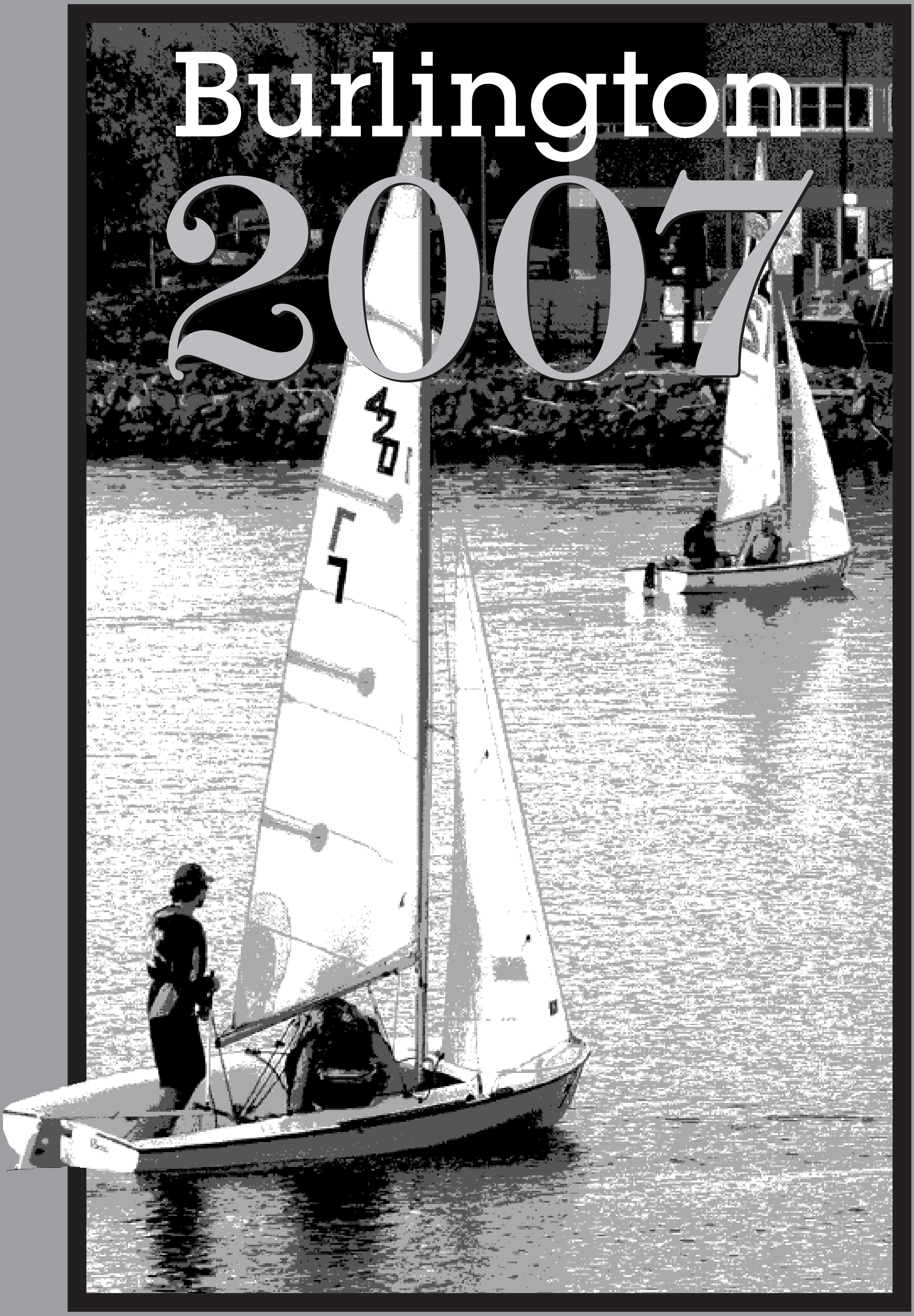
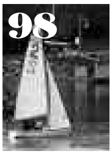
Burlington 2007



Audit Report

Year Ending June 30, 2007



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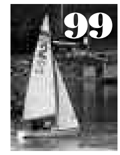

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Sullivan, Powers & Co.
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

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Independent Auditor's Report

Honorable Mayor and City Council
City of Burlington
Burlington, Vermont 05401

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Burlington, Vermont as of and for the year ended June 30, 2007, which collectively comprise the City of Burlington, Vermont's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Burlington, Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Department Fund which is a major fund and thirty-seven percent (37%), forty-one percent (41%), and sixty-one percent (61%), respectively, of the assets, net assets and revenues of the Business-type Activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric Department Fund, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

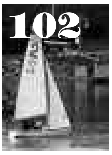
In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Burlington, Vermont, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and School General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Information included under Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the City of Burlington, Vermont's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

June 26, 2008
Montpelier, Vermont
Vt Lic. #92-000180

Sullivan, Powers & Company



Management's Discussion and Analysis

As management of the City of Burlington, Vermont (The City), we offer readers of the City's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report.

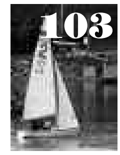
Financial Highlights

Government-wide Statements (refer to Exhibits A and B)

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $254,570,483 (total net assets). Of this amount, $20,245,815 (unrestricted net assets) may be used by the various funds of the City to meet its ongoing obligations to its citizens and creditors
- The City's total net assets increased significantly over what we reported last year. The increase of Governmental activities can be attributed in part to the Local Sales Tax Option and collections in Gross Receipts.
- The total net assets of a component unit of the City, the Burlington Community Development Corporation amounted to $1,487,309 an increase of $398,344 for the year.

Fund Financial Statements (refer to Exhibit C)

- As of the close of the fiscal year ending June 30, 2007, the City's governmental funds reported combined ending fund balances of $5,935,950. This consists of a fund balance in the General Fund of $6,101,428, in the School Fund of $605,273, and a deficit of $770,751 in all other governmental funds.
- The reserved portion of the governmental fund balance includes $865,941 for inventories and prepaid expenditures and $4,005,116 set aside for other restricted purposes.
- Management has designated $2,376,564 of the fund balance for various purposes. An amount of $96,625 has been designated in the School Fund for education purposes. In addition to this, $1,013,881 has been designated in the General Fund for various items pending the receipt of uncollected taxes, penalties and interest. These are discussed in detail later in this report called financial analysis of the Government's Funds.
- The undesignated fund balance of the General Fund component of the governmental funds had a positive ending fund balance of $2,456,857, an increase of $1,524,163 from the previous fiscal year. Most of the increase came from additional income from local sales option tax and gross receipts.



- The undesignated fund balance of the other governmental funds reported as a group amounted to a shortfall of ($2,851.272), a decrease of $386,951. This was due primarily to the timing of the receipt of state grants, federal grants, tax increments, and reimbursements for capital projects and development projects. Simply put, revenues for grants funds received 60 days or more after the end of the fiscal year are deferred and counted in the period they are received as required by GASB Statement #33.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 the finances of the City of Burlington, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Burlington's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decreases in net assets may serve as a useful indicator of whether the financial position of the City 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 of the City of Burlington that are primarily 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 of the City of Burlington include general government, safety services, public works, cultural and recreation activities, schools, traffic control and parking, the operation of an outdoor mall in the downtown area, and community and economic development. The business-type activities of the City include the operation of the Airport, the Electric Utility, 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.

The government-wide financial statements are designed to include not only the City of Burlington itself (known as the primary government), but also any legally separate entities for which it is financially accountable (known as component units). The City of Burlington has one such unit, that being the Burlington Community Development Corporation (BCDC) that is organized to carry out the industrial and economic development of the City.

The government-wide financial statements can be found in Exhibits A and B of this report.

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. The City of Burlington, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental funds, proprietary funds, and fiduciary funds.

Governmental funds.

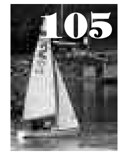
Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable 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*.

The City of Burlington maintains 27 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the school fund, which are considered to be major funds.

The City of Burlington adopts an annual appropriated budget for its General Fund and School General Fund. A budgetary comparison statement has been provided for the general fund and the School general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found in Exhibits C through F of this report.



Proprietary Funds.

The City of Burlington maintains one type of proprietary activities. Enterprise funds are used to report the same functions presented in business-type activities in the government-wide financial statements. The City uses enterprise funds to accounts for its operation of the Airport Fund, the Electric Department, the Water Fund, the Wastewater Fund, Burlington Telecom, and the School Department's Food Services and Vocational Education Funds.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the Airport Fund, the Electric Fund, the Burlington Telecom Fund, and the Wastewater Fund. The School Enterprise Funds and the Water Fund are combined under Other Proprietary Funds.

The basic proprietary fund financial statements can be found in Exhibits G through I of this report.

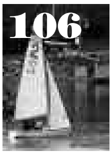
Fiduciary Funds.

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 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.

The basic fiduciary fund financial statements can be found immediately following the basic financial statements in this report in Exhibits J and K.

Notes to the 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. The notes to the financial statements can be found immediately following the basic financial statements in this report.



Government-Wide Financial Analysis

CITY OF BURLINGTON NET ASSETS
(Refer to Exhibit A)

	Governmental Activities	Business- Type Activities	Total
	2007	**2007**	**2007**
Current and other assets	$ 25,850,658	$ 77,807,256	$ 103,657,914
Capital assets	$ 164,781,053	$ 209,199,162	$ 373,980,215
Total Assets	$ 190,631,711	$ 287,006,418	$ 477,638,129
Current Liabilities	$ 10,443,604	$ 10,000,284	$ 20,443,888
Long-term liabilities outstanding	$ 51,602,653	$ 151,021,105	$ 202,623,758
Total Liabilities	$ 62,046,257	$ 161,021,389	$ 223,067,646
Net Assets			
Investment in capital assets, net of related debt	$ 127,785,651	$ 68,493,396	$ 196,279,047
Restricted	$ 9,735,281	$ 28,310,340	$ 38,045,621
Unrestricted	$ (8,935,478)	$ 29,181,293	$ 20,245,815
Total Net Assets	$ 128,585,454	$ 125,985,029	$ 254,570,483

As noted earlier, net assets may serve over time to be a useful indicator of a government’s financial position. In the case of the City of Burlington, assets exceeded liabilities by $254,570,483 at the close of fiscal year 2007. This is an increase of $13,814,960 over the amount reported at June 30, 2006.

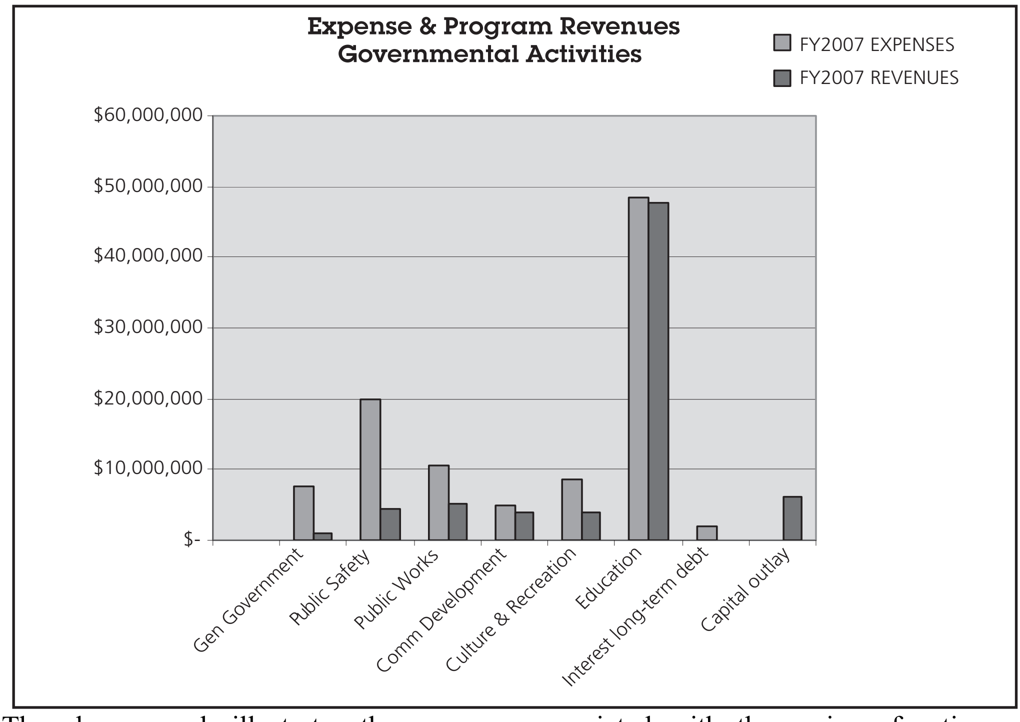
By far, the largest portion of the City’s net assets (77% or $196,279,047) reflects its investments in capital assets (e.g., land buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City’s investment in its 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 the City’s net assets (15% or $38,045,621) represents resources that are subject to external restriction as to how they may be used. The remaining balance of unrestricted net assets (8% or $20,245,815) is to be used to meet the government’s ongoing obligations to citizens and creditors. Included in unrestricted net assets are amounts that management has designated for particular purposes, such as capital reserve funds, reserves for encumbrances, and reserves for expenditures in subsequent fiscal years.

Again, at the end of fiscal year 2007, the City is able to report positive balances in two of the three categories of net assets for the government activities, and for all of its separate business-type activities. The governmental activities area reports a positive balance of $127,785,651 of investments in capital assets; net of related debt and a positive balance $9,735,281 in net assets that are subject to external restriction. However, there is a negative balance of ($8,935,478) in the governmental activities unrestricted net assets section. This is primarily due to an increase in the change in reporting of liabilities formerly reported in the general long-term debt account group such as insurance reserves, compensated absences, landfill post-closure costs, and early retirement costs in the City's School Department.

The negative unrestricted net assets from Governmental Activities includes major items such as $2,988,000 of insurance reserves that are funded annually as incurred; approximately $4,600,000 in compensated absences for the City and Schools, approximately $2,200,000 in debt which was not offset by a physical asset, $1,827,000 of unfunded City obligation to the Retirement Fund known as the Net Pension Obligation, $108,000 for outstanding landfill closure costs, and $101,000 of school liabilities for post retirement issues.

Governmental Activities. The Net Assets resulting from Government activities amounted to $128,585,454 at year end. The major factor contributing to this increase was capital grants received during the fiscal year. Please refer to Exhibits D and E for a list of other changes in net assets of governmental activities.



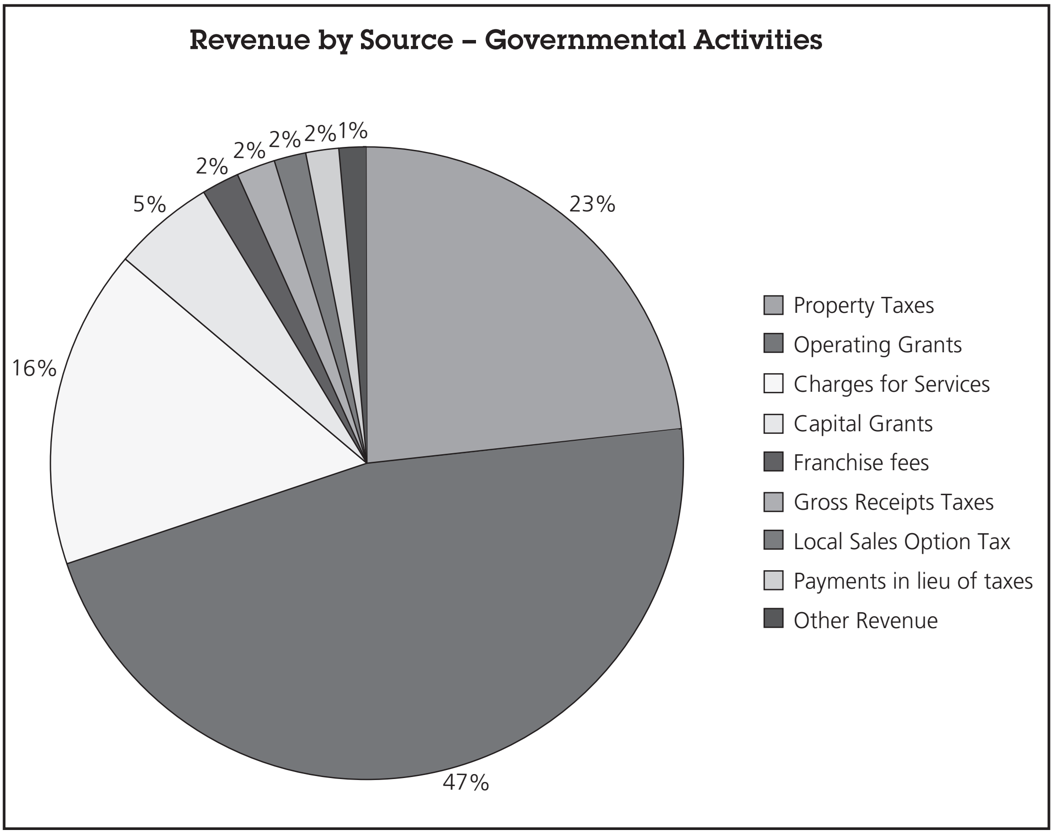
The above graph illustrates the expenses associated with the various functions of governmental activities and the revenues that are directly associated with or generated by these functions. The expenses of these functions are also funded with general revenues, such as property taxes, gross receipts taxes, payments in lieu of taxes, local sales tax option and franchise fees that are collected centrally. These general revenues are not program revenues and are not included in the above graph.

The chart below is a one page presentation of Exhibit B that illustrates the components of the revenue sources and expenditure areas of the government wide Statement of Activities.

CITY OF BURLINGTON REVENUE AND EXPENSES

	Governmental Activities 2007	Business-Type Activities 2007	Total 2007
Revenues			
Program revenues			
Charges for services	17,322,158	73,287,011	90,609,169
Operating Grants and Contributions	49,344,678	57,344	49,402,022
Capital Grants and Contributions	5,599,034	10,421,524	16,020,558
General revenues			
Property Taxes	24,620,306	0	24,620,306
Rooms and Meals Taxes	2,077,741	0	2,077,741
Local Sales Option Tax	1,785,068	0	1,785,068
Payments in lieu of Taxes	1,682,472	0	1,682,472
Franchise Fees	1,906,418	0	1,906,418
Impact Fees	457,645	0	457,645
Interest & Penalties on Delinquent Taxes	363,515	0	363,515
Addition to Permanent Funds	23,050	0	23,050
Unrestricted Investment Earnings	695,021	2,497,135	3,192,156
Other Revenues	1,800	425,468	427,268
Total Revenues	**105,878,906**	**86,688,482**	**192,567,388**
Expenses			
Government Activities			
General Government	7,545,288	0	7,545,288
Public Safety	19,894,557	0	19,894,557
Public Works	10,673,896	0	10,673,896
Community Development	4,820,282	0	4,820,282
Culture and Recreation	8,529,244	0	8,529,244
Education	48,509,636	0	48,509,636
Interest on long-term debt	1,900,299	0	1,900,299
Business Type Activities			0
Electric Utility	0	46,479,941	46,479,941
Airport	0	13,791,063	13,791,063
Water	0	4,396,235	4,396,235
Wastewater	0	5,061,186	5,061,186
Telecom	0	5,290,332	5,290,332
School Enterprise	0	1,860,469	1,860,469
Total Expenses	**101,873,202**	**76,879,226**	**178,752,428**
Changes in net assets before transfers	4,005,704	9,809,256	13,814,960
Transfers	2,066,217	(2,066,217)	0
Change in net assets	6,071,921	7,743,039	13,814,960
Net Assets - Beginning of Year	122,513,533	118,241,990	240,755,523
Net Assets - End of Year	**128,585,454**	**125,985,029**	**254,570,483**

The table below shows the percentages of revenue by each type of revenue of governmental activities. The largest sources are property taxes (23% of total), operating grants (47%), and charges for services (16%).

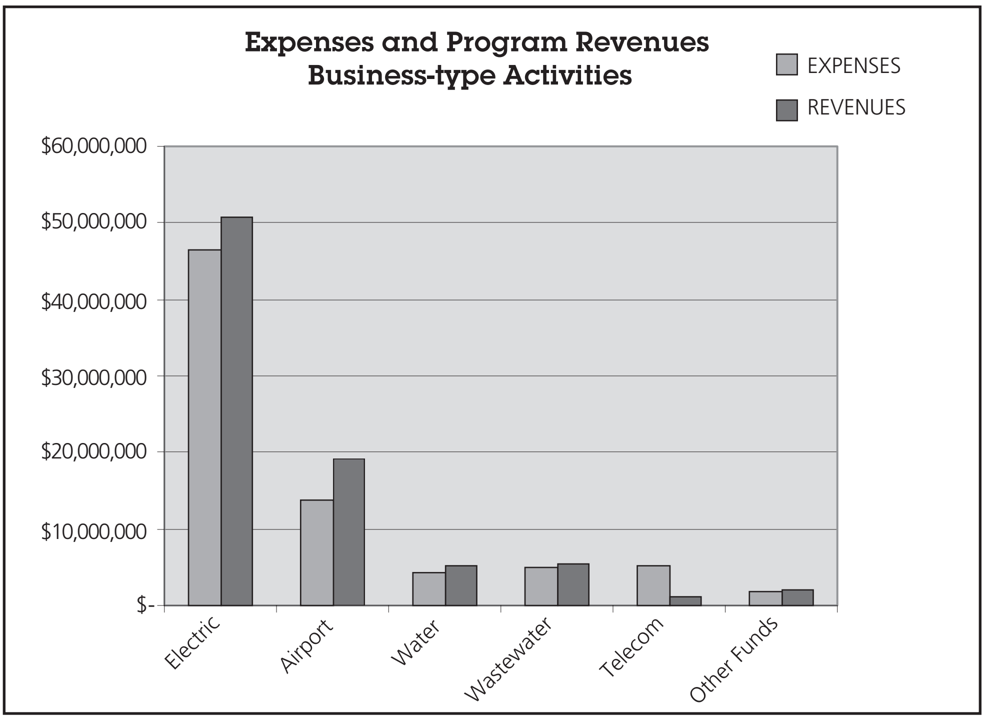


Business-type activities. Net assets for business-type activates amounted to $125,985,029. Key factors which contribute to this amount are as follows:

- Operating Income for all Business-type activities amounted to $3,962,988. Total Operating Revenues amounted to $69,324,023, with the major operating revenue source being charges for services at $69,590,186. Operating Expenses amounted to $69,324,023. Burlington Electric produced operating income of $6,961,703, but the Airport, Telecom, and Wastewater produced losses of $790,630, $2,866,866, and $427,529 respectively. All other proprietary funds, consisting of Water Resources at $890,531 and School funds, generated $195,799 for a total of $1,086,330. Costs at the airport associated with the opening of a new section of the terminal, and the continuing capital cost to Burlington Telecom contributed to losses in each of those funds.
- Included in the operating expenses is depreciation in the amount of $9,700,980 for all business-type activities.

