also self-insures for dental insurance. This plan is administered by a third-party administrator that is responsible for approval, processing and payment of claims, after which they bill the City for reimbursement. Each covered employee is guaranteed $1,500 of paid claims per year after which the employee must pick up any excess costs.

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

Type	**Allocation Method**
Worker's Compensation	50% Experience and 50% Exposure
Health	Number of Employees and Levels of Coverage
Dental	Actual Claims and Administration Fees Paid
Liability	Adjusted Operating Budgets
Property	Insured Value of City Structures

At June 30, 2012, the City has recorded a liability of $257,730 included in accounts payable which represents reported health, dental, property, liability and worker's compensation claims incurred on or before June 30, 2012, but were not paid by the City as of that date. A long-term reserve liability of $1,619,000 is included for claims incurred but not reported. This consists of $1,187,000 for property, liability and workers' compensation claims, $414,000 for health claims and $18,000 for dental claims. In addition to this long-term liability, a $217,160 liability for insurance reserves is carried in the General Fund as it is funded by a working fund deposit. This amount was determined by the third-party administrators as described above for property, liability and workers' compensation and based on subsequent claims with a completion factor for health and dental.

Settled claims resulting from insured risks have not exceeded coverage in the past three fiscal years.

The City has elected to pay actual unemployment claims instead of enrolling in an unemployment insurance program. No liabilities have been accrued as the City is not able to make an estimate as to any future costs. The City and School paid $105,333 and $54,893, respectively, in unemployment claims during fiscal year 2012.

27. Deferred Compensation

The City's also offers its employees two deferred compensation plans in accordance with Internal Revenue Code Section 457 through the International City/County

Management Association's (ICMA) Retirement Corporation and Nationwide Retirement Solutions. The plans permit employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, or death. The City has no liability for losses under the plans, but does have the duty of due care that would be required of an ordinary prudent inventor.

28. Implementation of New GASB Standards

- The GASB has issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65*, Items Previously Reported as Assets and Liabilities*, which are required to be implemented in fiscal year 2013 and 2014, respectively. Management's current assessment is that this pronouncement will have a significant impact on the City's basic financial statements by eliminating the deferred charges related to debt offerings. The City anticipates that by eliminating the deferred charges, its net assets will be reduced accordingly.

- The GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions*, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the City's basic financial statements by recognizing as a liability and expense, the City's applicable portion of the Retirement System's actuarially accrued liability.

CITY OF BURLINGTON, VERMONT
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012
(Unaudited)

Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2012	$ 137,838,546	$ 196,445,981	$ 58,607,435	70.2%	$ 43,865,945	133.6%
6/30/2011	135,097,458	190,196,691	55,099,233	71.0%	42,971,870	128.2%
6/30/2010	130,594,539	179,323,343	48,728,804	72.8%	41,161,579	118.4%
6/30/2009	129,841,522	169,319,955	39,478,433	76.7%	39,769,493	99.3%
6/30/2008	129,101,729	156,313,830	27,212,101	82.6%	36,751,722	74.0%
6/30/2007	119,785,835	150,002,528	30,216,693	79.9%	34,256,676	88.2%
6/30/2006	108,343,798	140,615,645	32,271,847	77.0%	30,954,711	104.3%

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
			City Plan			
6/30/2011	$ -	$ 3,920,235	$ (3,920,235)	0.0%	$ 34,624,868	11.3%
6/30/2009	-	3,593,453	(3,593,453)	0.0%	33,073,193	10.9%
			School Department Plan			
6/30/2012	$ -	$ 2,365,074	$ (2,365,074)	0.0%	$ 30,358,375	7.8%
6/30/2010	-	2,257,751	(2,257,751)	0.0%	28,831,983	7.8%
6/30/2008	-	3,891,509	(3,891,509)	0.0%	24,767,727	15.7%

See Independent Auditors' Report.