- There was a positive change in net assets for all proprietary funds except for Burlington Telecom and Wastewater as shown in the table below:

Fund	**Change in Net Assets**
Electric Utility	$4,996.281
Airport	5,901,571
Telecom	(3,716,580)
Wastewater	(156,188)
Other Proprietary Funds	717,955
Total	$ 7,743,039



Program revenues for business-type activities amounted to $83,765,879 for the year. A large share (88%) of the program revenues for business-type activities comes from charges for services. $10,478,868 comes from capital grants and contributions for the business activities.

Financial Analysis of the Government's Funds

As noted earlier, the City of Burlington uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $5,935,950 an increase of $1,771,298 from the previous fiscal year. Most of the increase can be attributed to the General Fund Revenue collections.
- The City has designated $1,362,683 of the general fund balance for various purposes after subtracting $1,013,881 of uncollected taxes. The general fund designated portion of the governmental fund balance include Gosse Court/Leddy Park Capital Funds of $499,337, Conservation Legacy Tax of $313,983, Tax Increments for Lakeview Garage of $245,149, Parks and Capital Street Program dedicated tax of $84,165 Employee benefits of $495,116, Insurance reserve of $284,824, and several others amounting to $453,990.
- The reserved portion of the governmental fund balance includes $865,941 for inventories and prepaid expenditures and $4,005,116 set aside for other restricted purposes such as capital and grant-funded projects. The undesignated, unreserved fund balance of all governmental funds amounts to $1,064,893. The General Fund balance component had a positive undesignated fund balance of $2,456,857, an increase of 163.4% from the previous fiscal year.
- The undesignated balance/(deficit) in the other governmental funds reported as a group amounted to ($2,754,647). As stated previously in the Financial Highlights, this was due primarily to the timing of the receipt of state grants, federal grants, tax increments, and reimbursements for capital projects and development projects. Simply put, revenues for grants funds received 60 days or more after the end of the fiscal year are deferred and counted in the period they are received as required by GASB Statement #33.

The fund balance of the City's general fund was $6,101,428 an increase of $2,975,323 or 95.27% during this reporting period. Reasons for this increase are further discussed in the budgetary highlights of this discussion.

The School's Fund balance decreased this year to $605,273 from $1,485,375 in the prior year. The financial activities for the FY2007 fiscal year resulted in a positive ending fund balance for the School General Fund of $605,273, which included a net ending fund balance decrease of $880,102 based upon the results of current operations. Total actual revenues are $48,743,066. The positive revenue variance was primarily due to an increase in tuition, interest, and special education intensive and extraordinary reimbursement revenues. Total actual expenditures are $49,623,168 which resulted in increased spending of 4.5% in various functional areas in the budget with major increases in the special education and facilities maintenance categories.

Proprietary Funds.

The City of Burlington's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail

Net assets for the Electric Utility fund amounted to $51,895,540 those for the Airport fund amounted to $59,296,955, those for the Wastewater fund amounted to $12,489,071, those for the School Enterprise Funds and Water amounted to $9,800,293, and those for the Telecom Fund amounted to a deficit of $7,496,830. The Telecom deficit is due to costs associated with the startup and operation of the municipal network. Costs associated with Phase III, the City-wide service for Cable television, internet, and telephone service for the citizens within Burlington which began in FY 2005 will be offset as customers come on line and purchase these services in the periods to follow. The first customers came on line in February, 2006. The net assets of the Electric Utility Fund increased by $4,996,281, the Airport by $5,901,571, School and Water Resources by $717,955, and the net assets of the Telecom Fund decreased by $3,716,580 and Wastewater by $156,188. The Airport increase is again due to grants for construction projects and the Water is due to a reduction in debt service expense. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

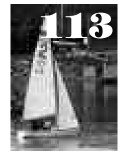
Differences between budgeted amounts and actual amounts can be briefly summarized as follows:

Revenues:

FY 2007 revenue were generally consistent with the amounts anticipated in the budget, but there were several sources that exceed expectations this year, These were permit fees collected by building trades permits ($325,000 over), rooms & meals taxes ($325,000 above anticipated) and the local sales option tax generated $1,785,068. The City intentionally budgeted only $800,000 of the local option sales tax with the intent that the additional funds would increase the undesignated funds of the fund balance. There were other one-time revenues collected which are to be used for specific purposes. One of these is impact fees of $457,645 which will be used for allowed capital needs of the Police, Parks, Library, Traffic and Fire Departments.

Expenditures:

FY 2007 expenditures were generally within budget for the year. The only Department which deviated significantly from budget was the Fire Department which exceeded its budget by about $338,549. City-wide health benefits costs rose to $6,225,602 which was an increase of $590,800 over FY 2006 or 10.4%. This category was over its budget by $170,602.



The net assets of the Retirement Fund increased by $19,386,050 to $127,790,809 primarily due to a 17% return on investments including the appreciation of assets, interest and dividends and excess contributions to the system. At June 30, 2007, the actuarial value of assets and accrued liabilities were $119,785,835 and $150,002,528, respectively. Thus, the unfunded liability as a net of assets and liabilities was $30,216,693. This represented a decline in unfunded liability of $2,055,154 compared to the unfunded liability on June 30, 2006 of $32,271,847.

The City recorded a Net pension Obligation of $1,596,290 in fiscal year 2005 and another Net Pension Obligation in fiscal year 2006 of $756,403, however, reduced it to a cumulative amount of $1,986,857 due to excess contributions in 2007.

The amount of the annual contribution by the City through the tax rate and utility fees has increased significantly over the past five years. The City is continuing its efforts to moderate the burden of the system. The City recently adopted several changes to the retirement benefits and the City now requires all eligible employees to contribute to the plan. Please refer to the audit footnotes in the Financial Statement for additional information regarding this issue.

Capital Assets and Debt Administration

Capital assets. The City of Burlington's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounted to $373,980,215 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, water and wastewater distribution systems, electric generating and transmissions capital assets and land, land improvements and buildings at the Burlington International Airport.

In the governmental area, the total amounted to $164,781,053 and the capital assets of the City's business-type activities netted to $209,199,162.

Expenditures in the Capital Projects funds were as follows:

PROJECT	**2007 AMOUNT EXPENDED**
SOUTHERN CONNECTOR	$ 483,439
SOUTH END & DOWNTOWN TRANSIT CENTER	56,319
FUEL DEPORT	1,121,654
STREET IMPROVEMENT PROJECTS	560,836
RIVERSIDE AVE & NORTH ST PROJECTS	141,343
DPW FACILITY, MORAN BLDG & HEATING UPGRADS	31,885
DOWNTOWN PLANNING & QUEEN CITY BRIDGE	131,727
ENGLESBY BROOK & BARGE CANAL	11,038
N WINOOSKI STREETSCAPE & BATTERY ST	258,449
FIREHOUSE CENTER	11,713
OTHER CAPITAL PROJECTS	128,945
LAKEVIEW & COLLEGE ST GARAGES & WESTLAKE PROJECT	575,635
SCHOOLD BOND CAPITAL PROJECTS	6,191,688
TOTAL	**$ 9,704,671**

- Equipment purchased via capital lease for the general fund included the following items:

  Police Department – Six Police Vehicles and computer equipment at a cost of $213,924.

  Department of Public Works - Heavy Equipment for the Street Division at a cost of $318,514.

  Clerk & Treasurer's Office – Copy Machine in the amount of $9,764

  Payroll Department Front End Time System, Kronos in the amount of $146,536

  Parks Department Truck and Mower in the amount of $101,940

  Public Buildings sweeper in the amount of $6,797

- General Street and sidewalk repaving and reconstruction, including curbs, catch basins and median upgrades in the amount of $1,886,968 funded primarily with the dedicated Street property tax.

A table that shows the values of the City's capital assets for two fiscal years, prior to depreciation is as follows:

	Governmental Activities		Business Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	$ 15,653,889	$ 15,540,526	$ 19,418,572	$ 18,827,405	$ 35,072,461	$ 34,367,931
Construction in Progress	32,336,349	38,403,689	4,668,719	9,634,369	37,005,068	48,038,058
Antiques and Works of Art	52,000	52,000	-	-	52,000	52,000
Land Impovements	2,304,844	1,889,844	26,616,527	28,266,920	28,921,371	30,156,764
Buildings and Building Improvements	68,327,594	59,879,967	75,672,140	64,998,645	143,999,734	124,878,612
Vehicles, Machiner, Equipment and Furniture	19,861,032	19,330,876	18,031,230	17,563,948	37,892,262	36,894,824
Book Collections	3,932,030	3,092,542	-	-	3,932,030	3,092,542
Infrastructure	89,674,198	81,598,958	-	-	89,674,198	81,598,958
Distribution and Collection Systems	-	-	206,414,331	193,922,981	206,414,331	193,922,981
	$ 232,141,936	**$ 219,788,402**	**$ 350,821,519**	**$ 333,214,268**	**$ 582,963,455**	**$ 553,002,670**

Additional information on the City of Burlington's net assets can be found in note IV.F. of the notes to the financial statements.

Long-term Debt.

At the end of the current year, the City of Burlington had total bonds, notes, and capital leases payable of $208,060,407. Of this, $41,911,854 applies to governmental activities and $166,148,553 (prior to unamortized premiums, discounts, and deferred loss on refunding) applies to business-type activities. The following table presents the components of this category for the current and past fiscal years:

	Governmental Activities		Business Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds	$ 18,762,305	$ 15,980,000	$ 29,798,954	$ 28,157,730	$ 48,561,259	$ 44,137,730
Revenue Bonds	-	-	114,315,000	122,760,000	114,315,000	122,760,000
Bond/Revenue anticipation & Notes Payable	20,343,259	21,311,544	-	-	20,343,259	21,311,544
Obligations Under Capital Leases	2,806,290	2,656,258	22,034,599	22,693,644	24,840,889	25,349,902
Totals	**41,911,854**	**39,947,802**	**166,148,553**	**173,611,374**	**208,060,407**	**213,559,176**

The City's total bonds, notes, and capital leases decreased by $5,498,769 during the year. General obligation bonds outstanding had a net increase of 4,423,529 to $48,561,259. There were also several new General Obligation bonds issued including a $1,000,000 General Obligation Bond for small capital and working capital for the City. A $750,000 small capital and working capital bond for the Schools, and a $1,000,000 General Obligation Bond for Burlington Electric. School Department has a new General Obligation bond of $3,615,000 for their Athletic Field. The predominant use of the City funds was $250,000 to repair and upgrade the Gosse Court Armory and the Leddy Park Arena, $50,000 for the Zoning Ordinance Rewrite program, $75,000 for repair of the Firehouse Roof, $200,000 additional funding for Capital Street Program and various other projects. Moody's Investor Services provides a bond rating each time a bond issue is offered to the investing public. The City's Aa3 rating was reconfirmed in September, 2007.

There were no new revenue bonds issued during the year. However, the outstanding amount of revenue bonds decreased by $8,445,000 to $114,315,000 for repayments of principal.

The balances due for the various revenue bonds at June 30, 2007 (exclusive of unamortized discounts, premiums, and deferred losses on refunding) were as follows:

Electric Department	$ 61,315,000
Water Resources	7,065,000
Airport	45,935,000
Total Revenue Bonds	$114,315,000

Annually, the City issues a master lease that combines the needs of the various departments into one borrowing. This year's lease amounted to $1,000,000 and funded some heavy equipment for public works, six Police vehicles, police computers, Parks and Public Building equipment as well as Payroll front end time keeper Kronos and a copier for the Clerk & Treasurer's office.

The City issued $11,750,000 in tax anticipation notes during the year, all of which were paid in full by June 30, 2007. The Burlington Electric Department issued $2,000,000 in revenue anticipation notes during the year, all of which was paid in full by June 30, 2007.

Additional Information on the City of Burlington's long-term debt can be found in note IV.J. of the notes to the financial statements.

Economic Factors Future Budgets and Rates

Listed below are some of the factors involved in formulating the budget for fiscal year 2007:

- The City Tax Rate was set at 67 cents per hundred dollars of value in FY 2007.

- The tax rate increase of 4 cents provided for full funding of the City's annual contribution to the Burlington Employees Retirement System (BERS)

- Once again, wage increases are a major driver of the City's overall FY 07 Budget as $700,000 has been set aside for this purpose. The contracts for both the AFSCME and Police Unions were settled during FY 2006 and negotiations with the Fire Union was concluded at the close of FY 2007. The negotiations with the Electrical Worker's Union (IBEW) continued into FY 2008.
- Employee Benefit costs increased for FY 2007 by about 17% from its FY 2006 budget, primarily due to the addition of Burlington Telecom employees and increases in health, dental and life insurances.
- 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; &
    d. Maintain the Fund Balance at 5% of annual operating expenses.

The achievement of these goals was a the predominant theme of the FY 2007 budget.

Fiscal Year 2008 City Budget

The City of Burlington approved a general fund budget for fiscal year 2008 in the amount of $45,585,305. This represented a decrease of 1.0% over the amended budget of the previous fiscal year. In the fall of 2005, Mayor Clavelle advised citizens that Burlington faced a shortfall for the FY 2007 budget unless the City generated a significant new source of revenue. In response to this problem, The Mayor and City Council proposed the adoption of a 1% Sales and Use tax for the City which was approved by the voters in March 2006. In FY2007 this 1% generated over $1,785,000 in additional revenue.

The FY 2008 Budget again reflected the City Council goals adopted in 2006 including the following policy goals for future budgets:

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

The budget for FY 2008 provided for full funding of the annual contribution to the Burlington Employees Retirement System. With the implementation of the Sales and Use Tax, half the projected new revenue was set aside to strengthen the City's reserves. The changes in the tax rates are shown in the table below:

Tax Rate Item	FY07 Tax Rate per $100	FY08 Approved Tax Rate	Change
Revenue Neutral Rates:			
General City	0.2329	0.2329	0.0000
Police/Fire	0.0807	0.0807	0.0000
Housing Trust	0.0054	0.0054	0.0000
Open Space	0.0054	0.0054	0.0000
Streets	0.0417	0.0417	0.0000
Fixed Rates:			
Parks	0.0250	0.0250	0.0000
Highway	0.0312	0.0312	0.0000
Library	0.0050	0.0050	0.0000
Budget Driven Rates:			
CCTA	0.0335	0.0325	-0.0010
County Tax	0.0051	0.0050	-0.0001
Retirement	0.1491	0.1431	-0.0060
Debt Service	0.0550	0.0621	0.0071
Total	0.6700	0.6700	0.0000

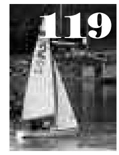
2008 School Budget

The budgeting process for FY2008 led to the adoption of a budget of $41,574,566, which represents an increase of $3,461,241 or 9.1% over the FY2007 budget of $38,113,325. The revenue budget includes a $400,000 fund balance carry forward from the prior year. The same level of services is being provided for in the FY2008 budget and also includes additional funding to cover some of the reductions in federal grant appropriations. The actual homestead tax rate changed from $0.9920 in FY2007 to $1.0217 in FY2008 or a 2.97 cent increase over the previous year. The income cap percentage for education property tax if eligible changed from 2.08% in FY2007 to 2.09% in FY2008 or an increase of 0.01%. The district spending adjustment which is a key factor in determining the property tax rate increased slightly from 115.442% in FY2007 to 115.851% in FY2008 and is the amount per equalized pupil percentage spending over the state wide base education rate for education of $7,330 in FY2007 and $7,736 in FY2008.

2008 Budget for Utility Funds

The Water and Wastewater Utility rates were constant in 2007. Effective April 1, 2006, the Electric Department rates were increased by 22.3% primarily to cover the increased costs of purchased power and overhead. There were no other significant increases in charges and fees this year. A budget has been included in FY2008 for the operation of Burlington Telecom. The budget provides for operating costs of the municipal network as well as the build up and initial operation of the cable, telephone and internet services to customers in Burlington. 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.



CITY OF BURLINGTON, VERMONT
STATEMENT OF NET ASSETS –
JUNE 30, 2007

Exhibit A

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Burlington Community Development Corporation
ASSETS				
Cash and Cash Equivalents	$ 10,102,339	$ 6,485,517	$ 16,587,856	$ 224,850
Investments	652,435	20,000	672,435	0
Receivables (Net of Allowance for Uncollectibles):	7,276,454	14,880,551	22,157,005	0
Notes and Loans Receivable	4,618,416	1,800,000	6,418,416	1,368,187
Accrued Interest Receivable	411,561	0	411,561	7,941
Estimated Unbilled Revenues	0	3,168,847	3,168,847	0
Inventories	373,257	4,477,812	4,851,069	0
Other Current Assets	1,135,655	510,665	1,646,320	0
Interfund Loans Receivable/Payable	(446,303)	446,303	0	0
Due from Component Unit	810,000	1,348,118	2,158,118	0
Restricted Investments	0	19,863,967	19,863,967	0
Investments in Associated Companies	0	5,070,526	5,070,526	0
Assets Held for Resale	549,352	0	549,352	816,750
Other Long-Term Assets, Net of Accumulated Amortization	367,492	19,734,950	20,102,442	0
Capital Assets				
Land	15,653,889	19,418,572	35,072,461	1,155,249
Construction in Progress	32,336,349	4,668,719	37,005,068	0
Antiques and Works of Art	52,000	0	52,000	0
Other Capital Assets, (Net of Accumulated Depreciation)	116,738,815	185,111,871	301,850,686	5,439,928
Total Assets	190,631,711	287,006,418	477,638,129	9,012,905
LIABILITIES				
Accounts Payable	4,055,070	6,245,644	10,300,714	69,381
Accrued Payroll and Benefits Payable	4,858,447	486,714	5,345,161	0
Due to Fiduciary Funds	7,289	9,842	17,131	0
Accrued Interest Payable	261,489	1,295,695	1,557,184	7,941
Deferred Revenue	1,261,309	156,613	1,417,922	0
Payable from Restricted Assets	0	1,805,776	1,805,776	0
Due to Primary Government	0	0	0	2,158,118
Noncurrent Liabilities:				
Due within One Year	7,017,280	11,189,857	18,207,137	185,837
Due in More than One Year	44,585,373	139,831,248	184,416,621	5,104,319
Total Liabilities	62,046,257	161,021,389	223,067,646	7,525,596
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	127,785,651	68,493,396	196,279,047	1,331,840
Restricted for:				
Education	508,648	0	508,648	0
Traffic	751,429	0	751,429	0
Community Development	5,819,417	0	5,819,417	0
Perpetual Care	987,230	0	987,230	0
Debt Service/Renewal and Replacements/Capital Projects	57,484	28,310,340	28,367,824	0
Other Purposes	1,611,073	0	1,611,073	0
Unrestricted/(Deficit):	(8,935,478)	29,181,293	20,245,815	155,469
Total Net Assets	$ 128,585,454	$ 125,985,029	$ 254,570,483	$ 1,487,309

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
STATEMENT OF ACTIVITIES –
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit B