CITY OF BURLINGTON, VERMONT

Combining Balance Sheet

Major School Fund

June 30, 2012

	General	Grants	Vocational Center	Other	Total
ASSETS					
Cash and short-term investments					
Investments	$ -	$ -	$ -	$ 22,471	$ 22,471
Receivables:					
Intergovernmental	204,433	279,280	-	3,335	487,048
Due from other funds	4,055,265	1,853,471	174,512	625,713	6,708,961
Prepaid expenditures	19,200	-	-	-	19,200
Total Assets	$ 4,278,898	$ 2,132,751	$ 174,512	$ 651,519	$ 7,237,680
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 1,063,544	$ 238,059	$ 27,991	$ 94,876	$ 1,424,470
Accrued payroll and benefits	4,209,035	670,637	212,133	9,075	5,100,880
Deferred revenue	-	1,224,055	-	-	1,224,055
Total Liabilities	5,272,579	2,132,751	240,124	103,951	7,749,405
Fund Balances:					
Nonspendable	19,200	-	-	-	19,200
Restricted	-	-	-	547,568	547,568
Unassigned	(1,012,881)	-	(65,612)	-	(1,078,493)
Total Fund Balances	(993,681)	-	(65,612)	547,568	(511,725)
Total Liabilities and Fund Balances	$ 4,278,898	$ 2,132,751	$ 174,512	$ 651,519	$ 7,237,680

CITY OF BURLINGTON, VERMONT

Combining Statement of Revenues, Expenditures
and Changes in Fund Equity

Major School Fund

For the Year Ended June 30, 2012

	General	Grants	Vocational Center	Other	Total
Revenues:					
Payments in lieu of taxes	$ 1,322,723	$ -	$ -	$ -	$ 1,322,723
Intergovernmental	53,819,589	8,031,000	1,650,037	144,632	63,645,258
Charges for services	962,209	855,995	980,265	313,973	3,112,442
Interest income	5,322	-	-	191	5,513
Other	668,566	570,766	257,734	1,085,390	2,582,456
Total Revenues	56,778,409	9,457,761	2,888,036	1,544,186	70,668,392
Expenditures:					
Current:					
Education	56,418,850	9,461,261	2,958,229	1,549,596	70,387,936
Debt service:					
Principal	721,667	-	-	-	721,667
Interest	557,430	-	-	-	557,430
Total Expenditures	57,697,947	9,461,261	2,958,229	1,549,596	71,667,033
Excess (deficiency) of revenues over (under) expenditures	(919,538)	(3,500)	(70,193)	(5,410)	(998,641)
Other Financing Sources (Uses):					
Transfers in	12,064	3,500	-	47,362	62,926
Transfers out	(1,063,888)	-	-	(3,393)	(1,067,281)
Total Other Financing Sources (Uses)	(1,051,824)	3,500	-	43,969	(1,004,355)
Net change in fund balances	(1,971,362)	-	(70,193)	38,559	(2,002,996)
Fund Balances, beginning of year	977,681	-	4,581	509,009	1,491,271
Fund Balances, end of year	$ (993,681)	$ -	$ (65,612)	$ 547,568	$ (511,725)

CITY OF BURLINGTON, VERMONT

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2012

	Special Revenue Funds			
	Traffic Commission	Community and Economic Development	Housing Trust	Tax Increment Financing
ASSETS				
Cash and short-term investments	$ 75,819	$ 378,671	$ 4,665,942	$ -
Departmental and other receivables	30,376	979,340	-	-
Intergovernmental receivables	-	-	-	-
Unbilled revenues	-	-	-	-
Due from other funds	267,443	-	270,287	923,736
Loans receivable	-	3,540,840	-	-
Accrued interest receivable	-	775,611	-	-
Inventory	198,201	-	-	-
Prepaid expenditures	2,129	-	-	-
Due from component unit	-	-	-	-
Total Assets	$ 573,968	$ 5,674,462	$ 4,936,229	$ 923,736
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 53,879	$ 220,223	$ 11,276	$ -
Accrued payroll and benefits payable	37,798	26,377	1,148	-
Accrued liabilities	-	-	4,200	-
Deferred revenues	375	5,070,584	-	-
Due to other funds	52,908	941,548	-	-
Other liabilities	-	-	-	-
Advances from other funds	-	550,000	-	-
Total Liabilities	144,960	6,808,732	16,624	-
Fund Balances:				
Nonspendable	200,330	-	-	-
Restricted	-	-	-	923,736
Committed	228,678	-	4,919,605	-
Unassigned	-	(1,134,270)	-	-
Total Fund Balances	429,008	(1,134,270)	4,919,605	923,736
Total Liabilities and Fund Balances	$ 573,968	$ 5,674,462	$ 4,936,229	$ 923,736

	Special Revenue Funds			
	Storm Water	Church Street Marketplace	Mary E. Waddell	Subtotals
	$ -	$ 16,653	$ -	$ 5,137,085
	-	7,327	-	1,017,043
	80,143	-	-	80,143
	59,413	-	-	59,413
	162,297	-	13,886	1,637,649
	-	-	-	3,540,840
	-	-	-	775,611
	-	-	-	198,201
	-	136	-	2,265
	-	-	-	-
	$ 301,853	$ 24,116	$ 13,886	$ 12,448,250
	$ 50,392	$ 14,361	$ -	$ 350,131
	-	6,717	-	72,040
	-	-	-	4,200
	-	48,528	-	5,119,487
	-	158,455	-	1,152,911
	-	-	-	-
	-	-	-	550,000
	50,392	228,061	-	7,248,769
	-	136	-	200,466
	-	-	13,886	937,622
	251,461	-	-	5,399,744
	-	(204,081)	-	(1,338,351)
	251,461	(203,945)	13,886	5,199,481
	$ 301,853	$ 24,116	$ 13,886	$ 12,448,250

(continued)

(continued)

	Capital Project Funds				
	Southern Connector	South End & Downtown Transit Centers	Fuel Depot	Street Improvements	Riverside Ave. & North Street
ASSETS					
Cash and short-term investments	$ -	$ -	$ -	$ -	$ -
Departmental and other receivables	-	-	-	-	-
Intergovernmental receivables	-	299	103	1,034,410	-
Unbilled revenues	-	-	-	-	-
Due from other funds	-	-	24,038	56,819	25,000
Loans receivable	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-
Inventory	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Due from component unit	-	-	-	-	-
Total Assets	$ -	$ 299	$ 24,141	$ 1,091,229	$ 25,000
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 295,315	$ 11,962	$ -	$ 346,846	$ 25,000
Accrued payroll and benefits payable	-	-	-	-	-
Accrued liabilities	-	-	-	-	-
Deferred revenues	-	-	-	1,034,409	-
Due to other funds	-	6,281	-	687,598	23,069
Other liabilities	-	-	-	-	-
Advances from other funds	628,364	-	-	-	-
Total Liabilities	923,679	18,243	-	2,068,853	48,069
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	24,141	-	-
Unassigned	(923,679)	(17,944)	-	(977,624)	(23,069)
Total Fund Balances	(923,679)	(17,944)	24,141	(977,624)	(23,069)
Total Liabilities and Fund Balances	$ -	$ 299	$ 24,141	$ 1,091,229	$ 25,000

Capital Project Funds					
Burlington Winooski Bridge	Barge Canal Pond	Moran Plant	Stormwater Upgrade	Westlake	Capital Software Replacement
$ -	$ 140,419	$ -	$ -	$ 2,159	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	551,517	-
$ -	$ 140,419	$ -	$ -	$ 553,676	$ -
$ -	$ 73	$ 4,192	$ -	$ -	$ 42,402
-	-	-	-	-	-
-	-	20,800	-	-	-
-	-	-	-	-	-
-	56,126	6,701	-	-	376,658
-	100,353	-	-	-	-
-	-	-	432,132	564,808	-
-	156,552	31,693	432,132	564,808	419,060
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(16,133)	(31,693)	(432,132)	(11,132)	(419,060)
-	(16,133)	(31,693)	(432,132)	(11,132)	(419,060)
$ -	$ 140,419	$ -	$ -	$ 553,676	$ -

(continued)

(continued)