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets – Primary Government			Net (Expense) Revenue and Changes in Net Assets – Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Burlington Community Development Corporation
Functions/Programs								
Primary Government:								
Governmental Activities:								
General Government	$ 7,545,288	$ 853,361	$ 175,074	$ 0	$ (6,516,853)	$ 0	$ (6,516,853)	$ 0
Public Safety	19,894,557	4,132,554	220,275	0	(15,541,728)	0	(15,541,728)	0
Public Works	10,673,896	4,876,828	284,963	0	(5,512,105)	0	(5,512,105)	0
Community Development	4,820,282	981,702	3,039,136	0	(799,444)	0	(799,444)	0
Culture and Recreation	8,529,244	3,209,126	808,402	0	(4,511,716)	0	(4,511,716)	0
Education	48,509,636	2,804,186	44,816,828	0	(888,622)	0	(888,622)	0
Interest on Long-Term Debt	1,900,299	0	0	0	(1,900,299)	0	(1,900,299)	0
Capital Outlay	0	464,401	0	5,599,034	6,063,435	0	6,063,435	0
Total Governmental Activities	101,873,202	17,322,158	49,344,678	5,599,034	(29,607,332)	0	(29,607,332)	0
Business-Type Activities:								
Electric	46,479,941	49,119,804	0	1,620,127	0	4,259,990	4,259,990	0
Airport	13,791,063	10,579,049	57,344	8,635,557	0	5,480,887	5,480,887	0
Telecom	5,290,332	1,101,180	0	0	0	(4,189,152)	(4,189,152)	0
Wastewater	5,061,186	5,338,678	0	165,840	0	443,332	443,332	0
Water	4,396,235	5,092,032	0	0	0	695,797	695,797	0
School	1,860,469	2,056,268	0	0	0	195,799	195,799	0
Total Business-Type Activities	76,879,226	73,287,011	57,344	10,421,524	0	6,886,653	6,886,653	0
Total Primary Government	$ 178,752,428	$ 90,609,169	$ 49,402,022	$ 16,020,558	(29,607,332)	6,886,653	(22,720,679)	0
Component Unit:								
Burlington Community Development Corporation	$ 806,886	$ 530,593	$ 110,129	$ 120,000	0	0	0	(46,164)
General Revenues:								
Property Taxes					24,620,306	0	24,620,306	0
Gross Receipts Taxes					2,077,741	0	2,077,741	0
Local Option Sales Taxes					1,785,068	0	1,785,068	0
Payment in Lieu of Taxes					1,682,472	0	1,682,472	0
Franchise Fees					1,906,418	0	1,906,418	0
Impact Fees					457,645	0	457,645	0
Interest and Penalties on Delinquent Taxes					363,515	0	363,515	0
Addition to Permanent Funds					23,050	0	23,050	0
Unrestricted Investment Earnings					695,021	2,497,135	3,192,156	446
Other Revenues					0	425,468	425,468	0
Gain on Sale of Equipment					1,800	0	1,800	444,062
Transfers					2,066,217	(2,066,217)	0	0
Total General Revenues and Transfers					35,679,253	856,386	36,535,639	444,508
Change in Net Assets					6,071,921	7,743,039	13,814,960	398,344
Net Assets, July 1, 2006					122,513,533	118,241,990	240,755,523	1,088,965
Net Assets, June 30, 2007					$ 128,585,454	$ 125,985,029	$ 254,570,483	$ 1,487,309

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2007

Exhibit C

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	$ 5,896,967	$ 5,823,089	$ (1,617,717)	$ 10,102,339
Investments	0	45,005	607,430	652,435
Receivables (Net of Allowance for Uncollectibles)	4,153,876	1,130,530	1,992,048	7,276,454
Loans Receivable	0	0	4,618,416	4,618,416
Accrued Interest Receivable	0	0	411,561	411,561
Inventories	191,397	0	181,860	373,257
Prepaid Expenses	492,684	0	0	492,684
Other Current Assets	642,971	0	0	642,971
Due From Component Unit	0	0	810,000	810,000
Land Held for Resale	0	0	549,352	549,352
Total Assets	$ 11,377,895	$ 6,998,624	$ 7,552,950	$ 25,929,469
LIABILITIES				
Liabilities:				
Accounts Payable	2,689,176	493,810	872,084	4,055,070
Accrued Payroll and Benefits Payable	672,449	4,126,500	59,498	4,858,447
Due to Other Funds	0	0	7,289	7,289
Interfund Loans Payable	0	0	446,303	446,303
Deferred Revenue	1,610,842	1,773,041	6,938,527	10,322,410
Insurance Reserves - Funded	304,000	0	0	304,000
Total Liabilities	5,276,467	6,393,351	8,323,701	19,993,519
Fund Balances/(Deficit):				
Reserved for				
Inventories and Prepaid Expenses	684,081	0	181,860	865,941
Other Purposes	1,597,807	508,648	1,898,661	4,005,116
Unreserved, Reported In				
General Fund	3,819,540	0	0	3,819,540
Special Revenue Funds	0	96,625	(42,122)	54,503
Capital Project Funds	0	0	(2,809,150)	(2,809,150)
Total Fund Balances/(Deficit)	6,101,428	605,273	(770,751)	5,935,950
Total Liabilities and Fund Balances	$ 11,377,895	$ 6,998,624	$ 7,552,950	

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds.	164,781,053
Other Long-Term Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are not Recognized in the Funds.	9,428,593
Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.	(51,560,142)
Net Assets of Governmental Activities	$ 128,585,454

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT

Exhibit D

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENT FUNDS – FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	$ 28,767,501	$ 0	$ 0	$ 28,767,501
Payments in Lieu of Taxes	2,797,357	1,275,832	0	4,073,189
Intergovernmental Revenues	1,524,300	44,451,496	7,006,921	52,982,717
Charges for Services	8,174,021	2,298,375	3,974,239	14,446,635
Fines and Forfeits	1,881,930	0	0	1,881,930
Licenses and Permits	4,309,278	0	602,485	4,911,763
Loan Repayments	0	0	472,396	472,396
Investment Income	277,379	203,140	221,061	701,580
Other Revenue	878,163	505,811	682,729	2,066,703
Total Revenues	48,609,929	48,734,654	12,959,831	110,304,414
EXPENDITURES:				
General Government	7,989,597	0	0	7,989,597
Public Safety	19,795,590	0	0	19,795,590
Public Works	3,346,165	0	4,424,479	7,770,644
Community Development	0	0	5,057,894	5,057,894
Culture & Recreation	7,560,459	0	0	7,560,459
Education	0	47,892,485	3,288	47,895,773
Capital Outlay	2,716,710	753,432	8,746,193	12,216,335
Debt Service -				
Bond and Note Principal Retirement	2,728,339	673,333	163,280	3,564,952
Lease Principal Retirement	836,172	0	37,381	873,553
Interest Charges	1,372,458	295,903	207,631	1,875,992
Bond Issue Costs	31,531	8,015	54,770	94,316
Total Expenditures	46,377,021	49,623,168	18,694,916	114,695,105
Excess/(Deficiency) of Revenues Over Expenditures	2,232,908	(888,514)	(5,735,085)	(4,390,691)
OTHER FINANCING SOURCES/(USES):				
Transfers In	106,672	0	1,264,250	1,370,922
Transfers Out	(1,323,135)	0	(372,287)	(1,695,422)
Proceeds from Sale of Capital Assets	3,500	0	1,800	5,300
Proceeds of Long-Term Debt	1,923,390	0	4,465,195	6,388,585
Refunding Bonds Issued	1,454,867	614,105	0	2,068,972
Payment to Refunding Bond Escrow Agent	(1,445,000)	(610,000)	0	(2,055,000)
Net Premium/(Discount) on Debt	22,121	4,307	52,204	78,632
Total Other Financing Sources	742,415	8,412	5,411,162	6,161,989
Net Change in Fund Balances	2,975,323	(880,102)	(323,923)	1,771,298
Fund Balances/(Deficit), July 1, 2006	3,126,105	1,485,375	(446,828)	4,164,652
Fund Balances/(Deficit), June 30, 2007	$ 6,101,428	$ 605,273	$ (770,751)	$ 5,935,950

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT

Exhibit E

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, 2007

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	$ 1,771,298
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. This is the amount by which capital outlays exceeded depreciation in the current period.	6,726,949
In the Statement of Activities, the gain/loss on the disposition/sale of capital assets is reported whereas in the Governmental Funds, the disposition of capital assets is not reflected and the proceeds of assets sold increases other financial resources. Thus, the change in net assets differs from the changes in fund balances by the gain/loss on the disposition of capital assets	(11,905)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(26,838)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, Governmental Funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount, is the net effect of these differences in the treatment of long-term debt and related items.	(1,975,255)
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 governmental funds.	(412,328)
Change in net assets of governmental activities (Exhibit B)	$ 6,071,921

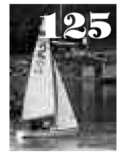
The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL GENERAL FUND AND SCHOOL GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit F

	General Fund				School "General Fund"		
	Budget						
	Original	Final	Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
Revenues:							
Taxes and Special Assessments	$ 26,190,108	$ 26,380,108	$ 27,266,796	$ 886,688	$ 0	$ 0	$ 0
Local Option Sales Tax	800,000	800,000	1,785,068	985,068	0	0	0
Payments in Lieu of Taxes	1,263,900	1,263,900	1,275,832	11,932	1,282,000	1,275,832	(6,168)
Permits and Licenses	3,686,600	3,686,600	4,201,948	515,348	0	0	0
Intergovernmental Revenues	1,581,810	1,760,657	2,018,242	257,585	35,891,017	36,429,159	538,142
Charges for Services	6,661,070	6,730,570	7,147,431	416,861	660,308	1,036,299	375,991
Fines and Forfeits	1,477,895	1,322,895	1,597,566	274,671	0	0	0
Investment Income	5,000	5,000	277,379	272,379	80,000	201,894	121,894
Miscellaneous Revenues	1,116,130	1,121,430	1,409,726	288,296	0	0	0
Total Revenues	42,782,513	43,071,160	46,979,988	3,908,828	37,913,325	38,943,184	1,029,859
Expenditures:							
Current:							
General Administration	10,629,493	10,296,033	10,038,943	257,090	0	0	0
Safety Services	14,131,699	14,490,340	14,746,617	(256,277)	0	0	0
Public Works	2,192,188	2,351,245	2,606,279	(255,034)	0	0	0
Cultural and Recreation	5,773,529	6,139,993	6,073,332	66,661	0	0	0
Education	0	0	0	0	38,113,325	39,815,912	(1,702,587)
Debt Service	2,376,450	2,376,450	2,426,180	(49,730)	0	0	0
Capital Outlay	4,026,144	4,569,225	5,097,596	(528,371)	0	0	0
Total Expenditures	39,129,503	40,223,286	40,988,947	(765,661)	38,113,325	39,815,912	(1,702,587)
Excess/(Deficiency) of Revenues Over Expenditures	3,653,010	2,847,874	5,991,041	3,143,167	(200,000)	(872,728)	(672,728)
Other Financing Sources/(Uses):							0
Proceeds of Long-Term Debt	1,000,000	1,090,573	1,933,257	842,684	0	0	0
Transfers In	1,206,400	1,206,400	1,247,834	41,434	0	0	0
Transfers Out	(5,859,410)	(5,859,410)	(6,196,809)	(337,399)	0	0	0
Total Other Financing Sources/(Uses)	(3,653,010)	(3,562,437)	(3,015,718)	546,719	0	0	0
Net Change in Fund Balances	$ 0	$ (714,563)	$ 2,975,323	$ 3,689,886	$ (200,000)	$ (872,728)	$ (672,728)

The accompanying notes are an integral part of this financial statement.



CITY OF BURLINGTON, VERMONT
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
JUNE 30, 2007

Exhibit G

	Electric Utility Fund	Airport Fund	Telecom Fund	Wastewater Fund	Other Proprietary Funds	Total
ASSETS						
Current Assets:						
Cash	$ 3,205,061	$ 8,541,988	$ (5,159,653)	$ (640,861)	$ 538,982	$ 6,485,517
Investments	0	20,000	0	0	0	20,000
Restricted Investments	1,632,120	0	0	0	1,218,656	2,850,776
Receivables (Net of Allowance for Uncollectible Accounts)	4,475,828	8,828,141	250,435	565,713	760,434	14,880,551
Notes Receivable - Current	60,000	0	0	0	0	60,000
Due From Burlington Community Development Corporation - Current	0	53,460	0	0	0	53,460
Interfund Receivables - Current	46,626	0	0	0	0	46,626
Estimated Unbilled Revenues	2,075,142	286,340	0	375,692	431,673	3,168,847
Inventories	3,934,481	245,479	0	121,461	176,391	4,477,812
Prepaid Pension	0	69,187	38,380	41,604	40,927	190,098
Other Current Assets	297,470	0	20,471	2,390	236	320,567
Total Current Assets	15,726,728	18,044,595	(4,850,367)	465,999	3,167,299	32,554,254
Noncurrent Assets:						
Restricted Investments	15,741,964	1,111,227	0	0	160,000	17,013,191
Due From Burlington Community Development Corporation	0	1,294,658	0	0	0	1,294,658
Notes Receivable - Long Term	1,740,000	0	0	0	0	1,740,000
Interfund Receivables - Long Term	399,677	0	0	0	0	399,677
Investment in Associated Companies	5,070,526	0	0	0	0	5,070,526
Other Long Term-Assets, Net of Accumulated Amortization	18,030,141	1,478,089	128,717	0	98,003	19,734,950
Capital Assets						
Land	572,185	17,789,385	157,800	847,952	51,250	19,418,572
Construction in Progress	886,925	3,307,191	474,603	0	0	4,668,719
Land Improvements	0	26,616,527	0	0	0	26,616,527
Buildings and Building Improvements	0	72,162,511	3,509,629	0	0	75,672,140
Vehicles, Machinery and Equipment	0	4,386,217	581,531	11,617,964	1,445,518	18,031,230
Production, General and Other Plant	56,622,496	0	0	0	0	56,622,496
Transmission and Distribution Plant	51,162,051	0	17,971,766	47,123,817	33,534,221	149,791,855
Less Accumulated Depreciation	(58,992,546)	(38,416,461)	(1,876,595)	(21,269,031)	(21,067,744)	(141,622,377)
Total Noncurrent Assets	91,233,419	89,729,344	20,947,451	38,320,702	14,221,248	254,452,164
Total Assets	$ 106,960,147	$ 107,773,939	$ 16,097,084	$ 38,786,701	$ 17,388,547	$ 287,006,418

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
JUNE 30, 2007

Exhibit G

	Electric Utility Fund	Airport Fund	Telecom Fund	Wastewater Fund	Other Proprietary Funds	Total
LIABILITIES						
Current Liabilities:						
Accounts and Contracts Payable	$ 3,407,547	$ 996,460	$ 1,723,278	$ 85,042	$ 33,317	$ 6,245,644
Accrued Payroll and Benefits Payable	408,704	22,066	23,178	13,929	18,837	486,714
Accrued Interest Payable	21,555	1,126,980	147,160	0	0	1,295,695
Due to Other Funds	0	1,668	1,736	3,312	3,126	9,842
Deferred Revenue	0	0	98,650	0	57,963	156,613
Payable from Restricted Assets - Accrued Interest Payable	1,632,120	0	0	0	173,656	1,805,776
General Obligation Bonds Payable - Current Portion	309,870	0	0	639,517	0	949,387
Revenue Notes and Bonds Payable - Current Portion	5,765,000	2,065,000	0	0	1,045,000	8,875,000
Capital Leases Payable - Current Portion	23,398	0	1,233,281	0	108,791	1,365,470
Total Current Liabilities	11,568,194	4,212,174	3,227,283	741,800	1,440,690	21,190,141
Noncurrent Liabilities:						
General Obligation Bonds Payable	3,346,125	0	0	25,486,742	0	28,832,867
Revenue Bonds Payable	39,109,532	44,113,225	0	0	5,812,753	89,035,510
Capital Leases Payable	52,547	0	20,333,994	0	203,838	20,590,379
Accrued Compensated Absences Payable	789,108	151,585	32,637	69,088	130,973	1,173,391
Other Noncurrent Liabilities	31,514	0	0	0	0	31,514
Net Pension Obligation	159,241	0	0	0	0	159,241
Deferred Credit	8,346	0	0	0	0	8,346
Total Noncurrent Liabilities	43,496,413	44,264,810	20,366,631	25,555,830	6,147,564	139,831,248
Total Liabilities	55,064,607	48,476,984	23,593,914	26,297,630	7,588,254	161,021,389
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	8,053,930	41,354,157	0	12,194,443	6,890,866	68,493,396
Restricted - Debt Service/Renewal and Replacements/Capital Projects	17,633,932	9,471,408	0	0	1,205,000	28,310,340
Unrestricted/(Deficit)	26,207,678	8,471,390	(7,496,830)	294,628	1,704,427	29,181,293
Total Net Assets/(Deficit)	51,895,540	59,296,955	(7,496,830)	12,489,071	9,800,293	125,985,029
Total Liabilities and Net Assets	$ 106,960,147	$ 107,773,939	$ 16,097,084	$ 38,786,701	$ 17,388,547	$ 287,006,418

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit H

	Electric Utility Fund	Airport Fund	Telecom Fund	Wastewater Fund	Other Proprietary Funds	Total
OPERATING REVENUES:						
Charges for Services	$ 45,585,241	$ 10,521,250	$ 1,101,180	$ 5,338,678	$ 7,043,837	$ 69,590,186
Miscellaneous	3,534,563	57,799	0	0	104,463	3,696,825
Total Operating Revenues	49,119,804	10,579,049	1,101,180	5,338,678	7,148,300	73,287,011
OPERATING EXPENSES:						
Operating, Maintenance, and General and Administrative Expenses	36,066,386	8,088,000	2,762,931	3,484,271	5,124,437	55,526,025
Depreciation and Amortization	4,776,476	3,281,679	1,116,789	1,517,416	714,921	11,407,281
Payments in Lieu of Taxes	1,315,239	0	88,346	764,520	222,612	2,390,717
Total Operating Expenses	42,158,101	11,369,679	3,968,066	5,766,207	6,061,970	69,324,023
Operating Income/(Loss)	6,961,703	(790,630)	(2,866,886)	(427,529)	1,086,330	3,962,988
NONOPERATING REVENUES (EXPENSES):						
Other Income/(Expense) - Net	419,555	5,913	0	0	0	425,468
Dividends from Associated Companies	582,438	0	0	0	0	582,438
Grant Income	0	57,344	0	0	0	57,344
Passenger Facility Charges	0	2,942,866	0	0	0	2,942,866
Investment Income	1,049,537	414,771	401,418	0	48,971	1,914,697
Interest Expense	(3,469,224)	(2,264,583)	(1,405,277)	(59,499)	(397,745)	(7,596,328)
Amortization of Bond Issue Costs	(1,739,474)	(97,751)	(5,335)	0	(19,601)	(1,862,161)
Gain/(Loss) on Sale/Disposal of Capital Assets	(428,381)	0	0	0	0	(428,381)
Grant Expense	0	(59,050)	0	0	0	(59,050)
Total Nonoperating Revenues (Expenses)	(3,585,549)	999,510	(1,009,194)	(59,499)	(368,375)	(4,023,107)
Income (Loss) Before Contributions and Transfers	3,376,154	208,880	(3,876,080)	(487,028)	717,955	(60,119)
Capital Contributions	1,620,127	5,692,691	0	165,840	0	7,478,658
Transfers In	0	0	159,500	165,000	0	324,500
Change in Net Assets	4,996,281	5,901,571	(3,716,580)	(156,188)	717,955	7,743,039
Net Assets/(Deficit), July 1, 2006	46,899,259	53,395,384	(3,780,250)	12,645,259	9,082,338	118,241,990
Net Assets/(Deficit), June 30, 2007	$ 51,895,540	$ 59,296,955	$ (7,496,830)	$ 12,489,071	$ 9,800,293	$ 125,985,029

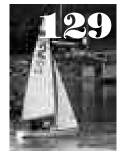
The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit I

	Electric Utility Fund	Airport Fund	Telecom Fund	Wastewater Fund	Other Proprietary Funds	Total
Cash Flows From Operating Activities:						
Receipts from Customers and Users	$ 45,752,017	$ 10,222,973	$ 1,036,955	$ 5,288,424	$ 6,729,952	$ 69,030,321
Receipts for Interfund Services	0	0	0	0	153,588	153,588
Other Receipts	3,379,846	0	0	0	0	3,379,846
Payments to Suppliers	(34,172,501)	(4,720,944)	(1,381,221)	(1,979,108)	(2,361,306)	(44,615,080)
Payment in Lieu of Taxes	(1,315,239)	0	(88,346)	(764,520)	(222,612)	(2,390,717)
Payments for Wages and Benefits	(2,171,457)	(2,185,050)	(1,363,721)	(1,106,387)	(2,288,751)	(9,115,366)
Payments for Interfund Services	0	(1,046,917)	(115,689)	(596,837)	(554,989)	(2,314,432)
Net Cash Provided/(Used) by Operating Activities	11,472,666	2,270,062	(1,912,022)	841,572	1,455,882	14,128,160
Cash Flows From Noncapital Financing Activities:						
Operating Grant Income	0	57,344	0	0	0	57,344
Operating Grant Expenses	0	(59,050)	0	0	0	(59,050)
Other Income/Deductions, Net	419,555	6,170	(20,716)	0	0	405,009
Payments from BCDC on Loan Receivable	0	51,882	0	0	0	51,882
Receipt of Interfund Transfer	0	0	159,500	0	0	159,500
Interest Paid on Cash Deficit to General Fund	0	0	(316,343)	(59,162)	0	(375,505)
Interest Paid on Revenue Anticipation Note	(64,207)	0	0	0	0	(64,207)
Net Cash Provided/(Used) by Noncapital Financing Activities	355,348	56,346	(177,559)	(59,162)	0	174,973
Cash Flows From Capital and Related Financing Activities:						
Proceeds from Bonds, Notes & Leases Payable	1,158,951	0	0	1,524,329	120,876	2,804,156
Proceeds from Sale of Equipment	137,694	0	0	0	0	137,694
Acquisition and Construction of Capital Assets	(4,223,126)	(7,320,894)	(9,097,623)	(77,895)	(277,528)	(20,997,066)
Capital Grants/Contributions	469,010	5,632,716	0	22,440	0	6,124,166
Passenger Facility Charges	0	3,007,298	0	0	0	3,007,298
Increase in Deferred Charges	(33,951)	0	0	0	0	(33,951)
Principal Paid on:						
General Obligation Bonds	(433,333)	0	0	(452,400)	0	(885,733)
Revenue Bonds	(5,470,000)	(1,980,000)	0	0	(995,000)	(8,445,000)
Capital Lease Obligations	(15,793)	0	(684,749)	(18,631)	(94,022)	(813,195)
Interest Paid on :						
General Obligation Bonds	(129,890)	0	0	0	0	(129,890)
Revenue Bonds	(3,409,515)	(2,294,638)	0	0	(370,446)	(6,074,599)
Capital Lease Obligations	0	0	(1,171,970)	(337)	(8,983)	(1,181,290)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(11,949,953)	(2,955,518)	(10,954,342)	997,506	(1,625,103)	(26,487,410)
Cash Flows From Investing Activities:						
Net (Additions)/Reductions to Restricted Investments	2,396,955	3,808,005	11,951,028	0	(26,866)	18,129,122
Increase in Investment in Associated Companies	(2,209,980)	0	0	0	0	(2,209,980)
Receipt of Interest & Dividends	1,250,663	403,628	401,418	0	48,441	2,104,150
Net Cash Provided by Investing Activities	1,437,638	4,211,633	12,352,446	0	21,575	18,023,292
Net Increase/(Decrease) in Cash	1,315,699	3,582,523	(691,477)	1,779,916	(147,646)	5,839,015
Cash - July 1, 2006	1,889,362	4,959,465	(4,468,176)	(2,420,777)	686,628	646,502
Cash - June 30, 2007	$ 3,205,061	$ 8,541,988	$ (5,159,653)	$ (640,861)	$ 538,982	$ 6,485,517

The accompanying notes are an integral part of this financial statement.