	Capital Project Funds		
	School	Other	Subtotals
ASSETS			
Cash and short-term investments	$ -	$ -	$ 142,578
Departmental and other receivables	-	-	-
Intergovernmental receivables	-	13,710	1,048,522
Unbilled revenues	-	-	-
Due from other funds	1,531,984	15,732	1,653,573
Loans receivable	-	-	-
Accrued interest receivable	-	-	-
Inventory	-	-	-
Prepaid expenditures	-	-	-
Due from component unit	-	-	551,517
	-		
Total Assets	$ 1,531,984	$ 29,442	$ 3,396,190
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 449,392	$ -	$ 1,175,182
Accrued payroll and benefits payable	-	-	-
Accrued liabilities	-	-	20,800
Deferred revenues	-	13,782	1,048,191
Due to other funds	-	14,950	1,171,383
Other liabilities	-	-	100,353
Advances from other funds	-	87,139	1,712,443
Total Liabilities	449,392	115,871	5,228,352
Fund Balances:			
Nonspendable	-	-	-
Restricted	1,082,592	-	1,082,592
Committed	-	-	24,141
Unassigned	-	(86,429)	(2,938,895)
Total Fund Balances	1,082,592	(86,429)	(1,832,162)
Total Liabilities and Fund Balances	$ 1,531,984	$ 29,442	$ 3,396,190

Debt Service Fund	Permanent Funds			
School	Cemetery	Loomis Library	Lolita Deming Estate	School Land Rent
$ 1,064,339	$ 100,650	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,024,307	10,948	11,217	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 1,064,339	$ 1,124,957	$ 10,948	$ 11,217	$ -
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	894,796	10,948	2,486	-
1,064,339	230,161	-	8,731	-
-	-	-	-	-
-	-	-	-	-
1,064,339	1,124,957	10,948	11,217	-
$ 1,064,339	$ 1,124,957	$ 10,948	$ 11,217	$ -

(continued)

(continued)

	Permanent Funds		
	WEZF 93 FM DARE	Subtotals	Nonmajor Governmental Funds
ASSETS			
Cash and short-term investments	$ -	$ 100,650	$ 6,444,652
Departmental and other receivables	-	-	1,017,043
Intergovernmental receivables	-	-	1,128,665
Unbilled revenues	-	-	59,413
Due from other funds	2,236	1,048,708	4,339,930
Loans receivable	-	-	3,540,840
Accrued interest receivable	-	-	775,611
Inventory	-	-	198,201
Prepaid expenditures	-	-	2,265
Due from component unit	-	-	551,517
Total Assets	$ 2,236	$ 1,149,358	$ 18,058,137
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ -	$ 1,525,313
Accrued payroll and benefits payable	-	-	72,040
Accrued liabilities	-	-	25,000
Deferred revenues	-	-	6,167,678
Due to other funds	-	-	2,324,294
Other liabilities	-	-	100,353
Advances from other funds	-	-	2,262,443
Total Liabilities	-	-	12,477,121
Fund Balances:			
Nonspendable	1,000	909,230	1,109,696
Restricted	1,236	240,128	3,324,681
Committed	-	-	5,423,885
Unassigned	-	-	(4,277,246)
Total Fund Balances	2,236	1,149,358	5,581,016
Total Liabilities and Fund Balances	$ 2,236	$ 1,149,358	$ 18,058,137

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CITY OF BURLINGTON, VERMONT

Combining Statement of Revenues, Expenditures
and Changes in Fund Equity

Nonmajor Governmental Funds

For the Year Ended June 30, 2012

	Special Revenue Funds			
	Traffic Commission	Community and Economic Development	Housing Trust	Tax Increment Financing
Revenues:				
Taxes	$ -	$ -	$ -	$ 1,560,880
Licenses and permits	65,483	-	44,542	-
Intergovernmental	-	3,072,783	-	-
Charges for services	3,988,398	140,641	12,811	-
Investment income	1,030	3,997	4,556	-
Loan repayments	-	207,568	4,665,941	-
Other	3,300	214,991	-	-
Total Revenues	4,058,211	3,639,980	4,727,850	1,560,880
Expenditures:				
Current:				
General government	-	-	-	27,623
Education	-	-	-	-
Public works	4,083,389	-	-	-
Culture and recreation	-	-	-	-
Community development	-	4,622,893	116,276	-
Capital outlay	3,790	-	-	-
Debt service:				
Principal	172,129	31,965	-	788,717
Interest	18,646	10,307	-	461,692
Total Expenditures	4,277,954	4,665,165	116,276	1,278,032
Excess (deficiency) of revenues over (under) expenditures	(219,743)	(1,025,185)	4,611,574	282,848
Other Financing Sources (Uses):				
Issuance of bonds and loans	-	-	-	-
Issuance of leases	-	-	-	-
Transfers in	310,000	325,054	191,888	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	310,000	325,054	191,888	-
Net change in fund balances	90,257	(700,131)	4,803,462	282,848
Fund Balances, beginning of year	338,751	(434,139)	116,143	640,888
Fund Balances, end of year	$ 429,008	$ (1,134,270)	$ 4,919,605	$ 923,736

Special Revenue Funds			
Storm Water	Church Street Marketplace	Mary E. Waddell	Subtotals
$ -	$ -	$ -	$ 1,560,880
-	114,309	-	224,334
66,481	-	-	3,139,264
772,105	656,346	-	5,570,301
229	19	28	9,859
-	-	-	4,873,509
1,049	64,543	-	283,883
839,864	835,217	28	15,662,030
-	-	-	27,623
-	-	-	-
781,780	957,439	-	5,822,608
-	-	-	-
-	-	-	4,739,169
28,462	-	-	32,252
17,686	15,198	-	1,025,695
1,399	1,105	-	493,149
829,327	973,742	-	12,140,496
10,537	(138,525)	28	3,521,534
-	-	-	-
-	-	-	-
-	-	-	826,942
-	-	-	-
-	-	-	826,942
10,537	(138,525)	28	4,348,476
240,924	(65,420)	13,858	851,005
$ 251,461	$ (203,945)	$ 13,886	$ 5,199,481

(continued)

(continued)

	Capital Project Funds				
	Southern Connector	South End & Downtown Transit Centers	Fuel Depot	Street Improvements	Riverside Ave. & North Street
Revenues:					
Taxes	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	868,182	-	-	3,897,982	-
Charges for services	-	-	-	-	-
Investment income	-	-	-	-	-
Loan repayments	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	868,182	-	-	3,897,982	-
Expenditures:					
Current:					
General government	-	-	-	-	-
Education	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Capital outlay	512,191	11,919	-	2,189,007	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	512,191	11,919	-	2,189,007	-
Excess (deficiency) of revenues over (under) expenditures	355,991	(11,919)	-	1,708,975	-
Other Financing Sources (Uses):					
Issuance of bonds and loans	-	-	-	-	-
Issuance of leases	-	-	-	-	-
Transfers in	13,618	-	-	380,523	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	13,618	-	-	380,523	-
Net change in fund balances	369,609	(11,919)	-	2,089,498	-
Fund Balances, beginning of year	(1,293,288)	(6,025)	24,141	(3,067,122)	(23,069)
Fund Balances, end of year	$ (923,679)	$ (17,944)	$ 24,141	$ (977,624)	$ (23,069)

Capital Project Funds					
Burlington Winooski Bridge	Barge Canal Pond	Moran Plant	Stormwater Upgrade	Westlake	Capital Software Replacement
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
19,922	-	-	-	-	-
-	-	31,930	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,242	-	-	-
19,922	-	33,172	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	567	64,865	154,264	468	419,060
-	-	-	-	-	-
-	-	-	-	-	-
-	567	64,865	154,264	468	419,060
19,922	(567)	(31,693)	(154,264)	(468)	(419,060)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
19,922	(567)	(31,693)	(154,264)	(468)	(419,060)
(19,922)	(15,566)	-	(277,868)	(10,664)	-
$ -	$ (16,133)	$ (31,693)	$ (432,132)	$ (11,132)	$ (419,060)

(continued)

(continued)