CITY OF BURLINGTON, VERMONT
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit I

		Electric Utility Fund		Airport Fund		Telecom Fund		Wastewater Fund		Other Proprietary Funds		Total
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:												
Operating Income/(Loss)	$	6,961,703	$	(790,630)	$	(2,866,886)	$	(427,529)	$	1,086,330	$	3,962,988
Depreciation and Amortization		5,066,917		3,281,679		1,116,789		1,517,416		714,921		11,697,722
(Increase)/Decrease in Other Receivables		(56,539)		(394,416)		(170,349)		(46,747)		(204,677)		(872,728)
(Increase)/Decrease in Unbilled Revenues		(248,529)		38,340		12,471		(3,507)		(96,348)		(297,573)
(Increase)/Decrease in Inventory		(106,297)		66,673		0		(17,729)		(23,939)		(81,292)
Increase/(Decrease) in Accounts Payable		(360,610)		138,239		(64,600)		(146,973)		(7,211)		(441,155)
Increase/(Decrease) in Net Pension Obligation/Prepaid Pension		0		(91,621)		(38,380)		(50,688)		(61,729)		(242,418)
Increase/(Decrease) in Accrued Payroll And Benefits		0		21,798		2,601		18,332		10,017		52,748
Increase/(Decrease) in Other Operating Assets/Liabilities		216,021		0		96,332		(1,003)		38,518		349,868
Net Cash Provided/(Used) by Operating Activities	$	11,472,666	$	2,270,062	$	(1,912,022)	$	841,572	$	1,455,882	$	14,128,160

Non-Cash Financing Activities:

The Electric Utility Department recorded capital assets in the amount of $1,151,117 related to street lighting and underground conduits that were donated to it by the State of Vermont.

The Electric Utility Department entered into a capital lease obligation for equipment in the amount of $33,274.

The Electric Utility Department recorded a stock dividend of VELCO Class B common stock at a par value of $32,000.

The Electric Department disposed of property, plant and equipment costing $1,745,589 with accumulated depreciation of $1,226,793.

The Airport Department disposed of fully depreciated property, plant and equipment costing $1,975,767.

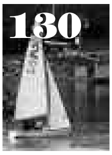
The Water Department disposed of/traded property, plant and equipment costing $84,245 with accumulated depreciation of $76,245.

The Wastewater Department disposed of fully depreciated property, plant and equipment costing $8,952.

The Wastewater Department recorded capital assets in the amount of $165,000 related to a pump station and lines donated by the School Department.

The Wastewater Department had $143,400 of a State EPA loan forgiven during the year.

The accompanying notes are an integral part of this financial statement.

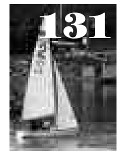


CITY OF BURLINGTON, VERMONT
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
JUNE 30, 2007

Exhibit J

	Pension Trust Fund	Private Purpose Trust Funds	Agency Fund - Student Activities
ASSETS			
Cash	$ 633,843	$ 31,363	$ 256,753
Investments	127,166,277	184,303	0
Accrued Interest Receivable	265,064	59	0
Due from Employees	109,669	0	0
Reimbursement Receivable	12,792	0	0
Due from Other Funds	17,131	0	0
Total Assets	128,204,776	215,725	256,753
LIABILITIES			
Accounts Payable	88,033	0	0
Accrued Liabilities	317,665	0	0
Compensated Absences	8,269	0	0
Due to Student Organizations	0	0	256,753
Total Liabilities	413,967	0	256,753
NET ASSETS			
Held in Trust For:			
Employees' Pension Benefits	127,790,809	0	0
Individuals and Organizations	0	215,725	0
Total Net Assets	$ 127,790,809	$ 215,725	$ 0

The accompanying notes are an integral part of this financial statement.



CITY OF BURLINGTON, VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit K

	Pension Trust Fund	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Employer - Pension	$ 6,228,710	$ 0
Employer - FICA	2,339,594	0
Plan Members	1,341,480	0
Other Contributions	0	6,600
Total Contributions	9,909,784	6,600
Investment Earnings:		
Interest and Dividends	12,437,752	6,209
Net Increase in the Fair Value of Investments	6,644,764	0
Total Investment Earnings	19,082,516	6,209
Less Investment Expense	(689,768)	0
Net Investment Earnings	18,392,748	6,209
Total Additions	28,302,532	12,809
DEDUCTIONS:		
Benefits - Pension	6,243,027	0
Benefits - FICA	2,339,594	0
Benefits - Post Employment Health	68,449	0
Refunds of Contributions	61,361	0
Administrative Expenses	204,051	0
Other	0	3,029
Total Deductions	8,916,482	3,029
Change In Net Assets	19,386,050	9,780
Net Assets - July 1, 2006	108,404,759	205,945
Net Assets- June 30, 2007	$ 127,790,809	$ 215,725

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

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, human services, utilities and education.

I. 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 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

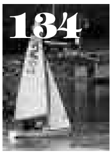
The accounts of the City are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government 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.



CITY OF BURLINGTON, VERMONT
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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, rent of airport terminal space and buildings, concessions, commissions, parking garage 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, passenger facility charges, grant income, building rents from buildings purchased for future expansion and rockledge income.

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 principal and 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 primary operating fund. It accounts for all financial resources of the general government 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.

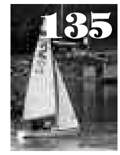
The City reports on the following major proprietary funds:

Electric Utility 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 the Telecommunications system.

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 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 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.

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). Fund equity (i.e., net total assets) is segregated into investment 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 reserved and unreserved fund balances. 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. Basis of Accounting

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.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

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, 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 issued on or before November 30, 1989; Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the City has elected not to apply FASB Standards issued after November 30, 1989.

The Electric 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 Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulations", the Electric Department records certain assets and liabilities in accordance with the economic effects of the rate making process.

Statement of Financial Accounting Standards No. 107 "Disclosure about the Fair Value of Financial Instruments," requires disclosures of the fair value of certain financial instruments. Recorded amounts for cash, accounts receivable, accounts payable, and investments approximate fair value.

E. Use of Estimates

The presentation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities and Equity

1. Cash

Cash balances of most City funds are pooled and invested by the City Treasurer. Excess cash withdrawals of individual funds are shown as negative cash balances. The City considers all short-term investments of ninety (90) days or less to be cash equivalents.

2. Investments

The City invests in investments as allowed by State Statute. Investments with readily determinable fair values are reported at their fair values on the balance sheet. Unrealized gains and losses are included in revenue.

3. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables. Unbilled revenues consist of various revenues earned as of June 30, but not yet billed as of that date.

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

CITY OF BURLINGTON, VERMONT
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Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (for the current portion of the interfund loans) or "advances to/from other funds" (for the non-current portion of interfund loans. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

4. Inventories and Prepaid Expenses

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventories in the Proprietary Funds consist of fuel, materials and supplies. Inventories in the Governmental Funds consist of expendable supplies held for consumption.

Certain payments to vendors reflect costs that are applicable to future accounting periods and are recorded as prepaid expenses.

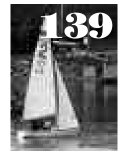
Inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a fund balance reserve which indicates that they do not constitute "available expendable resources" even though they are a component of net assets.

5. Restricted Assets

The Water Resources, Airport and Electric Departments have issued revenue bonds and imposed connection fees for the construction of various projects. In accordance with the respective bond resolution, certain restricted funds must be established to be used for debt service reserves and renewal and replacement. These funds and the construction funds have been classified as Restricted Assets. The Telecom Fund has issued capital leases which require the proceeds to be used specifically as indicated in the lease agreement. The unspent portion has been classified as restricted assets.

6. Capital Assets

Capital assets acquired are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.



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. The Electric Department's ownership interest in each of the jointly-owned facilities is as follows: McNeil Station - 50.00%; Highgate Converter Station - 7.70%.

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. The amount of deferred depreciation expense recognized during the year was $1,216,963, The total deferred depreciation at June 30, 2007 was $8,541,048.

The City's capitalization policy consider two factors. The unit has an estimated useful life greater than one year and the unit cost is more than the threshold listed below. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

	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 City has also adopted an aggregate threshold for numerous small items such as computers, desks and other furniture.

Capital assets are not reported in the governmental fund type financial statements. Capital outlays in these funds are recorded as expenditures in the year they are paid.

7. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and comp time pay and vested unpaid sick time. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide and proprietary fund financial statements. The liability for unused compensated absences time is not reported in the governmental fund type financial statements as payments for unused compensated absences time are recorded as expenditures in the year they are paid.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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8. Accrued Landfill Closure/Postclosure Costs

The City of Burlington has closed two landfills in prior years. The City's landfill at Manhattan Drive was closed on December 31, 1989. At that time, the City opened a lined landfill on property owned by the Rathe family in Colchester, Vermont. This landfill was considered to be full and was closed in 1992. At that time, the City's landfill needs were taken over by the Chittenden Solid Waste District. Funds held in reserve to cover closure costs have been expended but certain post closure costs and commitments remain. The amount needed to fund all future post closure costs as of today is estimated to be $108,000. Actual payments will take place through the year 2012.

State and federal laws and regulations required the City to perform certain maintenance and monitoring functions at the sites for twenty (20) years after closure. Actual costs may vary due to changes in technology, changes in regulations or variances between actual and estimated.

9. Liabilities to be Paid from Restricted Assets

The balance in these liabilities represent 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.

10. Long-term Liabilities

Long-term liabilities include bonds, notes payable, capital leases payable and other obligations such as insurance reserves, compensated absences, net pension obligation and postemployment benefits. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund type financial statements do not include any unfunded long-term liabilities as those funds use the current financial resources measurement focus.

11. Fund Equity

Fund balances and retained earnings are classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Reservations of fund balances and restrictions on retained earnings represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Designations of fund balances represent tentative management plans that are subject to change. Undesignated funds are available for future appropriations.

II. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND AND GOVERNMENT-WIDE STATEMENTS

Governmental Fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting, while government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. These differences in the measurement focus and basis of accounting lead to differences between the governmental fund financial statements and the government-wide financial statements as follows:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas government-wide statements report revenues when they are earned. Long-term expense differences arise because governmental funds report operating expenses (including interest) using the modified accrual basis of accounting, whereas government-wide statements report expenses using the accrual basis of accounting.

Capital-related differences arise because governmental funds report capital outlays as current period expenditures, whereas government-wide statements report depreciation as an expense. Further, governmental funds report the proceeds for the sale of capital assets as revenue, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue.

Long-term debt transaction differences arise because governmental funds report bond proceeds and principal payments as other financing sources and uses, whereas government-wide statements report those transactions as increases and decreases in liabilities.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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A. Governmental Funds Balance Sheet and the Statement of Net Assets

The differences between the governmental funds balance sheet and government-wide statement of net assets are as follows:

	Balance Sheet	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Reclassifications and Elimination of Interfund Balances	Statement of Net Assets
ASSETS						
Cash	$ 10,102,339	$ 0	$ 0	$ 0	$ 0	$ 10,102,339
Investments	652,435	0	0	0	0	652,435
Receivables	7,276,454	0	0	0	0	7,276,454
Loans Receivable	4,618,416	0	0	0	0	4,618,416
Accrued Interest Receivable	411,561	0	0	0	0	411,561
Inventories	373,257	0	0	0	0	373,257
Other Current Assets	1,135,655	0	0	0	0	1,135,655
Interfund Loan Payable	0	0	0	0	(446,303)	(446,303)
Due From Component Unit	810,000	0	0	0	0	810,000
Land Held For Resale	549,352	0	0	0	0	549,352
Other Long-Term Assets	0	367,492	0	0	0	367,492
Capital Assets	0	0	164,781,053	0	0	164,781,053
Total Assets	25,929,469	367,492	164,781,053	0	(446,303)	190,631,711
LIABILITIES						
Accounts Payable	4,055,070	0	0	0	0	4,055,070
Accrued Payroll and Benefits Payable	4,858,447	0	0	0	0	4,858,447
Due to Other Funds	7,289	0	0	0	0	7,289
Interfund Loan Payable	446,303	0	0	0	(446,303)	0
Accrued Interest Payable	0	261,489	0	0	0	261,489
Deferred Revenue	10,322,410	(9,061,101)	0	0	0	1,261,309
Insurance Reserves	304,000	2,684,000	0	0	0	2,988,000
Noncurrent Liabilities	0	6,634,333	0	41,980,320	0	48,614,653
Total Liabilities	19,993,519	518,721	0	41,980,320	(446,303)	62,046,257
NET ASSETS						
Invested in Capital Assets	0	0	164,781,053	(36,995,402)	0	127,785,651
Other	5,935,950	(151,229)	0	(4,984,918)	0	799,803
Total Net Assets	$ 5,935,950	$ (151,229)	$ 164,781,053	$ (41,980,320)	$ 0	$ 128,585,454

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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B. Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

The differences between the governmental funds statement of revenues, expenditures and changes in fund balances and government-wide statement of activities are as follows:

	Statement of Revenue, Expenditures and Changes in Fund Balances	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Reclassifications and Elimination of Interfund Activity	Statement of Activites
REVENUES						
Taxes	$ 28,767,501	$ (284,386)	$ 0	$ 0	$ 0	$ 28,483,115
PILOT	4,073,189	0	0	0	(2,390,717)	1,682,472
Intergovernmental Revenues	52,982,717	207,729	0	0	(53,190,446)	0
Charges for Services	14,446,635	49,819	0	0	2,825,704	17,322,158
Operating Grants and Contributions	0	0	0	0	49,344,678	49,344,678
Capital Grants and Contributions	0	0	0	0	5,599,034	5,599,034
Fines and Forfeits	1,881,930	0	0	0	(1,881,930)	0
Licenses and Permits	4,911,763	0	0	0	(4,911,763)	0
Loan Repayments	472,396	0	0	0	(472,396)	0
Investment Income	701,580	0	0	7,589	(14,148)	695,021
Other Revenues	2,066,703	0	563,363	0	120,562	2,750,628
Other Sources:						
Proceeds of Debt and Lease Financing	8,457,557	0	0	(8,457,557)	0	0
Bond Premium	78,632	0	0	(78,632)	0	0
Proceeds from Sales of Capital Assets	5,300	0	(3,500)	0	0	1,800
Transfers from Other Funds	1,370,922	0	0	0	695,295	2,066,217
Total Revenues	120,216,825	(26,838)	559,863	(8,528,600)	(4,276,127)	107,945,123
EXPENDITURES						
General Government	7,989,597	626,725	189,360	12,986	(1,273,380)	7,545,288
Public Safety	19,795,590	292,679	798,304	5,392	(997,408)	19,894,557
Public Works	7,770,644	(342,211)	3,338,313	0	(92,850)	10,673,896
Community Development	5,057,894	(47,454)	14,788	0	(204,946)	4,820,282
Culture and Recreation	7,560,459	25,619	955,287	0	(12,121)	8,529,244
Education	47,895,773	(158,135)	765,102	6,896	0	48,509,636
Capital Expenditures	12,216,335	0	(12,216,335)	0	0	0
Debt Service:						
Principal	6,493,505	0	0	(6,493,505)	0	0
Interest	1,875,992	15,105	0	9,202	0	1,900,299
Bond Issue Costs	94,316	0	0	(94,316)	0	0
Other Uses:						
Transfers to Other Funds	1,695,422	0	0	0	(1,695,422)	0
Total Expenditures	118,445,527	412,328	(6,155,181)	(6,553,345)	(4,276,127)	101,873,202
Net Change for the Year	$ 1,771,298	$ (439,166)	$ 6,715,044	$ (1,975,255)	$ 0	$ 6,071,921

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. 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 through the labor/management process, 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.

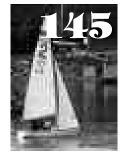
2. Prior to July l, the budget is legally enacted through passage of a resolution of the City Council.

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 elected to budget expenditures in excess of revenues by $714,563 in order to utilize the prior year's surplus. This is reflected as a current year's budgeted deficiency of revenue over expenditures in Exhibit F for the General Fund.



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, 2007.

6. The School elected to budget expenditures in excess of revenues by $200,000 in order to utilize the prior year's surplus. This is reflected as current year's budgeted deficiency of revenue over expenditures in Exhibit F for the School General Fund.

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.

B. Excess of Expenditures Over Appropriations

For the year-ended June 30, 2007, expenditures in the General Fund and the School "General" Fund exceeded appropriations by $765,661 and $1,702,587, respectively. These were funded by additional unanticipated revenues and available fund balance.

C. Separate Financial Statements

Due to bond covenants, the City has issued separate financial statements for the Electric, Airport and Water Funds. Additional disclosures pertaining to these funds can be found in the separately issued financial statements.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

D. Budgetary/GAAP Reconciliation

The following schedule reconciles the amounts on the School "General Fund" Statement of Revenues and Expenditures – Budget and Actual to the amounts on the Statement of Revenues, Expenditures and Changes in Fund Balance for the School Fund:

Changes in Fund Balances – Budgetary Basis – Exhibit F	$(872,728)
Excess(Deficiency) of Revenues Over Expenditures in Other School Special Revenue Funds	(7,374)
Change in Fund Balances – GAAP Basis – Exhibit D	$(880,102)

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Investment Policy Statement – Electric Utility Department

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

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

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

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

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

(5) Certificates of deposit and bankers acceptances issued by banks 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 of this paragraph, or with recognized primary dealers in government bonds, fully secured by obligations described in items 1, 2, 3 and 4 of this paragraph.

Investment Policy Statement-Pension Fund

It is the policy of the Retirement Board to review the goals and objectives at least once per year and to communicate any material change to the investment managers and fund professionals. Policy guidelines will be amended from time to time by the Board, both upon its own initiative and upon consideration of the advice and recommendations of the investment managers and fund professionals, including the fund actuary, investment consultant, accountant and attorney.

The following policy was in effect during the year and through September, 2007, at which time the Retirement Board elected to adopt the policies and strategies of the Vermont Pension Investment Committee (VPIC) which oversees the Vermont State Retirement System, the Vermont State Teachers Retirement System and the Vermont Municipal Retirement System. Specifically, the City has opted to follow the Vermont State Teachers Retirement System's asset allocation.

Capital Structure Targets

The overall capital structure targets and permissible ranges for eligible asset classes are detailed below:

Asset Class	Target	Permissible % Range
Equity	60%	40-70%
Domestic-Large Cap	35%	25-45%
Domestic-Mid Cap		10-15%
Growth	5%	
Value	5%	
International	15%	10-20%
Fixed Income	35%	35-45%
Domestic	35%	20-35%
International	0%	0-10%
Cash Equivalents	1%	0-10%
Other/Venture Capital	4%	0-5%

CITY OF BURLINGTON, VERMONT
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Equity Investments – Domestic Large Capitalization

Equity investments, i.e., common stock and convertibles, are permitted. The portfolio should reflect in general the characteristics of large capitalization companies. Foreign securities including American Depository Receipts will not be permitted in this portfolio.

Equity Investments – Domestic Mid Capitalization

Equity investments, i.e., common stock and convertibles, are permitted. The portfolio should reflect in general the characteristics of mid capitalization companies. Foreign securities including American Depository Receipts will not be permitted in this portfolio.

Equity Investments – International

Ordinary shares and American Depository Receipts are permitted.

Fixed Income Investments

- Domestic fixed income investments are permitted, subject to the guidelines reflected above, and may include U.S. Government and agency obligations, corporate bonds, debentures, commercial paper, CD’s, bonds and other instruments as deemed prudent by the investment managers.
- Foreign fixed income securities are permitted, subject to the percentage guidelines previously reflected. The portfolio should be restricted to U.S. Dollar denominated securities only, thereby eliminating currency risk.
- Fixed income securities are to be selected and managed to ensure appropriate balances in qualities and maturities consistent with current market and economic conditions. “Active” bond management is encouraged, and deemed appropriate by the investment managers.
- Up to 20% of the bond portfolio may be invested in bonds rated B or BB; however, no more than 3% of the bond portfolio may be invested in any one such rated security. The balance shall be invested in BBB rated or better securities. The overall quality rating of the bond portfolio shall be A or better.
- Non-rated issues may be purchased but should be limited to 5% of the fixed income portfolio, measured at market value.
- The average duration of the fixed income portfolio shall not exceed 7 years, and no issue longer then 30 years may be purchased.