	Capital Project Funds		
	School	Other	Subtotals
Revenues:			
Taxes	$ -	$ -	$ -
Licenses and permits	-	-	-
Intergovernmental	-	471,710	5,257,796
Charges for services	-	-	31,930
Investment income	-	-	-
Loan repayments	-	-	-
Other	-	-	1,242
Total Revenues	-	471,710	5,290,968
Expenditures:			
Current:			
General government	-	-	-
Education	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Community development	-	-	-
Capital outlay	785,825	51,882	4,190,048
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	785,825	51,882	4,190,048
Excess (deficiency) of revenues over (under) expenditures	(785,825)	419,828	1,100,920
Other Financing Sources (Uses):			
Issuance of bonds and loans	2,000,000	-	2,000,000
Issuance of leases	-	1,088,883	1,088,883
Transfers in	-	10,213	404,354
Transfers out	-	-	-
Total Other Financing Sources (Uses)	2,000,000	1,099,096	3,493,237
Net change in fund balances	1,214,175	1,518,924	4,594,157
Fund Balances, beginning of year	(131,583)	(1,605,353)	(6,426,319)
Fund Balances, end of year	$ 1,082,592	$ (86,429)	$ (1,832,162)

Debt Service Fund	Permanent Funds			
School	Cemetery	Loomis Library	Lolita Deming Estate	School Land Rent
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	28,987	22	18	9
-	-	-	-	-
-	34,565	-	-	-
-	63,552	22	18	9
-	-	-	-	-
-	-	-	-	12,009
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	12,009
-	63,552	22	18	(12,000)
-	-	-	-	-
-	-	-	-	-
1,064,339	-	-	-	-
-	(28,987)	(22)	-	-
1,064,339	(28,987)	(22)	-	-
1,064,339	34,565	-	18	(12,000)
-	1,090,392	10,948	11,199	12,000
$ 1,064,339	$ 1,124,957	$ 10,948	$ 11,217	$ -

(continued)

(continued)

	WEZF 93 FM DARE	Subtotals	Total Nonmajor Governmental Funds
Revenues:			
Taxes	$ -	$ -	$ 1,560,880
Licenses and permits	-	-	224,334
Intergovernmental	-	-	8,397,060
Charges for services	-	-	5,602,231
Investment income	4	29,040	38,899
Loan repayments	-	-	4,873,509
Other	-	34,565	319,690
Total Revenues	4	63,605	21,016,603
Expenditures:			
Current:			
General government	-	-	27,623
Education	-	12,009	12,009
Public works	-	-	5,822,608
Culture and recreation	-	-	-
Community development	-	-	4,739,169
Capital Outlay	-	-	4,222,300
Debt service:			
Principal	-	-	1,025,695
Interest	-	-	493,149
Total Expenditures	-	12,009	16,342,553
Excess (deficiency) of revenues over (under) expenditures	4	51,596	4,674,050
Other Financing Sources (Uses):			
Issuance of bonds and loans	-	-	2,000,000
Issuance of leases	-	-	1,088,883
Transfers in	-	-	2,295,635
Transfers out	-	(29,009)	(29,009)
Total Other Financing Sources (Uses)	-	(29,009)	5,355,509
Net change in fund balances	4	22,587	10,029,559
Fund Balances, beginning of year	2,232	1,126,771	(4,448,543)
Fund Balances, end of year	$ 2,236	$ 1,149,358	$ 5,581,016

CITY OF BURLINGTON, VERMONT

NONMAJOR PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Nonmajor Enterprise Funds			
	Water	School Food Service	School Other	Total
ASSETS				
Current:				
Cash and cash equivalents	$ 360	$ -	$ -	$ 360
Restricted cash	1,463,112	-	-	1,463,112
Receivables, net of allowance for uncollectibles:				
User fees	498,947	-	-	498,947
Intergovernmental	-	303,179	-	303,179
Estimated unbilled revenues	415,644	-	-	415,644
Due from other funds	-	812,589	33,213	845,802
Inventory	265,319	2,551	-	267,870
Prepaid expenses	500	-	-	500
Total current assets	2,643,882	1,118,319	33,213	3,795,414
Noncurrent:				
Capital assets:				
Land and construction in progress	51,250	-	-	51,250
Capital assets, net of accumulated depreciation	12,242,202	141,413	-	12,383,615
Total noncurrent assets	12,293,452	141,413	-	12,434,865
TOTAL ASSETS	14,937,334	1,259,732	33,213	16,230,279
LIABILITIES				
Current:				
Accounts payable	76,313	55,415	330	132,058
Accrued payroll and benefits payable	11,507	25,641	-	37,148
Deferred revenue	57,334	-	-	57,334
Payable from restricted assets:				
Accrued interest payable	33,013	-	-	33,013
Revenue notes and bonds payable - current	1,320,000	-	-	1,320,000
Current portion of long-term liabilities:				
Capital leases payable	58,480	-	-	58,480
Total current liabilities	1,556,647	81,056	330	1,638,033
Noncurrent:				
Advances from other funds	2,245,679	-	-	2,245,679
Capital leases payable, net of current portion	85,968	-	-	85,968
Compensated absences payable	156,151	-	-	156,151
Post-employment benefits payable	38,312	-	-	38,312
Total noncurrent liabilities	2,526,110	-	-	2,526,110
TOTAL LIABILITIES	4,082,757	81,056	330	4,164,143
NET ASSETS				
Invested in capital assets, net of related debt	10,829,004	141,413	-	10,970,417
Restricted for debt service/renewal and replacements/capital projects	1,463,112	-	-	1,463,112
Unrestricted	(1,437,539)	1,037,263	32,883	(367,393)
TOTAL NET ASSETS	$ 10,854,577	$ 1,178,676	$ 32,883	$ 12,066,136

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Water	Nonmajor Enterprise Funds: School Food Service	Nonmajor Enterprise Funds: School Other	Total
Operating Revenues:				
Charges for services	$ 5,434,616	$ 881,365	$ 78,587	$ 6,394,568
Intergovernmental	-	1,735,157	-	1,735,157
Miscellaneous	168,613	6,405	-	175,018
Total Operating Revenues	5,603,229	2,622,927	78,587	8,304,743
Operating Expenses:				
Personnel	1,819,812	1,286,230	42,174	3,148,216
Nonpersonnel	2,061,171	1,387,987	33,179	3,482,337
Depreciation and amortization	512,517	32,078	-	544,595
Payments in lieu of taxes	363,273	-	-	363,273
Total Operating Expenses	4,756,773	2,706,295	75,353	7,538,421
Operating Income	846,456	(83,368)	3,234	766,322
Nonoperating Revenues (Expenses):				
Investment income	64	-	-	64
Other income/expense - net	27,377	-	-	27,377
Interest expense	(125,720)	-	-	(125,720)
Amortization of debt issue costs	(61,050)	-	-	(61,050)
Total Nonoperating Revenues (Expenses)	(159,329)	-	-	(159,329)
Income Before Contributions and Transfers	687,127	(83,368)	3,234	606,993
Transfers in	-	99,500	-	99,500
Transfers out	(14,700)	-	-	(14,700)
Change in Net Assets	672,427	16,132	3,234	691,793
Net Assets at Beginning of Year	10,182,150	1,162,544	29,649	11,374,343
Net Assets at End of Year	$ 10,854,577	$ 1,178,676	$ 32,883	$ 12,066,136

See notes to financial statements.

CITY OF BURLINGTON, VERMONT
NONMAJOR PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