Real Estate

Real estate investments are permitted subject to the guidelines previously reflected. Pooled, closed-end investments are preferred.

Venture Capital

Venture capital investments are permitted up to 4% of total assets, measured at cost.

CITY OF BURLINGTON, VERMONT
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Concentration

- No security, except issues of the U.S. Government or its Agencies, shall comprise more than 5% of total Plan assets, measured at market. Further, no individual portfolio shall hold more than 7% of its assets in the securities of any single entity, except issues of the U.S. Government or its Agencies.
- Fully covered, or protected investments using options, futures and short sales are permitted in the interest of reducing price volatility and preserving capital.

Restrictions

- Certain securities, strategies, and investments are ineligible for inclusion within this Plan's asset base. Among these are:
  A. Privately placed or other non-marketable debt.
  B. Lettered, legend or other so-called restricted stock.
  C. Uncovered, or naked, short positions for securities, futures or options.
  D. Commodities.
  E. Securities lending.
  F. Any prohibited transactions as defined by ERISA.
- Investment managers are prohibited from holding or purchasing tobacco stocks & bonds.

Investment Policy – Other Funds

The other funds of the City do not have an investment policy that addresses interest rate risk, credit risk, custodial credit risk or concentration of credit risk.

Cash deposits and investments as June 30, 2007 consist of the following:

Deposit and Investment Type		Amount
Cash and Cash Equivalents:		
Demand Deposits with Financial Institutions	$	17,188,083
Certificates of Deposit - Cash		309,825
Cash on Hand		236,757
Total Cash and Cash Equivalents		17,734,665
Investments:		
U.S. Treasury Notes		10,039,919
Federal Home Loan Mortgage Corporation Debt		3,243,975
Federal National Mortgage Association Debt		8,149,821
SLM Student Loan TR		204,054
Corporate Bonds		19,404,825
Common Stocks		52,469,364
Equity Mutual Funds		28,244,701
Certificates of Deposits - Investments		363,305
Cash Equivalents Invested in U.S. Government Obligations		25,767,018
Total Investments		147,886,982
Total Deposits and Investments	$	165,621,647

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The City does not have any policy to limit the exposure to custodial credit risk. The custodial credit risk for deposits is presented in the table below.

Deposits with Financial Institutions	Book Balance	Bank Balance
Insured - FDIC/NCUA	$ 1,043,527	$ 1,167,744
Uninsured, Uncollateralized - Secured by Treasury Note Repurchase Agreements Held in the Bank's Name	12,741,311	13,614,540
Uninsured, Collateralized by U.S. Government Agencies Securities	509,182	509,182
Uninsured, Uncollateralized	3,567,193	3,280,734
Total Deposits	$ 17,861,213	$ 18,572,200

Deposits is comprised of the following:	
Cash	$ 17,188,083
Certificates of Deposit - Investments	673,130
Total Deposits	$ 17,861,213

The difference between the book and the bank balance is due to reconciling items such as deposits in transit and outstanding checks. Due to higher cash flows at certain times during the year, the amounts of uninsured, uncollateralized cash was much higher than at year end.

A portion of Burlington Community Development Corporation's cash, in the amount of $175,911 is included with the City's pooled cash. The remaining $48,939 was fully insured by the FDIC. These amounts are included in the above table. There were no reconciling items.

The City engages in repurchase agreement transactions as part of its cash management programs. Under the terms of a typical repurchase agreement, the City takes possession of an underlying debt obligation, subject to an obligation of the seller to repurchase, and the City to resell the obligation at an agreed-upon price and time, thereby determining the yield during the City's holding period. The value of the collateral is at least equal at all times to the total amount of the repurchase obligations, including interest. In the event of counter-party default, the City has the right to use the collateral to offset losses incurred. There is potential loss to the City in the event the City is delayed or prevented from exercising its rights to dispose of the collateral securities, including the risk of a possible decline in the value of the underlying securities during the period the City seeks to assert its rights.

Credit Risk

Generally, credit risk is the risk than an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual ratings, as provided by Standard and Poor's, as of June 30, 2007.

Corporate Bonds:		
AAA	$	14,665,792
AA		1,151,004
A		1,063,049
BBB		2,358,220
BB		166,760
Not Rated:		
Certificates of Deposit		673,130
Exempt from Disclosure:		
U.S. Treasury Notes		10,039,919
Federal Home Loan Mortgage Corporation Debt		3,243,975
Federal National Mortgage Association Debt		8,149,821
SLM Student Loan TR		204,054
Total	$	41,715,724

Concentration of Credit Risk

Other than cash equivalent mutual funds, there are no investments that represent 5% or more of the total City investments.

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. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

CITY OF BURLINGTON, VERMONT
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	Remaining Maturity (In Years)						
Investment Type	0 - 1	1 - 5	5 - 10	10 - 15	15 - 20	20 +	Total
U.S. Treasury Notes	$ 4,306,888	$ 3,978,106	$ 692,445	$ 0	$ 0	$ 1,062,480	$ 10,039,919
Federal Home Loan Mortgage Corporation Debt	0	0	0	0	0	3,243,975	3,243,975
Federal National Mortgage Association Debt	0	0	0	1,440,938	978,125	5,730,758	8,149,821
SLM Student Loan TR	0	0	204,054	0	0	0	204,054
Corporate Bonds	0	97,275	3,166,703	166,760	354,410	15,619,677	19,404,825
Certificates of Deposit	673,130	0	0	0	0	0	673,130
Cash Equivalent Mutual Funds	25,767,018	0	0	0	0	0	25,767,018
	$ 30,747,036	$ 4,075,381	$ 4,063,202	$ 1,607,698	$ 1,332,535	$ 25,656,890	$ 67,482,742

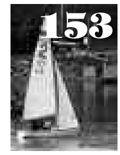
The cash equivalent mutual funds are invested in obligations of the U.S. Government and obligations guaranteed by the U.S. Government. The underlying investments are due within three months in order to maintain a per share value of $1.

B. Restricted Investments

The Water Resources, Airport and Electric Utility Departments have issued revenue bonds and imposed connection fees for the construction of various projects. In accordance with the respective bond resolution, certain restricted funds must be established to be used for debt service reserves and renewal and replacement. The Telecom Fund has issued capital leases which require proceeds to be used for specific purposes as outlined in the lease agreements. These funds and the construction funds have been classified as Restricted Assets. These amounts are included in the Deposits and Investments in Note IV. A.

A summary of the restricted investments is as follows:

Category	Electric Utility	Airport	Water Resources	Total
Debt Service Reserve Fund	$ 9,037,212	$ 902,304	$ 0	$ 9,939,516
Renewal and Replacement Funds	867,291	0	160,000	1,027,291
Construction Funds	0	208,923	0	208,923
Debt Service Funds	7,403,494	0	1,218,656	8,622,150
Accrued Interest Receivable	66,087	0	0	66,087
Total	$ 17,374,084	$ 1,111,227	$ 1,378,656	$ 19,863,967



C. Receivables

Receivables, as reported in the statement of net assets, net of applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-Type Activities	Total
Taxes Receivable	$ 3,250,730	$ 0	$ 3,250,730
PILOT	58,196	0	58,196
Billed User Charges	0	6,709,763	6,709,763
Unbilled User Charges	0	3,083,282	3,083,282
Allowance for Doubtful Taxes/Fees	(773,955)	(399,108)	(1,173,063)
Billed Service Fees	0	202,132	202,132
Unbilled Service Fees	0	85,565	85,565
Police, Fire and Ambulance Fees	1,778,572	0	1,778,572
Allowance for Doubtful Accounts - Police, Fire and Ambulance Fees	(1,177,750)	0	(1,177,750)
Franchise Fees	139,825	0	139,825
Other General Fund Reimbursements	350,740	0	350,740
School Tuition	226,084	0	226,084
Public Works Receivables	215,035	0	215,035
Recreation Fees Receivable	70,581	0	70,581
Traffic Fees Receivable	38,527	0	38,527
Marketplace Fees Receivable	40,729	0	40,729
Project Reimbursements Receivable	60,000	0	60,000
Grants Receivable	2,784,191	7,941,823	10,726,014
Passenger Facility Charges	0	416,445	416,445
Interest Receivable on Deposits	1,682	9,496	11,178
Other Receivables	213,267	0	213,267
Total Receivables	$ 7,276,454	$ 18,049,398	$ 25,325,852

The City has established allowances for doubtful accounts in each fund in which there is a history of bad debts.

CITY OF BURLINGTON, VERMONT
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Taxes receivable consisted of the following at June 30, 2007:

Year Ended	Balance 06/30/06	Additions	Adjustments/ Abatements	Collections	Balance 06/30/07
1985-1995	$ 93,889	$ 0	$ 0	$ 639	$ 93,250
1996	22,976	0	0	638	22,338
1997	25,827	0	(1,103)	1,018	23,706
1998	31,227	0	(1,148)	886	29,193
1999	32,293	0	(1,110)	939	30,244
2000	35,942	0	(861)	5,392	29,689
2001	42,536	0	0	7,229	35,307
2002	65,854	0	(77)	7,849	57,928
2003	103,178	0	(36)	20,248	82,894
2004	142,464	0	(236)	42,703	99,525
2005	289,646	0	(12,036)	120,668	156,942
2006	632,577	0	(30,482)	434,923	167,172
2007	0	930,188	0	67,509	862,679
Total	$ 1,518,409	$ 930,188	$ (47,089)	$ 710,641	$ 1,690,867

Also included in taxes receivable are $334,325 in gross receipts taxes, $723,031 of delinquent tax penalties and interest, $499,089 of local option sales taxes and $3,418 of Downtown Improvement District Taxes.

D. Notes Receivables

The City, through various state and federal grants, 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 Electric Department has notes receivable totaling $1,800,000 which are due from the Winooski One Partnership for engineering and from a credit union for demand side management projects.

Burlington Community Development Corporation has loaned funds to the Champlain Housing Trust Corporation. The balance of the loans at June 30, 2007 is $1,368,187 and will be repaid at the same terms as the offsetting notes payable.

A summary of notes and loans receivable and the related accrued interest receivable are as follows:

	Governmental Activities	Business-Type Activities	Total	Component Unit - BCDC
Notes and Loans Receivable	$ 15,478,889	$ 1,800,000	$ 17,278,889	$ 1,368,187
Loan Discounts	(1,721,247)	0	(1,721,247)	0
Allowance for Doubtful Loans	(9,139,226)	0	(9,139,226)	0
Accrued Interest Receivable - Loans	6,020,105	0	6,020,105	7,941
Allowance for Doubtful Accrued Interest	(5,608,544)	0	(5,608,544)	0
Net Notes and Loans Receivable	$ 5,029,977	$ 1,800,000	$ 6,829,977	$ 1,376,128

The notes and loans receivable with below market interest rates have been discounted utilizing rates between 3.5% and 5%, depending on the timing of loan issuance.

E. Investments in Associated Companies

The Electric Department follows the cost method of accounting for its 6.38% class B common stock, 1.96% class C common stock and 7.69% class C preferred stock ownership interest in Vermont Electric Power Company, Inc. ("VELCO"); and its 4.64% ownership interest in Vermont Transco LLC, which 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 September 29, 2006, the Electric Department purchased 97,239 class A units and 123,759 class B units in Vermont Transco, LLC for $2,209,980.

CITY OF BURLINGTON, VERMONT
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F. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 15,540,526	$ 113,363	$ 0	$ 15,653,889
Construction in Progress	38,403,669	4,678,624	10,745,944	32,336,349
Antiques and Works of Art	52,000	0	0	52,000
Total Capital Assets, Not Being Depreciated	53,996,195	4,791,987	10,745,944	48,042,238
Capital Assets, Being Depreciated:				
Land Improvements	1,889,844	415,000	0	2,304,844
Buildings and Building Improvements	59,879,967	8,447,627	0	68,327,594
Vehicles, Machinery, Equipment and Furniture	19,147,356	1,462,692	749,016	19,861,032
Book Collections	3,873,133	333,096	274,199	3,932,030
Infrastructure	81,598,958	8,075,240	0	89,674,198
Totals	166,389,258	18,733,655	1,023,215	184,099,698
Less accumulated depreciation for:				
Land improvements	529,882	58,828	0	588,710
Buildings and Building Improvements	12,802,182	906,834	0	13,709,016
Vehicles, Machinery, Equipment and Furniture	10,437,113	1,709,295	737,111	11,409,297
Book Collections	2,985,379	134,906	274,199	2,846,086
Infrastructure	35,564,888	3,242,886	0	38,807,774
Totals	62,319,444	6,052,749	1,011,310	67,360,883
Total Capital Assets, Being Depreciated	104,069,814	12,680,906	11,905	116,738,815
Governmental Activities Capital Assets, Net	$ 158,066,009	$ 17,472,893	$ 10,757,849	$ 164,781,053

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 18,827,405	$ 672,056	$ 80,889	$ 19,418,572
Construction in Progress	9,634,369	5,264,334	10,229,984	4,668,719
Total Capital Assets, Not Being Depreciated	28,461,774	5,936,390	10,310,873	24,087,291
Capital Assets, Being Depreciated:				
Land Improvements	28,266,920	325,374	1,975,767	26,616,527
Buildings and Building Improvements	64,998,645	10,673,495	0	75,672,140
Vehicles, Machinery, Equipment and Furniture	17,563,948	560,479	93,197	18,031,230
Distribution and Collection Systems	193,922,981	14,156,070	1,664,700	206,414,351
Totals	304,752,494	25,715,418	3,733,664	326,734,248
Less Accumulated Depreciation for:				
Land Improvements	16,918,398	1,234,469	1,975,767	16,177,100
Buildings and Building Improvements	17,872,522	1,863,909	0	19,736,431
Vehicles, Machinery, Equipment and Furniture	9,669,051	755,894	85,197	10,339,748
Distribution and Collection Systems	90,749,183	5,846,708	1,226,793	95,369,098
Totals	135,209,154	9,700,980	3,287,757	141,622,377
Total Capital Assets, Being Depreciated	169,543,340	16,014,438	445,907	185,111,871
Business-Type Activities Capital Assets, Net	$ 198,005,114	$ 21,950,828	$ 10,756,780	$ 209,199,162

At June 30, 2007, approximately $5,800,000 and $23,300,000 in assets were acquired through capital leases for governmental and business type activities, respectively. These assets are included in vehicles, machinery, equipment and furniture and distribution and collection systems. The amortization on these assets is included with depreciation.

Depreciation was charged to programs as follows:

Governmental Activities:		Business - Type Activites:	
General Government	$ 189,360	Electric	$ 3,083,836
Public Safety	798,304	Airport	3,281,679
Public Works	3,329,908	Water	698,478
Community Development	14,788	Wastewater	1,517,416
Culture and Recreation	955,287	Telecom	1,103,128
Education	765,102	School	16,443
Total Depreciation Expense - Governmental Activites	$ 6,052,749	Total Depreciation Expense - Business-Type Activities	$ 9,700,980

CITY OF BURLINGTON, VERMONT
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The jointly-owned generating facility, the Joseph C. McNeil Generating Station, is included in the business type capital assets. Under the Agreement for Joint Ownership, Construction and Operation of the Joseph C. McNeil Generating Station dated May 14, 1982, as amended, the owners are tenants in common with undivided interests in the Station. Ownership percentages of the Station as of June 30, 2007 are as follows:

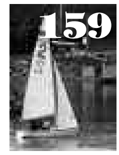
Station	Percentage
Burlington Electric Department	50%
Central Vermont Public Service Corporation	20%
Vermont Public Power Supply Authority	19%
Green Mountain Power Corporation	11%
Total	100%

Under the Agreement for Joint Ownership, Construction and Operation of the Highgate Transmission Interconnection dated August 1, 1984, as amended, the owners of the Highgate Converter and the Highgate-Canada Transmission Line are tenants in common with undivided interests in the converter. Ownership percentages of the converter as of December 31, 2006 are as follows:

Station	Percentage
Central Vermont Public Service Corporation	47.35%
Green Mountain Power Corporation	34.77%
Vermont Public Power Supply Authority	9.36%
Burlington Electric Department	7.70%
Others	0.82%
Total	100.00%

The Electric Department's ownership interest in each of the jointly-owned facilities is as follows: McNeil Station 50.00%, Highgate Converter Station 7.70%.

Burlington Electric Department (BED) has sole responsibility for operation of the McNeil Generating Station. Vermont Electric Power Company, Inc. (VELCO) has sole responsibility for the Highgate Converter.



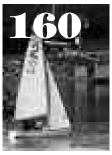
A summary of the McNeil Generating Station financial statements as of and for the year ended June 30, 2007 and the Highgate Converter as of and for the year ended December 31, 2006 are as follows:

Category	McNeil Generating Station	Highgate Converter
Total Assets	$ 78,533,901	$ 29,724,522
Liabilities	746,979	113,817
Owners' Equity	77,786,922	29,610,705
Total Liabilities & Owners' Equity	$ 78,533,901	$ 29,724,522
Contribution by Joint Owners	$ 20,278,590	$ 1,014,549
Station Operating Expenses	(20,022,988)	(1,031,541)
Increase/(Decrease) in Owners' Equity	255,602	(16,992)
Owners' Equity - Beginning of Year	77,531,320	29,627,697
Owners' Equity - End of Year	$ 77,786,922	$ 29,610,705

Burlington Community Development Corporation owns two buildings at the Burlington Airport with a cost of $5,340,385 and accumulated depreciation of $214,460. It also owns the land on Winooski Avenue at the site of the Onion River Food Co-Operative with a cost of $662,604 and land known as the Gilbane lot that was purchased in 2006 for $372,645. The Corporation was donated a small parcel of land adjacent to the Gilbane lot known as the Morton Parcel. The value of this donation was $120,000. The Corporation has land improvements at the site of the Onion River Co-Operative with a cost of $342,548 with accumulated depreciation of $28,545. The net carrying value of the Corporation's properties are $6,595,177. The buildings are being depreciated over seventy-five (75) years and the land improvements over sixty (60) years.

During the year, the Corporation sold property it owned at 131 Battery Street and the leasehold improvements at the site of the Onion River Food Co-Operative. Additionally, the Corporation owned Land Held for Resale at a site known as the Turner property. This property was sold during the year. Proceeds from these transactions were $2,704,000 and resulted in a gain on sale of assets of $444,062.

The Corporation also owns the bottom level of the Westlake Parking Garage with a cost of $816,750. The garage is recorded as Assets Held for Resale. Subsequent to year end, the Corporation engaged in a capital lease for the sale of their share of the parking garage.



CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

A summary of the Corporation's capital assets activity is as follow:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit				
Capital Assets, Not Being Depreciated:				
Land	$ 1,035,249	$ 120,000	$ 0	$ 1,155,249
Construction in Progress	815,967	783	816,750	0
Total Capital Assets, Not Being Depreciated	1,851,216	120,783	816,750	1,155,249
Capital Assets, Being Depreciated:				
Buildings	6,163,734	40,149	863,498	5,340,385
Land Improvements	342,548	0	0	342,548
Leasehold Improvements	305,810	0	305,810	0
Totals	6,812,092	40,149	1,169,308	5,682,933
Less accumulated depreciation for:				
Buildings	232,221	72,847	90,608	214,460
Land Improvements	22,836	5,709	0	28,545
Leasehold Improvements	12,232	1,529	13,761	0
Totals	267,289	80,085	104,369	243,005
Total Capital Assets, Being Depreciated	6,544,803	(39,936)	1,064,939	5,439,928
Component Unit Capital Assets, Net	$ 8,396,019	$ 80,847	$ 1,881,689	$ 6,595,177

G. Interfund Balances and Activity

The composition of interfund balances at June 30, 2007, is as follows:

Fund	Due From Other Funds	Due To Other Funds
Airport	0	1,668
Telecom	0	1,736
Wastewater	0	3,312
Pension	17,131	0
Other Non-Major Funds:		
Traffic	0	6,649
CEDO	0	284
Marketplace	0	356
Water	0	3,126
	17,131	17,131

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Interfund transfers for the year ended June 30, 2007, were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Southern Connector Fund	$ 11,607	Fund Capital Outlay
General Fund	South End Transit Center Fund	(654)	Refund Prior Transfer
General Fund	Fuel Depot Fund	102,922	Fund Capital Outlay
General Fund	Street Improvement Projects Funds	71,974	Fund Capital Outlay
General Fund	Riverside Avenue Project Fund	84,275	Fund Capital Outlay
General Fund	North Street Project Fund	53,685	Fund Local Share
General Fund	Moran Building and Heating Upgrade Fund	78,356	Fund Interfund Loans
General Fund	DPW New Facility	28,120	Fund Capital Outlay
General Fund	Queen City Bridge Fund	742	Fund Local Share
General Fund	N. Winooski Streetscape & Battery Street Projects Funds	58,410	Fund Capital Outlay
General Fund	Telecom Fund	159,500	Infrastructure
General Fund	Traffic Fund	289,736	Fund Free Parking
General Fund	Traffic Fund	40,000	Meter Replacement
General Fund	CEDO Fund	140,980	Subsidy
General Fund	Housing Trust Fund	191,982	Tax Transfer
General Fund	Marketplace Fund	11,500	Subsidy
Traffic Fund	CEDO Fund	30,000	Subsidy
Traffic Fund	General Fund	64,400	Subsidy
Traffic Fund	Downtown Transit Center Fund	9,634	Fund Local Share
Traffic Fund	Street Improvement Projects Funds	33,029	Fund Local Share
Traffic Fund	Downtown Planning Fund	20,789	Fund Local Share
Marketplace Fund	Street Improvement Projects Funds	7,163	Fund Local Share
School Bond Capital Fund	Wastewater Fund	165,000	Infrastructure
Cemetery Fund	General Fund	41,719	Fund Cemetery Operations
Loomis Library Fund	General Fund	553	Fund Library Operations
	Total	$ 1,695,422	

Interfund Loans

There are two (2) Interfund Loans Receivable/Payable that are owed to the Electric Department Fund. The Moran building and Heating Upgrade Fund owes $391,524 for the purchase of the Moran Building and $54,779 for electrical upgrades to the heating system at the Library. The total interfund loans are $446,303. The City pays $57,836 annually for principal and interest for twenty-five (25) years until May, 2017 for the Moran Building with interest at 7%. The Library Department pays $1,710 monthly until June, 2010 with interest at 6%.

The Burlington Community Development Corporation, a component unit of the City, owes two (2) separate City funds a total of $2,158,118 related to properties held for resale and for other pieces of property, plant and equipment. $810,000 of debt related to the Westlake Parking garage will be repaid during 2008 and the remaining $1,348,118 of debt relates to a loan from the Airport Fund for financing of the Aviation Support Hanger. This note will be repaid over twenty (20) years.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

H. Other Long-Term Assets

The governmental activities other long-term assets, net of accumulated amortization, consist of deferred debt issuance costs of $367,492 as of June 30, 2007.

The Proprietary Funds' other long-term assets, net of accumulated amortization, consist of the following as of June 30, 2007:

Category	Electric Utility	Airport	Water Resources	Telecom Fund	Total
Deferred Debt Issuance Costs	$ 1,234,315	$ 1,478,089	$ 98,003	$ 67,246	$ 2,877,653
Deferred Depreciation Expense	8,541,048	0	0	0	8,541,048
Unamortized Demand Side Mgt (DSM)	3,047,997	0	0	0	3,047,997
Other Unamortized Charges	3,771,606	0	0	0	3,771,606
Non-Utility Property	775,600	0	0	0	775,600
Deferred PSB Accounting Orders	659,575	0	0	0	659,575
Franchise Costs	0	0	0	61,471	61,471
Total	$ 18,030,141	$ 1,478,089	$ 98,003	$ 128,717	$ 19,734,950

The City has deferred charges resulting from the refinancing of debt together with the issuing of new debt. Such deferred charges are being amortized over the terms of the related debt.

In March 1990, the voters of the City of Burlington approved an $11,300,000 bond issue to fund Demand Side Management (DSM) programs. In October 1992, the Electric 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 rate making treatment, the Electric Department is recovering these costs over the life of the long-term bonds and the related debt service. Other Unamortized charges at June 30, 2007 are as follows:

Category	Amount
Loss on Transfer of Moran Station	$2,303,322
Costs Associated with Chase Hydro	1,468,284
Total	$3,771,606

The Moran Station was deactivated in 1986. The undepreciated costs of the plant are being amortized over the remaining life of the outstanding bonds which were issued to finance improvements to the Station.

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 Electric Department-owned land on the Winooski River. The costs associated with Chace Hydro are being amortized over the life of the outstanding bonds which were issued to finance the Electric Department's interest in the project.

In 1989, the Electric Department transferred its .0435% ownership interest in Millstone III, a nuclear generating unit, to the Connecticut Municipal Electric Cooperative for $900,000. This sale resulted in a loss of $3,493,000, which was deferred and is being amortized over the life of the outstanding bonds which were issued to finance the Electric Department's interest in the project.

During 2005, the 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 VPSB was for the deferral of rate design expenses incurred by the Department in the amount of $80,000. This amount has been deferred and will be amortized over a period of five (5) years after the rate is approved. 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. The total deferred cost is $934,559 and amortization over 84 months began June 1, 2005.

Capital projects having a long lead time for engineering have the engineering costs deferred as preliminary survey and investigations costs. At the time the project is ready for construction, these costs are transferred to construction work in progress. If it becomes obvious the project will not be constructed, the costs would be expensed.

In 1986, land along the Winooski River was purchased for $775,000 from a neighboring utility for the development of the Chase Mill hydroelectric project. Although the Electric Department incurred various engineering costs 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 Winooski One Partnership for the construction of the Winooski One Hydroelectric facility.

CITY OF BURLINGTON, VERMONT
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JUNE 30, 2007

I. Deferred Revenue

Deferred Revenue in the Governmental Funds consists of:

General Fund:		
Unavailable Property Taxes, Interest, and Penalties	$	1,013,881
Unavailable Gross Receipts, Taxes, Interest and Penalties		43,983
Unavailable Public Safety Non-Exchange Transaction Fees		366,363
Other Unavailable Receivables		13,754
Prepaid Recreation Fees		108,643
Prepaid Public Safety Assessments		64,218
Total General Fund	$	1,610,842
School Fund:		
Unavailable Grant Receivables	$	808,468
Grants Received in Advance		964,573
Total School Fund	$	1,773,041

Traffic Fund:		
Parking Fees Received in Advance	$	730
CEDO Fund:		
Unavailable Loans Receivable		4,618,416
Unavailable Accrued Interest Receivable		411,561
Unavailable Land Held For Resale		549,352
Unavailable Grant Receivables		151,278
Grants Received in Advance		64,481
Total CEDO Fund		5,795,088
Marketplace Fund:		
Pledges Received in Advance of Project		35,000
Vendor Assessments Received in Advance		23,663
Unavailable Vendor Assessment Receivables		36,477
Total Marketplace		95,140
Capital Projects Funds:		
Unavailable Grant Receivables		1,047,569
Total Other Governmental Funds	$	6,938,527

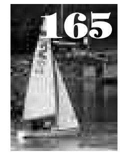
The unavailable amounts are those receivables that were not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities.

The revenue from the Loans, Interest on Loans and Land Held for Resale of will be recognized as the loans are repaid to the City and the land is sold. The revenue from Unavailable Receivables will be recognized as the receivable is collected. The Prepaid Fees and Assessments will be recognized as assessments are levied and services are provided. The Grant Revenue received in advance will be recognized as eligible grant expenditures are incurred.

J. Long-term Liabilities

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to refund prior 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. New bonds generally are issued as 10 to 20 year bonds. Refunding bond are issued for various terms based on the debt service of the debt refunded.



No-Interest Revolving Loans. The State of Vermont offers a number of no-interest revolving loan programs to utilize for predetermined purposes. The City has borrowed money from the Vermont Special Environmental Revolving Fund for sewer projects.

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.

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 lease 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.

Compensated Absences – It is the policy of the City of Burlington, Vermont to permit employees to accumulate earned but unused benefits. 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 Premium

Debt Premiums 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.

Unamortized Discount

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

Deferred Loss on Refunding Bonds and Capital Leases

The City has incurred various accounting losses in connection with the refinancing of bonded debt and capital leases. Although the refinancing results in an accounting loss, the City always reduces its aggregate debt service. The deferred loss on refunding is amortized over the life of the new debt issuance.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Changes in all long-term liabilities (including bonds, notes, capital leases, insurance reserves, compensated absences, post-employment benefits, landfill post-closure costs and the net pension obligation) during the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	$ 15,980,000	$ 7,433,972	$ 4,651,667	$ 18,762,305	$ 2,445,131
Other Debt	21,311,544	0	968,285	20,343,259	1,864,720
Obligations Under Capital Leases	2,656,258	1,023,585	873,553	2,806,290	979,909
Insurance Reserves	2,136,000	852,000	0	2,988,000	1,655,000
City Compensated Absences	2,008,365	105,578	0	2,113,943	0
School Compensated Absences	2,625,625	0	141,782	2,483,843	18,264
Landfill Post-Closure	99,000	9,000	0	108,000	26,160
School - Post Employment Benefits	117,284	6,101	22,454	100,931	28,096
Net Pension Obligation	2,268,836	0	441,220	1,827,616	0
Total Governmental Activities Long-term Liabilities	$ 49,202,912	$ 9,430,236	$ 7,098,961	51,534,187	$ 7,017,280
Add Unamortized Premium				160,480	
Subtract Deferred Loss on Refunding				(92,014)	
Total				$ 51,602,653	

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
General Obligation Bonds Payable	$ 28,157,730	$ 2,670,357	$ 1,029,133	$ 29,798,954	$ 949,387
Revenue Bonds	122,760,000	0	8,445,000	114,315,000	8,875,000
Obligations Under Capital Leases	22,693,644	154,150	813,195	22,034,599	1,365,470
Other Electric Department Long-Term Debt	62,269	0	22,409	39,860	0
Compensated Absences	1,162,372	11,019	0	1,173,391	0
Net Pension Obligation	211,561	0	52,320	159,241	0
Total Business-type Activities Long-Term Liabilities	$ 175,047,576	$ 2,835,526	$ 10,362,057	167,521,045	$ 11,189,857
Add Unamortized Premium				1,858,786	
Subtract Unamortized Discount				(126,161)	
Subtract Deferred Loss on Refunding Bonds				(18,153,815)	
Subtract Deferred Loss on Refunding Capital Leases				(78,750)	
Total				$ 151,021,105	

Compensated Absences and Early Retirement 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:

		Issue Date	Interest Rate %	Maturity Date	Original Issue	Outstanding 6/30/2006	Refunding Bonds/ New Issues	Amount Refunded/ Principal Reduction	Outstanding 6/30/2007
Governmental Activities:									
General Obligation Bonds:									
69	G.O. 1996 Series A Refunding Bonds	06/15/96	3.80-5.40	12/01/2009	$5,695,000	$2,035,000	$0	$2,035,000	$0
87	Urban Renewal 1998 Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	835,000	435,000	0	65,000	370,000
90	G.O. 1998 Series B Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	174,167	90,000	0	13,334	76,666
91	General Improvements 1998 Series A	08/03/98	4.20-4.30	12/01/2008	750,000	260,000	0	85,000	175,000
100	General Improvements 1999 Series B	07/20/99	4.25-4.80	12/01/2009	750,000	340,000	0	80,000	260,000
105	General Improvements 2000 Series A	10/12/00	4.25-4.75	12/01/2010	750,000	420,000	0	75,000	345,000
107	General Improvements 2001 Series A	10/01/01	3.00-4.00	11/01/2011	750,000	485,000	0	75,000	410,000
108	North/South Connector 2001 Refunding Bonds	10/01/01	3.00-3.10	11/01/2006	1,035,000	215,000	0	215,000	0
109	Waterfront Imp. 2001 Refunding Bonds	10/01/01	3.00-3.10	11/01/2006	1,090,000	225,000	0	225,000	0
115	General Improvements 2002 Series A	07/30/02	3.00-4.00	09/01/2012	750,000	550,000	0	70,000	480,000
118	Fire Equipment Bond 2003A	05/01/03	3.50-4.00	11/01/2018	2,500,000	2,235,000	0	135,000	2,100,000
129	General Improvements 2003 Series B	10/15/03	2.00-3.75	11/01/2013	750,000	620,000	0	70,000	550,000
136	General Improvements 2004 Refunding Series B	07/15/04	2.00-3.80	12/01/2016	530,000	480,000	0	60,000	420,000
138	General Improvements 2004 Series A	07/15/04	2.25-3.75	05/01/2015	750,000	690,000	0	70,000	620,000
139	General Improvements 2005 Series A	06/28/05	3.50-3.60	11/01/2015	250,000	250,000	0	20,000	230,000
143	General Improvements 2005 Series B	07/06/05	3.25-3.50	11/1/2015	1,000,000	1,000,000	0	75,000	925,000
148	General Improvements 2006 Refunding Series B	10/10/06	3.50-4.00	12/1/2009	1,454,867	0	1,454,867	0	1,454,867
150	General Improvements 2006 Series B	10/10/06	3.50-4.00	11/1/2026	1,000,000	0	1,000,000	0	1,000,000
71	G.O. School 1996 Series A Refunding Bonds	06/15/96	3.80-5.40	12/01/2009	2,120,000	825,000	0	825,000	0
88	G.O. School 1998 Series C Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	696,667	360,000	0	53,333	306,667
112	G.O. School 2002 Series Refunding Bonds	07/30/02	2.50-4.00	09/01/2013	1,070,000	820,000	0	90,000	730,000
114	G.O. School 2002 Series A Bonds	07/30/02	3.00-4.375	03/01/2018	860,000	770,000	0	30,000	740,000
137	G.O. School 2004 Refunding Series B Bonds	07/15/04	2.00-3.80	12/01/2016	2,370,000	2,125,000	0	270,000	1,855,000
145	G.O. School 2005 Series B Bonds	07/06/05	3.25-4.2	11/1/2025	750,000	750,000	0	15,000	735,000
147	G.O. School 2006 Refunding Series B Bonds	10/10/06	3.50-4.00	12/1/2009	614,105	0	614,105	0	614,105
152	G.O. School 2006 Series A Bonds	10/10/06	3.50-4.00	11/1/2026	750,000	0	750,000	0	750,000
153	G.O. School 2006 Series A Bonds - Athletic Field	10/10/06	3.50-4.00	11/1/2026	3,615,000	0	3,615,000	0	3,615,000
	General Obligation Bonds Subtotal				33,659,806	15,980,000	7,433,972	4,651,667	18,762,305
Other Debt:									
94	Downtown Parking - Certificate of Participation	06/01/99	4.30-4.80	12/01/2018	5,500,000	3,580,000	0	390,000	3,190,000
95	Waterfront Refunding - Certificate of Participation	06/01/99	4.30-4.80	12/01/2018	1,390,000	1,040,000	0	60,000	980,000
103	Capital Projects - Certificate of Participation	06/27/00	5.375-5.75	12/01/2020	4,100,000	3,430,000	0	150,000	3,280,000
116	Police Facility - Certificate of Participation Refunding	07/30/02	3.00-4.25	05/01/2015	2,075,000	1,530,000	0	145,000	1,385,000
140	Downtown Parking - Certificate of Participation	6/7/2005	4.0-4.375	05/01/2025	7,870,000	7,870,000	0	0	7,870,000
96	Pease Grain Lot & Central Garage Mortgage	05/10/98	7.20	05/15/2008	840,000	504,000	0	42,000	462,000
97	Winooski Main Street Lot Mortgage	05/10/98	5.00	05/15/2008	260,000	156,000	0	13,000	143,000
98	HUD Section 108 - US Guaranteed Notes 1999	04/28/99	5.40-6.20	08/01/2017	1,930,000	1,285,000	0	120,000	1,165,000
128	HUD Section 108 - US Guaranteed Notes 2003	02/12/03	3.25	08/01/2022	3,602,000	1,802,000	0	0	1,802,000
142	VEDA/State Infrastructure loan	03/08/05	2.50	03/08/2012	304,531	114,544	0	48,285	66,259
	Other Debt Subtotal				27,871,531	21,311,544	0	968,285	20,343,259
	Total Governmental Activities Bonds & Other Debt				$ 61,531,337	$ 37,291,544	$ 7,433,972	$ 5,619,952	$ 39,105,564

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

In addition to the above long-term debt, the City incurred the following short-term obligations during the year.

CITY OF BURLINGTON, VERMONT
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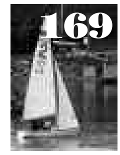
	Original Issue	Outstanding 6/30/2006	New Issues	Principal Reduction	Outstanding 6/30/2007
Tax and Bond Anticipation & Other Notes Payable					
Tax Anticipation Note - General Fund	2,000,000	0	2,000,000	2,000,000	0
Tax Anticipation Note - General Fund	6,000,000	0	6,000,000	6,000,000	0
Revenue Anticipation Note - Electric Fund	3,000,000	0	3,000,000	3,000,000	0
	11,000,000	0	11,000,000	11,000,000	0

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

	Business-type Activities:	Issue Date	Interest Rate %	Maturity Date	Original Issue	Outstanding 6/30/2006	Refunding Bonds/ New Issues	Amount Refunded/ Principal Reduction	Outstanding 6/30/2007
	General Obligation Bonds:								
23	Electric - Nuclear Units #3	06/01/79	5.75	05/01/2008	$1,200,000	$100,000	$0	$50,000	50,000
70	Electric 1996 Series A Refunding Bonds	06/15/96	3.80-5.40	12/01/2009	555,000	200,000	0	200,000	0
89	Electric 1998 Series C Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	174,167	90,000	0	13,333	76,667
110	Electric 2001 Capital Refunding Bonds	10/01/01	3.00-3.10	11/01/2006	570,000	45,000	0	45,000	0
113	Electric 2002 Series A Refunding Bonds	07/30/02	2.50-3.50	09/01/2008	120,000	65,000	0	20,000	45,000
135	Electric 2004 Series B Refunding Bonds	07/15/04	2.00-3.80	12/01/2016	510,002	460,000	0	60,000	400,000
141	Electric 2005 Series A Bonds	06/28/05	3.50-4.20	11/01/2025	1,000,000	1,000,000	0	20,000	980,000
144	Electric 2005 Series B Bonds	07/06/05	3.25-4.20	11/01/2025	1,000,000	1,000,000	0	25,000	975,000
149	Electric 2006 Series B Refunding Bonds	10/10/06	3.50-4.00	12/1/2009	146,028	0	146,028	0	146,028
151	Electric 2006 Series A Bonds	10/10/06	3.50-4.00	11/1/2026	1,000,000	0	1,000,000	0	1,000,000
102	Wastewater - State of VT-EPA 1990 Series 1	12/06/90	0.00	12/01/2010	5,378,105	4,840,298	0	161,343	4,678,955
101	Wastewater - State of VT-EPA 1991 Series 1	02/12/92	0.00	12/01/2014	19,403,807	18,645,418	0	291,057	18,354,361
103	Wastewater - State of VT-EPA 2006 Series 1	09/06/06	2.00	02/01/2027	1,650,000	41,458	1,494,302	0	1,535,760
108	Wastewater - State of VT-EPA 2001 Series 1	07/01/00	2.00	10/01/2026	2,500,000	1,670,556	30,027	143,400	1,557,183
	General Obligation Bonds Subtotal				35,207,109	28,157,730	2,670,357	1,029,133	29,798,954
	Revenue Obligation Bonds:								
77	Electric - Revenue Bonds 1996 Series A	04/01/96	3.80-6.38	12/01/2012	54,475,000	29,250,000	0	3,485,000	25,765,000
126	Electric - Revenue Bonds 2001 Series A	12/01/01	2.30-4.60	07/01/2014	11,115,000	9,585,000	0	590,000	8,995,000
127	Electric - Revenue Bonds 2002 Series A	04/01/02	5.00-5.375	07/01/2014	20,875,000	18,295,000	0	1,030,000	17,265,000
130	Electric - Revenue Bonds 2004 Series A	04/15/04	4.27	07/01/2024	10,000,000	9,655,000	0	365,000	9,290,000
82	Water - Revenue Bonds 1997 Series A	07/10/97	4.10-5.00	12/01/2012	13,925,000	8,060,000	0	995,000	7,065,000
78	Airport - Revenue Bonds 1997 Series A	05/01/97	3.85-5.60	07/01/2017	12,380,000	8,935,000	0	545,000	8,390,000
79	Airport - Revenue Bonds 1997 Series B	05/01/97	4.00-5.75	07/01/2017	7,450,000	5,405,000	0	325,000	5,080,000
104	Airport - Revenue Bonds 2000 Series A	05/17/00	4.80-6.20	07/01/2020	10,435,000	8,775,000	0	385,000	8,390,000
119	Airport - Revenue Bonds 2003 Series A and B	06/11/03	2.00-5.00	07/01/2028	24,800,000	24,800,000	0	725,000	24,075,000
	Revenue Obligation Bonds Subtotal				165,455,000	122,760,000	0	8,445,000	114,315,000
	Total Business-type Activities Bonds				$ 200,662,109	$ 150,917,730	$ 2,670,357	$ 9,474,133	$144,113,954

Revenue Bonds have been issued pursuant to General Bond Resolutions and are collateralized by a pledge of revenues. Pursuant to the General Bond Resolutions, revenues (as defined) means all rates, fees, charges or other income and includes rentals, proceeds of insurance or condemnation or other disposition of assets, proceeds of bonds or notes and earnings from the investment of revenues. On an annual basis, revenues must be sufficient after deducting operating expenses (as defined) to meet minimum debt service coverage requirements (as defined). If minimum debt service coverage requirements are not met, the City must take timely corrective action. For the year ended June 30, 2007, the City believes it has met the debt service coverage requirements.

The general obligation bonds issued to finance business-type activities improvements are collateralized by the general revenue-raising power of the City of Burlington. Pursuant to the terms of a General Bond Resolution adopted by the City of Burlington (the General Bond Resolution), the claim on the revenues of the business type activities by the holders of revenue bonds under the General Bond Resolution is prior to any claim of the holders of general obligation bonds.



On October 10, 2006 the City issued $2,215,000 in general obligation bonds Series B with an average rate of 3.75% to refund $2,200,000 of 1996 general obligation bonds with an average rate of 5.36%. The net proceeds of $2,201,628, including premium of $15,531 (after payment of $28,803 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the 1996 refunded bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt.