	Water Fund	School Food Service Enterprise Fund	School Other Enterprise Funds	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	$ 5,388,009	$ 881,365	$ 78,587	$ 6,347,961
Receipts from Operating Grants	-	1,692,155	-	1,692,155
Receipts for Interfund Services	168,613	-	-	168,613
Other Receipts	27,377	6,405	-	33,782
Payments to Suppliers	(2,068,527)	(1,372,622)	(33,301)	(3,474,450)
Payments for Wages and Benefits	(1,782,371)	(1,265,273)	(42,174)	(3,089,818)
Payments in Lieu of Taxes	(363,273)	-	-	(363,273)
Net Cash Provided by Operating Activities	1,369,828	(57,970)	3,112	1,314,970
Cash Flows From Noncapital Financing Activities:				
Increase in Due (from)/To Other Funds	179,973	17,318	(3,112)	194,179
Receipt/(Payments) of Interfund Transfers	(14,700)	99,500	-	84,800
Interest Paid on Cash Deficit to General Fund	(54,979)	-	-	(54,979)
Cash Provided/(Used) by Noncapital Financing Activities	110,294	116,818	(3,112)	224,000
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(15,428)	(58,848)	-	(74,276)
Principal Paid on:				
Revenue Bonds	(1,260,000)	-	-	(1,260,000)
Capital Lease Obligations	(73,951)	-	-	(73,951)
Interest Paid on :				
Revenue Bonds	(97,500)	-	-	(97,500)
Capital Lease Obligations	(4,741)	-	-	(4,741)
Net Cash Used by Capital and Related Financing Activities	(1,451,620)	(58,848)	-	(1,510,468)
Cash Flows From Investing Activities:				
Net (Additions)/Reductions to Restricted Cash and Investments	(28,566)	-	-	(28,566)
Investment Income	64	-	-	64
Net Cash Used by Investing Activities	(28,502)	-	-	(28,502)
Net Increase/(Decrease) in Cash	-	-	-	-
Cash - July 1, 2011	360	-	-	360
Cash - June 30, 2012	$ 360	$ -	$ -	$ 360
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income/(Loss)	$ 846,456	$ (83,368)	$ 3,234	$ 766,322
Depreciation and Amortization	512,517	32,078	-	544,595
Other Non Operating Revenue	27,377	-	-	27,377
(Increase)/Decrease in Receivables	4,998	(43,002)	-	(38,004)
(Increase)/Decrease in Unbilled Revenues	(66,783)	-	-	(66,783)
(Increase)/Decrease in Inventory	(13,253)	-	-	(13,253)
Increase/(Decrease) in Accounts Payable	5,574	15,365	(122)	20,817
Increase/(Decrease) in Customer Deposits	15,182	-	-	15,182
Increase/(Decrease) in Accrued Payroll And Benefits	4,205	20,957	-	25,162
Increase/(Decrease) in Compensated Absences	21,563	-	-	21,563
Increase/(Decrease) in Other Post Employment Benefits Liability	11,673	-	-	11,673
Increase/(Decrease) in Other Operating Assets/Liabilities	319	-	-	319
Net Cash Provided by Operating Activities	$ 1,369,828	$ (57,970)	$ 3,112	$ 1,314,970

See Notes to Financial Statements

CITY OF BURLINGTON, VERMONT

Combining Statement of Fiduciary Net Assets

Private Purpose Trust Funds

June 30, 2012

	Louisa Howard	Walter Carpenter	Raymond Tracy Estate	Scholarship Trust	Reed Estate	Fireman's Relief	Christmas Gift	Total
ASSETS								
Cash and short-term investments	$ -	$ 5,655	$ 19,666	$ 160,036	$ 4,685	$ -	$ -	$ 190,042
Due from other funds	28,026	1,807	-	-	-	627	1,616	32,076
Total Assets	28,026	7,462	19,666	160,036	4,685	627	1,616	222,118
NET ASSETS								
Net assets held in trust	$ 28,026	$ 7,462	$ 19,666	$ 160,036	$ 4,685	$ 627	$ 1,616	$ 222,118

CITY OF BURLINGTON, VERMONT

Combining Statement of Changes in Fiduciary Net Assets

Private Purpose Trust Funds

For the Year Ended June 30, 2012

	Louisa Howard	Walter Carpenter	Raymond Tracy Estate	Scholarship Trust	Reed Estate	Fireman's Relief	Christmas Gift	Total
ADDITIONS								
Investment income (loss)	$ 45	$ 23	$ 33	$ 6	$ 50	$ 1	$ 2	$ 160
Contributions	-	-	-	17,000	-	-	-	17,000
Total Additions	45	23	33	17,006	50	1	2	17,160
DEDUCTIONS								
Payments to beneficiaries	-	-	-	-	-	-	-	-
Net decrease	45	23	33	17,006	50	1	2	17,160
NET ASSETS								
Beginning of year	27,981	7,439	19,633	143,030	4,635	626	1,614	204,958
End of year	$ 28,026	$ 7,462	$ 19,666	$ 160,036	$ 4,685	$ 627	$ 1,616	$ 222,118

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