Although the advance refunding resulted in the recognition of an accounting loss for the year ended June 30, 2007, the City in effect reduced its aggregate debt service payments by $39,725 over the next three years and obtained an economic gain (difference between the present values of the old and the new debt service payments) of $42,058.

Anticipated maturities of the bonds and notes are as follows:

Year Ending	Governmental Activities		Business-Type Activities	
June 30	Principal	Interest	Principal	Interest
2008	$ 4,309,851	$ 1,559,425	$ 9,824,387	$ 5,845,120
2009	3,410,904	1,383,911	10,369,414	5,416,685
2010	3,145,310	1,256,323	10,924,949	4,921,414
2011	2,529,166	1,144,051	15,317,301	4,372,202
2012	2,468,333	1,043,705	11,934,247	3,789,488
2013-2017	10,715,000	3,801,548	56,967,969	11,136,805
2018-2022	8,550,000	1,654,504	14,724,553	4,823,432
2023-2027	3,977,000	362,176	10,702,768	2,008,052
2028-2029	0	0	3,348,366	166,742
Total	$ 39,105,564	$ 12,205,643	$ 144,113,954	$ 42,479,940

The City is the lessee of various equipment under capital leases expiring in various years through 2021. Future minimum payments under the capital leases consisted of the following as of June 30, 2007.

Year Ending 6/30	Governmental Activities	Business-type Activities
2008	$ 1,039,309	$ 2,414,333
2009	705,807	2,414,333
2010	519,460	2,332,541
2011	384,948	2,277,531
2012	248,032	2,270,491
2013-2017	148,978	11,260,407
2018-2021	0	6,348,252
Total Minimum Lease Payments	3,046,534	29,317,888
Less Amounts Representing Interest	(240,244)	(7,283,289)
Net Present Value of Future Payments	2,806,290	22,034,599
Deferred Loss on Lease Refunding	0	(78,750)
Net Capital Lease Payable	$ 2,806,290	$ 21,955,849

Two of the capital leases, for $11,612,315 and $10,000,000, are for the Telecom Fund. The lease repayments are to be paid back from Telecom revenues. If these revenues are insufficient, the other City funds are not obligated in any manner to repay these leases. These leases are not supported by the general taxing authority of the City.

Burlington Community Development Corporation has two (2) notes payable with TD Banknorth, N.A. on the buildings it owns at the Airport and the Gilbane property totaling $679,542 which are secured by mortgages. The loans are for ten years and one (1) loan has a variable interest rate currently at 6.0% and one (1) loan has a fixed rate of 7.66%.

The Corporation also has four (4) notes payable with Chittenden Investment Services, Inc. with a balance of $1,368,187 which are offset by notes receivable from Champlain Housing Trust Corporation and will be repaid as the notes receivable are collected. Interest rates are between 5% and 6%.

The Corporation also has borrowed $3,320,000 from the Vermont Economic Development Authority to construct an Aviation Support Hanger. The loan is for twenty (20) years and interest is at 7.15%. The balance as of June 30, 2007 is $3,242,427.

The Corporation also borrowed $1,400,000 from the Airport Fund to assist in financing the construction of the above mentioned Aviation Support Hanger. The terms of the note require monthly payments for twenty (20) years with interest at 3%. The note is due in June, 2026. This is reported as due to primary government. The balance as of June 30, 2007 is $1,348,118.

The Corporation also owes a City Capital Project Fund $810,000 for its share of the Westlake Parking Garage. The amount will be paid in 2008 when the Corporation secures permanent financing from a bank. This liability is reported as due to primary government.

Future maturities of the notes payable for Burlington Community Development Corporation (excluding amounts owed to the primary government) are anticipated to be as follows:

Year Ending June 30	Principal	Interest
2008	$ 185,837	$ 352,401
2009	526,974	335,655
2010	202,048	301,626
2011	215,579	288,096
2012	230,023	273,651
2013-2017	1,087,126	1,151,002
2018-2022	1,441,824	738,926
2023-2027	1,373,678	198,978
2028-2029	27,067	905
Total	$ 5,290,156	$ 3,641,240

BCDC anticipates the following maturities on its note payable to the Airport Fund:

Year Ending June 30	Principal	Interest
2008	$ 53,460	$ 39,712
2009	55,086	38,086
2010	56,761	36,411
2011	58,488	34,684
2012	60,267	32,905
2013-2017	329,972	135,888
2018-2022	383,300	82,560
2023-2026	350,784	21,905
Total	$ 1,348,118	$ 422,151

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K. Restricted Net Assets

The restricted net assets of the City's Governmental Activities as of June 30, 2007 are as follows:

Restricted for Specific General Fund Purposes By Various Instruments	$1,597,807
Restricted for Education by Grant Agreements	508,648
Restricted for Traffic Activities by Charter	751,429
Restricted for Community Development by Grant Agreements	5,819,417
Restricted for Wadell Fund by Donations	13,266
Restricted for Capital Construction by Donations	57,484
Restricted for Perpetual Care by Trust Agreements	987,230
Total Restricted Governmental Activities Net assets	$9,735,281

The restricted net assets of the City's Business-type Activities as of June 30, 2007 are as follows:

Restricted for Debt Service by Revenue Bond	$18,505,022
Restricted for Renewal & Replacement Projects by Revenue Bond	1,027,291
Restricted for Capital Project by PFC's	8,569,104
Restricted for Airport Capital Projects by Revenue Bond	208,923
Total Restricted Business-type Activities Net assets	$28,310,340

The City also has eight Private Purpose Trust Funds that are restricted by trust agreements and donations totaling $215,725.

L. Reserved Fund Balances

The reserved fund balances of the City's Governmental Funds as of June 30, 2007 are as follows:

General Fund:	
Reserved for Inventories and Prepaid Expenses	$ 684,081
Reserved for Parking Fund by Charter	23,000
Reserved for Health Insurance Reserve *	342,971
Reserved for Library Books	108,325
Reserved for Public Record Restoration by Grants	32,598
Reserved for Capital Construction by Impact Fees	717,374
Reserved for Public Safety Expenditures by Police Equitable Sharing Funds	373,539
Total General Fund	2,281,888

* The health insurance reserve consists of cash at Blue Cross and Blue Shield of Vermont in excess of the health insurance liability.

School Fund:	
Reserved for Education Expenditures by Donations and Grants	$ 508,648
Total School Fund	508,648
Other Governmental Funds:	
Reserved for Traffic Fund Prepaid Expenses and Inventories	181,860
Reserved for Traffic Fund Expenditures by City Charter	569,569
Reserved for Community Development by Grant Agreements	88,810
Reserved for Mary E. Waddell Fund by Trust Agreement	13,266
Reserved for Capital Construction by Donations	57,484
Reserved for Lakeview & College Street Garages and Westlake Projects by Debt Proceeds	182,302
Reserved for Cemetery Endowments by Trust Agreements	968,154
Reserved for Other Permanent Funds by Donations	19,076
Total Other Governmental Funds	2,080,521
Total Reserved Fund Balances	$4,871,057

M. Designated Fund Balances

The designated fund balances of the City's Governmental Funds as of June 30, 2007 are as follows:

General Fund:	
Designated for CCTA & County Tax	$ 46,450
Designated for Insurance Reserve	284,824
Designated for Employee Benefit Reserve	495,116
Designated for Capital and Working Capital Funds	319,277
Designated for Conservation Legacy	313,983
Designated for Parks – Greenbelt Dedicated Taxes	58,969
Designated for Cemetery Capital	21,236
Designated for Gosse Court & Leddy Park Capital	499,337
Designated for Lakeview Garage Maintenance Reserve – TIF	245,149

CITY OF BURLINGTON, VERMONT
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Designated for Street Repaving	$ 25,196
Designated for Recycling	67,027
Total Designated Items	2,376,564
Less: Uncollected Property Taxes, Penalties and Interest	(1,013,881)
Total Designated Fund Balance	$1,362,683

The City's General Fund designated fund balance was reduced by the $1,013,881 revenue deferral for uncollected property taxes, penalties and interest. The expending of funds for the designated expenditures is contingent upon the receipt of these monies.

The remaining unreserved and undesignated fund balance of the City's General Fund as of June 30, 2007 was $2,456,857.

The unreserved, undesignated fund balances/(deficits) in the Other Governmental Funds as of June 30, 2007 are as follows:

Special Revenue Funds:	
Housing Trust Fund	$ 609
Church Street Marketplace Fund	(42,731)
Total Special Revenue Funds	(42,122)
Capital Projects Funds:	
Southern Connector	(404,606)
South End and Downtown Transit Centers	(88,493)
Street Improvement Projects	(162,266)
Riverside and Northstreet Projects	(405,378)
Heating Upgrades and Moran Building	(446,303)
DPW New Facility	(28,122)
Englesby Brook Project	(62,233)
North Winooski Streetscape and Battery Street Projects	(159,680)
Downtown Planning and Queen City Bridge	(80,828)
Firehouse Center	(185,039)
Parking Garage Elevator	(28,750)
School Capital Projects	(757,452)
Total Capital Projects Funds	(2,809,150)
Total Unreserved, Undesignated Fund Balances/(Deficits)	$(2,851,272)

The deficit in the Church Street Marketplace Fund will be funded in 2008 with increased revenue collection efforts and decreased expenses. The DPW New Facility, Heating Upgrades and Moran Building and deficit will be funded annually by transfers from the General Fund. The Riverside Avenue Project deficit will be funded through reimbursement from utility companies if possible or transfers from the General Fund. All other City funds with deficits will be funded as Grant Receivables are collected in Fiscal Year 2008 or with a transfer from the General Fund.

V. OTHER INFORMATION

A. Property Taxes

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 collected four (4) times per year. During the tax year ended June 30, 2007, taxes became due and payable on August 12, 2006, November 12, 2006, March 12, 2007 and June 12, 2007. 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 added after the tenth (10^{th}) day late and an additional 1% per month thereafter. Taxes unpaid ten (10) days after the June due date are delinquent and are subject to an 8% penalty and interest calculated at twelve percent (12%). Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale.

The amount of taxes the City may levy is subject to charter limitations. These limits and the rates assessed for 2006-2007 are as follows:

Category	Charter Limits	Rate per $100 of Assessed Value Residential	Rate per $100 of Assessed Value Non-Residential
General City	$0.2329	$0.2329	$0.2329
Highways (charter-prescribed minimum)	0.0312	0.0312	0.0312
Police/Fire	0.0807	0.0807	0.0807
Parks (charter-prescribed minimum)	0.0250	0.0250	0.0250
County Tax	Actual	0.0051	0.0051
General Long-Term Debt Retirement & Interest	Actual	0.0550	0.0550
Retirement Contribution	Actual	0.1491	0.1491
Chittenden County Transportation Authority	Actual	0.0335	0.0335
Streets-Special	0.0417	0.0417	0.0417
Housing Trust Fund	0.0100	0.0054	0.0054
Library Tax	0.0050	0.0050	0.0050
Open Space	0.0100	0.0054	0.0054
City Total		0.6700	0.6700
Education	Actual	0.9920	1.3026
Total Tax Rate		$1.6620	$ 1.9726

CITY OF BURLINGTON, VERMONT
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Those limits specified may be exceeded only if authorized by the voters, except for Parks and Highways which have no maximum charter limit. Property taxes levied were calculated as follows:

A summary of property taxes assessed and collected is as follows:

Total Property Taxes Assessed		
School (Homestead)	$	15,464,719
School (Non-Residential)		21,660,571
City Real		24,018,019
City Personal		974,967
Total Taxes Assessed		62,118,276
Less: Current Year Collections and Adjustments		61,255,597
Delinquent Taxes	**$**	**862,679**
Percentage of Current Tax Collections to Total Levies		**98.61%**

The City had to send $37,079,940 in tax revenues to the School District and State of Vermont for education purposes based on the State's funding formula.

The City also assessed an $ .08 tax levy on the commercial values of properties within the "Downtown Improvement District" to assist in funding two hours of free parking in the downtown garages. The City assessed $249,736 in taxes and collected $247,095.

B. Commitments and Contingencies

ELECTRIC DEPARTMENT

1. Sources of purchased power include power contracts from Northeast Utilities, New York State Electric and Gas, Vermont Electric Power Producers and Duke Energy Trading. The Department continues to receive a block of hydro power from the New York Power Authority. The costs of power purchased under these contracts are accounted for as purchased power expense in the statement of revenues, expense and changes in net assets.

The percentages of the Department's total energy requirements provided by major contracts were as follows:

McNeil Generating Station and Gas Turbine	35.0%
Northeast Utilities	17.0%
NYPA	4.0%
NYSEG	16.0%
VEPPI	6.0%
Other	22.0%
Total	100.0%

The Department purchases a significant portion of its electricity requirements pursuant to long-term contracts in the above-mentioned generating units. These contracts require the Department to make payments to cover its proportionate share of the capital and operating costs of these generating units. These payments are significant and are recovered currently through rates. Payments under long-term power supply contracts were $9,928,532 for the year ended June 30, 2007. Future commitments under these contracts totaled approximately $24 million at June 30, 2007. The remainder of energy requirements are satisfied through short-term purchases, generation at the McNeil Station, which the Department is a 50% owner, and the gas turbine, which the Department wholly owns.

2. The joint owners of the McNeil Station have entered into a contract with New England Central Railway (NECR) for the transportation of wood chips to the McNeil Station. The contract expires in June, 2009, and under terms of the contract, minimum payments of $335,816 are required to be made in fiscal year 2008. During 2007, the Department paid $535,952 under this contract. In addition, a Fuel Equalization Adjustment will apply for the term of his contract. For every $0.15 increase or decrease in NECR's average quarterly diesel fuel price paid by NECR at St. Albans, Vermont, NECR will add or subtract a one (1) percent Fuel Equalization Adjustment to the Department per train rate. The Fuel Equalization Adjustment will stay in place until another $0.15 per gallon change has occurred. The base rate is $1.78 per gallon, based on the June 2009 average fuel price.

3. The joint owners of the McNeil Station have also entered into a contract for the operation of a wood chip receiving yard in Swanton, Vermont. The contract expires in June, 2010. Under the terms of that contract, minimum payments of $192,000 are required to be made by the Department in fiscal year 2008. During 2007, the Department paid $341,168 under this contract.

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4. The Department faces possible liability as a potentially responsible party ("PRP") with respect to the cleanup of certain hazardous waste sites. The City is currently a PRP as a landowner of a hazardous waste superfund site in Burlington, Vermont which is the subject of a remediation investigation by the Environmental Protection Agency. The Department has agreed to share on an equal basis in 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 E.P.A. concerning the remediation plan at the site, the City believes that the likelihood of any liability material to the financial position of the City is remote and, as such, no liability has been accrued as of June 30, 2007.

   In November, 2006, the GASB issued GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. Under GASB Statement No. 49, the Department will be required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. GASB Statement No. 49 is effective for fiscal years ending after December 15, 2007. The Department has not determined the effect, if any, the adoption of GASB Statement No. 49 will have on the financial statements.

5. During fiscal year 1997, the Department initiated a Voluntary Buyout Program ("VBP") for all eligible employees. Under the terms of the VBP, all employees with three or more years of service as of June 30, 1997 were eligible to participate. A total of 24 employees opted for the VBP and have separated from the Department. Under generally accepted accounting principles, the Department was required to accrue all costs associated with the VBP to the extent such costs were known and measurable. At June 30, 2007, the Department has a remaining liability of $49,296 which will be reduced as cash payments are made to participants through fiscal year 2010.

6. As part of the Department's various Demand Side Management (DSM) programs, the Department's electric customers are able to finance the costs of various energy efficiency improvements made to their home or business through a loan program with a financial institution. Customers repay the loan directly to the bank. In the event of default by a customer, the Department, as guarantor, pays the bank the remaining balance and assumes the responsibility of collecting the unpaid balance from the customer. The total exposure to the Department for all DSM loans outstanding to the bank as of June 30, 2007 was $11,768.

7. Regulatory Matters:

On September 8, 2004, the Vermont Public Service Board (VPSB) approved a rate case filed by the Department increasing the Department's rates by 7.19%. With the approval of the Department's rate increase by the VPSB, the VPSB required the Department to initiate a cost allocation and rate design plan. This cost allocation and rate design is designed to be, in total, revenue neutral. As of June 30, 2007, the cost allocation and rate design plan had been approved by the VPSB and Phase I will begin to be implemented on July 1, 2006 with Phase II being implemented on July 1, 2007.

OTHER FUNDS

CONTINGENT LIABILITY

The City has received notice from the State of Vermont Environmental Enforcement Division ("EED") of the possibility of bringing enforcement action against the City for alleged unlawful discharges to state waters at the Burlington International Airport. The City is presently working with the EED in an attempt to reach a negotiated settlement of these matters and is reasonably optimistic such a settlement will be achieved. It appears that the City acted responsibly in reporting the discharge and taking remedial action in response. It also appears that third parties are responsible for some of the alleged violations. While the applicable statutes provides for penalties of up to $100,000 for each continuing violation, penalties approaching that level are not anticipated. The City's actions taken to date are being considered mitigating factors in the assessment of the appropriate penalty. The City intends to minimize its exposure by continuing to work with the EED to arrive at an acceptable settlement.

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 site remains stable.

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 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 $483,438 were expended in FY 2007. Federal and State permitting and final design are ongoing and construction will not begin until at least 2009.

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CHITTENDEN SOLID WASTE DISTRICT

The City is a member of the Chittenden Solid Waste District. There is at least one pending case at the District level. The City, as a member, could share in the costs of any unfavorable outcomes.

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, 2007 have not yet been conducted. Accordingly, the City's compliance with application grant 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.

CONSTRUCTION COMMITMENTS

The Airport has commitments for ongoing Airport Improvement Projects as well as the completion of construction in progress funded from the restricted assets. Airport Improvement Projects in progress include the north terminal upgrade, south end development, land acquisition and mitigation, security enhancements and certain studies.

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. This was financed by funding in the form of $7,870,000 of Certificates of Participation (COPs). 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 recently 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. As of the end of the fiscal year, the City and developer were in negotiations regarding this issue.

TRANSPORTATION CENTER

Mayor Clavelle and the City Council 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, 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 Pearl Street.

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

BURLINGTON TELECOM

In March, 1996 and November, 2000, voters authorized the City to provide an alternate telecommunication network and related services within the City. To that end, the City secured a capital lease in the amount of $2,600,000 in 2003 with Koch Financial to establish a fiber optic network to provide services for communications between the City and School Buildings. This network, known as Phase I, was originally constructed to serve as the backbone for further expansion of Burlington Telecom. Phase II of the project expanded the project to provide for businesses and non-profit organizations along this route to be able to connect to the municipal network. Phase III of the project was designed to provide a fiber optic infrastructure to pass every home and business within the City capable of carrying virtually unlimited amounts of traffic and services.

In May, 2004, the City Council authorized the Chief Administrative Officer to solicit financing opportunities for Phase III expansion of the project to include delivery of voice, data, and cable television services throughout the City. The technology for this phase has been updated since Phase I was constructed and requires a different design. In the fall of 2004, the City received six proposals for financing and, in November, 2004, additional financing of $10,000,000 was again secured from Koch Financial of Scottsdale, Arizona.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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This Phase III service was initiated in a defined area in the south end of the City in February, 2006. Construction and expansion of the system continued through FY 2006 and FY 2007. The original $2,600,000 was refinanced at a lower interest rate at this time also. During this time period, the City received Certificates of Public Good (CPG's) to operate cable television and telephone operations within the City. In June, 2005, the City purchased a building on 200 Church Street to house the equipment and administration for this service. In January, 2006, an additional $10,000,000 in financing was secured to cover construction and hookup costs to expand Phase III of the system. Subsequently, additional funding required for this project led to authorization by the City Council for a refinancing of the Koch financing and an additional lease/purchase financing for a total of $33 million with CitiCapital. This refinancing was completed in August, 2007.

MORAN PROJECT

The Moran Generating Plant located on Lake Champlain has been vacant since a decommissioning in 1986 by the Burlington Electric Department. The building was then turned over to the City and in 1992 the Public Service Board directed the City to repay Burlington Electric $674,000 for the property. As of June 30, 2007, the outstanding balance owed to BED on this note was $391,524.

In March, 2005, voters rejected a proposal on an advisory referendum which could have allowed the YMCA to locate on this site. Subsequently, the Community and Economic Development Office surveyed citizens regarding potential uses of the site. The survey was intended to help determine whether the building should be removed or repaired and, if repaired, which use is more preferred.

The public process on the future of Moran held in 2005 provided a shortlist of potential uses that were voted on in the March 2006 Moran Ballot Survey, now shown in concept drawings. On September 30, 2006 over 130 people came to the Moran Plant to view these concept drawings based on the list of potential uses. Many ideas were received and discussed. The City Council Park Arts and Culture Committee facilitated the public process and oversaw the completion of the concept drawings and comparative estimates for each use listed on the ballot. The concept drawings and estimates stimulated public interest in the future of Moran and assisted in providing information to the City Council and the public. By the close of Fiscal Year 2007, the Mayor and City Council, with the support of the CEDO staff continued planning and evaluation of redevelopment options with the intent to seek a public referendum in March, 2008.

C. 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 commercial insurance packages purchased in the name of the Electric, Airport and School Departments, and through the City's risk management program.

Prior to July 1, 1992, the City self-insured risks of property, liability and workers' compensation claims, except for the Electric Department which maintains commercial insurance coverage for all property and liability related risks except automobile, the Airport which maintains commercial airport insurance and the School Department which maintains commercial coverage for all risks.

On July 1, 1992, the City entered into an agreement with The Vermont League of Cities and Towns Property and Casualty Intermuncipal Fund (hereinafter VLCT) for the purpose of VLCT providing property, liability and worker's compensation coverage to replace its self-insured risks. The City terminated their agreement with VLCT effective December 31, 2007. VLCT is a risk pool set up for the benefit of members of the Vermont League of Cities and Towns. VLCT still provides all administration for any open claims incurred during the period of participation for the City. The administrator is responsible for approval, processing, and payment of claims, after which, VLCT bills the City based on the terms of the agreement.

The agreement with VLCT calls for contribution for the loss fund to be billed at 29.4% of paid losses up to a maximum of $312,500 for 1992 and $706,175 for 1993, at 25% of paid losses up to a maximum of $757,500 for 1994, at 20% of paid losses up to a maximum of $800,000 for 1995, at 18% of paid losses up to a maximum of $792,000 for 1996, at 14.86% of paid losses up to a maximum of $579,570 for 1997, at 18.6% of paid losses up to a maximum of $725,276 for 1998, at 19.01% of paid losses up to a maximum of $760,589 for 1999, at 20.47% of paid losses up to a maximum of $818,947 for 2000, at 21.82% of paid losses up to a maximum of $1,069,181 for 2001, at 21.28% of paid losses up to a maximum of $1,138,659 for 2002, at 16.44% of paid losses up to a maximum of $1,145,589 for 2003, at 13.86% of paid losses up to a maximum of $1,067,143 for 2004, at 14.90% of paid losses up to a maximum of $1,191,953 for 2005 and at 13.60% of paid losses up to a maximum of $1,223,910 for 2006. The City is also contingently liable for up to $60,000 in swing rate adjustments in fund year 1992. This agreement terminated December 31, 2006, however, the terms of the agreement are still in place until all claims and liabilities for these funds years have been closed.

On January 1, 2007 the City purchased commercial insurance to manage all their risks except for workers' compensation claims. The City is self-insuring worker's compensation claims up to $250,000 per occurrence and with a $2,204,000 aggregate limit. 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 $800,000 to secure the payment of claims.

The liability recorded at June 30, 2007 is based on the ultimate liability as determined by VLCT's and the City's actuaries. Claim liabilities are estimated based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The City 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 $125,000 for the 2007 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	Gross Payroll by W/C category and experience
Health & Dental	Premiums estimated by the third party administrator
Liability	Operating Budgets
Property	Insured Value of City Structures

At June 30, 2007, the City has recorded a liability of $1,379,061 included in accounts payable which represents reported health, dental, property, liability and worker's compensation claims incurred on or before June 30, 2007, but were not paid by the City as of that date. A reserve of $2,988,000 is included for claims incurred but not reported. This consists of $2,666,000 for property, liability and workers' compensation claims, $304,000 for health claims and $18,000 for dental claims. $304,000 of this reserve 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 $66,797 and $15,448, respectively, in unemployment claims during fiscal year 2007.

D. Bonds/Debt Issued

1. On October 10, 2006, the City issued $6,365,000 General Obligations Bonds for the purpose of financing various capital improvements and for working capital for the General Fund, School Fund and Electric Fund.

2. On October 10, 2006, the City issued $2,215,000 General Obligations Bonds for the purpose of refinancing other bonds with higher interest rates in order to reduce future debt service maturities.

3. During the year, the City signed three (3) lease agreements totaling $1,177,735 for the purpose of financing various equipment purchases.

4. At various points during the year, the City received a total of $1,524,329 from the State of Vermont Special Environmental Revolving Fund for the purpose of financing various Wastewater Plant and Line upgrades.

5. At various points during the year, the City issued and repaid $11,000,000 of tax and revenue anticipation notes.

CITY OF BURLINGTON, VERMONT
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E. Related Party Transactions

Burlington Community Development Corporation (BCDC) is a related non-profit corporation that was organized to carry out the industrial and economic development of the City of Burlington. The Board of Directors of the Corporation must all be members of the City of Burlington's Board of Finance. The City's Treasurer's Office prepares all accounting data for BCDC. In 2001, BCDC received $133,000 of Certificates of Participation from the City to assist in financing leasehold improvements at the Onion River Co-op. The intent is for BCDC to repay the entire balance plus interest, however there is no formal obligation to do so. During 2007, BCDC sold the leasehold improvements and repaid the remaining $111,292. BCDC also owns two (2) buildings on Airport property. BCDC owes the Airport $1,348,118 as of June 30, 2007 for financing of the recently constructed Aviation Support Hanger. BCDC also owes a City Capital Project Fund $810,000 for financing of its share of the new Westlake Parking Garage until permanent financing can be obtained.

The Retirement Fund utilizes Chittenden Investment Services as the custodian of their retirement assets. The investment representative for Chittenden Investment Services is also the Chairman of the Retirement Board. The amount paid for custodial fees on the investment accounts to Chittenden Investment Services for the year ending June 30, 2007 was $65,806. Subsequent to year-end, the City changed its custodial arrangements and Chittenden Investment Services is no longer the custodian of the retirement fund assets.

The City of Burlington Art's Department head is also the Executive Director of the Burlington City Arts Foundation, Inc. The Foundation has been the main funding source for the Firehouse Center Capital Project. As of June 30, 2007, the Burlington City Arts Foundation, Inc. owed the City Capital Project Funds $185,039 and the City's CEDO Fund $203,000 for capital expenditures on the Firehouse Center Project. The $203,000 owed to CEDO is recorded as a note receivable.

A City Councilor rented office space from the Telecom Fund during the year. The amount paid to the City was $5,400.

F. Lease Revenue

The Airport leases office, operating and ground space to various airport related businesses, including airlines, car lease companies, a restaurant and gift shop and governmental agencies, among others. The lease rates vary and are computed based upon square footage, percentages of gross revenues and combinations of the two. The leases expire at varying dates through 2012.

Lease revenue for the year ended June 30, 2007 was $5,765,600 which includes contingent rentals approximating $2,153,255. Minimum future lease revenue estimated to be received in each of the next five years under these agreements are as follows:

Year ending June 30,

2008	$5,715,000
2009	$5,762,000
2010	$5,831,000
2011	$5,899,000
2012	$5,961,000

G. Defined Benefit Pension Plan and Other Benefits

CITY OF BURLINGTON

Plan Description

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 payroll for Class A and B employees covered by the system for the year ended June 30, 2007 was $9,836,027 and $24,471,878 respectively. The City's total payroll, except for school teachers, was $44,828,845.

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. 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 (5) 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% 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. Beginning on July 1, 2006, Class B participants contribute 2% of earnable compensation until they reach 35 years of creditable service and none thereafter.

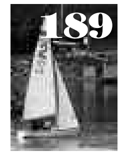
The system also provides accidental and line of duty death benefits for Class A participants, and disability and survivor income benefits for both Class A and Class B participants. The benefits are changed by negotiation and by the Retirement Board with budgetary approval by the City Council.

Actuarially Determined Contribution Requirements and Contribution Made

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. For 2005, the City did not fund the total annual required contribution creating a net pension obligation of $1,596,290. For 2006, the City did not fund the total annual required contribution creating a current year net pension obligation of $756,403. In 2007, the City contributed more than the annual required contribution by $471,643. The cumulative net pension obligation for the City is $1,986,857 which is being amortized over thirty (30) years with interest at eight percent (8%).

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 Percent



The total annual required contribution (ARC) to the system for 2007 was $5,279,934 which was computed through an actuarial valuation performed as of June 30, 2005. All funds, other than the General Fund and School Department Fund, contributed $1,810,198 (10.37% percent of current covered payroll). The General Fund contributed a set amount for themselves and the School Department. The Electric Department also pays additional amounts based on exposure and past service. Class A and B employees contributed $1,329,037 (10.8% and 2% percent respectively of current covered payroll). The total required system contributions include past service cost amortization of the unfunded past service cost of $2,050,679.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess/ (Deficiency) of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess/ (Deficiency) as a Percentage of Covered Payroll (a-b/c)
6/30/2002	112,980,276	109,116,441	3,863,835	103.54%	26,050,313	14.83%
6/30/2003	109,525,953	117,047,718	(7,521,765)	93.57%	27,776,329	-27.08%
6/30/2004	107,648,941	117,669,439	(10,020,498)	91.48%	29,369,106	-34.12%
6/30/2005	105,424,671	129,033,794	(23,609,123)	81.70%	30,575,851	-77.21%
6/30/2006	108,343,798	140,615,645	(32,271,847)	77.05%	30,954,711	-104.26%

SCHEDULE OF EMPLOYER CONTRIBUTION

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2003	1,079,911	1,164,935	108%
6/30/2004	2,461,840	2,523,928	103%
6/30/2005	4,563,111	2,966,821	65%
6/30/2006	4,688,149	3,931,746	84%
6/30/2007	5,279,934	5,751,577	109%

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

SCHEDULE OF ANNUAL PENSION COST

	2007	2006	2005
Annual Required Contribution (ARC)	5,279,934	4,688,149	4,563,111
Interest on NPO	187,088	127,704	0
Adjustment to ARC	(208,985)	0	0
Annual Pension Cost (APC)	5,258,037	4,815,853	4,563,111
Employer Contributions Made	(5,751,577)	(3,931,746)	(2,966,821)
Increase/(Decrease) in NPO	(493,540)	884,107	1,596,290
NPO - Beginning of Year	2,480,397	1,596,290	0
NPO - End of Year	1,986,857	2,480,397	1,596,290
Percentage of APC Contributed	109.39%	81.64%	65.02%

SCHOOL DEPARTMENT PENSION

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 3.54 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 6.76% of all eligible covered salaries on-behalf of the School District. The Schools' total payroll was $31,670,840, while its eligible covered payroll was $22,376,006 resulting in an estimated $1,512,618 of on-behalf payments. This amount is included as a Revenue and an Expense. Additional information regarding the Vermont State Teacher’s Retirement system can be obtained from the State of Vermont.

DEFERRED COMPENSATION

The City also offers its employees two deferred compensation plans in accordance with Internal Revenue Code Section 457 through the International City Managers' Association's (ICMA) Retirement Corporation, and the 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 investor.

POST EMPLOYMENT HEALTH BENEFITS

The City also 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, 2007 was $68,449. 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. The amount recorded as a liability in the Retirement Fund as of June 30, 2007 is $316,752.

The School District 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 District also pays for half of the cost of health benefits for administrative assistants who have 15 years of service with the District and have reached the age of 55. There are currently thirteen (13) retired teachers and one administrative assistant receiving the benefit. The amount needed to fund post employment health benefits liability today is estimated to be $100,931.

H. Subsequent Events

1. On December 10, 2007, the City issued $2,750,000 General Obligation Bonds for the purpose of financing various capital improvements and for working capital for the General Fund ($1,000,000), School Fund ($750,000) and Electric Fund ($1,000,000).

2. On August 15, 2007, the City issued a $6,000,000 tax anticipation note payable to TD Banknorth, N.A. The note was repaid November 15, 2007.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

3. On August 9, 2007, the City entered into a lease agreement with Municipal Leasing Consultants for $33,500,000. $21,968,486 of these proceeds were used to refund two (2) leases that were outstanding as of June 30, 2007 with Koch Financial, Inc. The interest rate on the lease is 4.62%.

4. In January, 2008, the City Council authorized the Electric Department to issue $39,600,000 of revenue bonds to finance improvements to electric facilities and distribution lines.

5. On February 25, 2008, the Electric Department issue a $2,500,000 revenue anticipation note payable to T.D. Banknorth, NA. The note is due June 30, 2008.

6. As discussed in Note IV A., the City merged its retirement assets with those of the State of Vermont under the direction of the Vermont Pension Investment Committee (VPIC) in order to enhance earnings and reduce fees.

I. Operating Leases

The General Fund has an operating lease for office space. The Electric Department has several operating leases for the rental of equipment and vehicles. Future minimum lease payments are as follows:

Year Ended		General Fund	Electric Fund
2008		$ 27,045	$ 19,248
2009		0	12,544
	Total	$ 27,045	$ 31,792

The City also leases property used as a park and ride for approximately $41,000 per year. This lease is month to month and can be cancelled with 60 days notice.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

J. Segment Information

The City issued a revenue bond to finance its water system upgrade. Investors in the bond rely solely on the revenue generated by the Water Fund for repayment. Summary financial information for the Water Fund is presented below.

CONDENSED STATEMENT OF NET ASSETS

Assets:	
Current Assets	$ 2,527,445
Restricted Assets	160,000
Other Non-Current Assets	98,003
Capital Assets	13,843,308
Total Assets	16,628,756
Liabilities:	
Current Liabilities	1,426,267
Noncurrent Liabilities	6,132,830
Total Liabilities	7,559,097
Net Assets:	$ 9,069,659

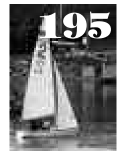
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Water Charges (Pledged Against Bonds)	$ 5,092,032
Depreciation Expense	(698,478)
Other Operating Expenses	(3,503,023)
Operating Income	890,531
Nonoperating Revenues/(Expenses):	
Investment Earnings	48,971
Interest Expense	(397,745)
Amortization of Bond Issue Costs	(19,601)
Change in Net Assets	522,156
Beginning Net Assets	8,547,503
Ending Net Assets	$ 9,069,659

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007

CONDENSED STATEMENT OF CASH FLOWS

Net Cash Provided/(Used) by:	
Operating Activities	$ 1,464,873
Capital and Related Financing Activities	(1,587,530)
Investing Activities	21,575
Net Increase (Decrease) in Cash	(101,082)
Beginning Cash and Cash Equivalents	282,261
Ending Cash and Cash Equivalents	$ 181,179



CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET – SCHOOL FUND
JUNE 30, 2007

Schedule 1

	General	Title I, II, III,IV,V Grants	Other Grant Special Revenue	Vocational Center	Other Special Revenue	Total
ASSETS						
Cash	$ 3,688,607	$ 438,233	$ 678,645	$ 547,365	$ 470,239	$ 5,823,089
Investments	0	0	0	0	45,005	45,005
Receivables	904,976	0	225,554	0	0	1,130,530
Total Assets	$ 4,593,583	$ 438,233	$ 904,199	$ 547,365	$ 515,244	$ 6,998,624
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts Payable	$ 360,692	$ 22,680	$ 27,713	$ 78,652	$ 4,073	$ 493,810
Accrued Payroll and Benefits	3,327,799	293,217	317,728	185,233	2,523	4,126,500
Deferred Revenue	728,787	122,336	638,438	283,480	0	1,773,041
Total Liabilities	4,417,278	438,233	983,879	547,365	6,596	6,393,351
Fund Balance/(Deficit):						
Reserved for:						
Other Purposes	0	0	0	0	508,648	508,648
Unreserved:						
Designated	400,000	0	0	0	0	400,000
Undesignated	(223,695)	0	(79,680)	0	0	(303,375)
Total Fund Balance/(Deficit)	176,305	0	(79,680)	0	508,648	605,273
Total Liabilities and Fund Balance	$ 4,593,583	$ 438,233	$ 904,199	$ 547,365	$ 515,244	$ 6,998,624

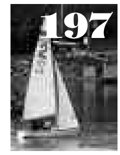
The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – SCHOOL FUND
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 2

	General	Title I, II, III, IV, V Grants	Other Grant Special Revenue	Vocational Center	Other Special Revenue	Total
Revenues:						
Payments in Lieu of Taxes	$ 1,275,832	$ 0	$ 0	$ 0	$ 0	$ 1,275,832
Intergovernmental	36,871,887	2,833,720	3,159,814	1,331,503	254,572	44,451,496
Charges for Services	468,138	0	944,324	579,215	306,698	2,298,375
Other	326,829	0	0	0	178,982	505,811
Investment Income	201,894	0	0	0	1,246	203,140
Total Revenues	39,144,580	2,833,720	4,104,138	1,910,718	741,498	48,734,654
Expenditures:						
Education	37,993,716	2,833,720	4,862,561	2,327,627	628,293	48,645,917
Debt Service:						
Bond and Note Principal Retirement	660,570	0	0	12,763	0	673,333
Interest Charges	292,981	0	0	2,922	0	295,903
Bond Issue Costs	8,015	0	0	0	0	8,015
Total Expenditures	38,955,282	2,833,720	4,862,561	2,343,312	628,293	49,623,168
Excess/(Deficiency) of Revenue Over Expenditures	189,298	0	(758,423)	(432,594)	113,205	(888,514)
Other Financing Sources/(Uses):						
Transfer In	0	0	704,438	366,000	0	1,070,438
Transfer Out	(1,070,438)	0	0	0	0	(1,070,438)
Refunding Bonds Issued	614,105	0	0	0	0	614,105
Payment to Refunding Bond Escrow Agent	(610,000)	0	0	0	0	(610,000)
Net Premium/Discount on Debt	4,307	0	0	0	0	4,307
Total Other Financing Sources/(Uses)	(1,062,026)	0	704,438	366,000	0	8,412
Net Change in Fund Balance	(872,728)	0	(53,985)	(66,594)	113,205	(880,102)
Fund Balance/(Deficit) - July 1, 2006	1,049,033	0	(25,695)	66,594	395,443	1,485,375
Fund Balance/(Deficit) - June 30, 2007	$ 176,305	$ 0	$ (79,680)	$ 0	$ 508,648	$ 605,273

The accompanying notes are an integral part of this financial statement.



CITY OF BURLINGTON, VERMONT

Schedule 3

COMBINING BALANCE SHEET – OTHER GOVERNMENTAL FUNDS

JUNE 30, 2007

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
ASSETS:				
Cash	$ 557,841	$ (2,948,801)	$ 773,243	$ (1,617,717)
Investments	0	395,125	212,305	607,430
Receivables (Net of Allowance for Doubtful Accounts)	851,032	1,139,334	1,682	1,992,048
Loans Receivable	4,618,416	0	0	4,618,416
Land Held for Resale	549,352	0	0	549,352
Accrued Interest Receivable	411,561	0	0	411,561
Due From Component Unit	0	810,000	0	810,000
Inventories	181,860	0	0	181,860
Total Assets	$ 7,170,062	$ (604,342)	$ 987,230	$ 7,552,950
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts and Contracts Payable	$ 400,934	$ 471,150	$ 0	$ 872,084
Accrued Liabilities	59,498	0	0	59,498
Due to Other Funds	7,289	0	0	7,289
Interfund Loan Payable	0	446,303	0	446,303
Deferred Revenue	5,890,958	1,047,569	0	6,938,527
Total Liabilities	6,358,679	1,965,022	0	8,323,701
Fund Balances/(Deficit):				
Reserved for:				
Inventory and Prepaid Expenses	181,860	0	0	181,860
Reserved for Restricted Purposes	671,645	239,786	987,230	1,898,661
Unreserved	(42,122)	(2,809,150)	0	(2,851,272)
Total Fund Balances/(Deficit)	811,383	(2,569,364)	987,230	(770,751)
Total Liabilities and Fund Balances	$ 7,170,062	$ (604,342)	$ 987,230	$ 7,552,950

The accompanying notes are an integral part of this financial statement.

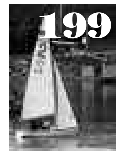
CITY OF BURLINGTON, VERMONT

Schedule 4

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
REVENUES:				
Intergovernmental Revenues	$ 3,030,510	$ 3,976,411	$ 0	$ 7,006,921
Charges for Services	3,974,239	0	0	3,974,239
Licenses and Permits	602,485	0	0	602,485
Loan Repayments	472,396	0	0	472,396
Interest	122,776	55,503	42,782	221,061
Other Revenues	124,319	535,360	23,050	682,729
Total Revenues	8,326,725	4,567,274	65,832	12,959,831
EXPENDITURES:				
Current expenditures				
Public works	4,223,934	200,545	0	4,424,479
Community Development	4,468,724	589,170	0	5,057,894
Education	0	3,288	0	3,288
Capital expenditures	17,941	8,728,252	0	8,746,193
Debt service expenditures				
Bond and Note Principal	114,995	48,285	0	163,280
Lease Principal	37,381	0	0	37,381
Interest	127,270	80,361	0	207,631
Bond Issue Costs	0	54,770	0	54,770
Total Expenditures	8,990,245	9,704,671	0	18,694,916
Excess/(Deficiency) of Revenues Over Expenditures	(663,520)	(5,137,397)	65,832	(5,735,085)
OTHER FINANCING SOURCES/(USES):				
Proceeds of Long-term Debt	0	4,465,195	0	4,465,195
Net Premium of Debt	0	52,204	0	52,204
Sale of Capital Assets	1,800	0	0	1,800
Transfers in	704,198	560,052	0	1,264,250
Transfers out	(165,015)	(165,000)	(42,272)	(372,287)
Total Other Financing Sources/(Uses)	540,983	4,912,451	(42,272)	5,411,162
Net Change in Fund Balances	(122,537)	(224,946)	23,560	(323,923)
Fund Balances/(Deficit) - July 1, 2006	933,920	(2,344,418)	963,670	(446,828)
Fund Balances/(Deficit) - June 30, 2007	$ 811,383	$ (2,569,364)	$ 987,230	$ (770,751)

The accompanying notes are an integral part of this financial statement.



CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET – CITY SPECIAL REVENUE FUNDS
JUNE 30, 2007

Schedule 5

	Traffic Commission Fund	Community and Economic Development Fund	Housing Trust Fund	Church Street Marketplace Fund	Mary E. Wadell Fund	Total
ASSETS:						
Cash	$ 604,406	$ (169,008)	$ 78,159	$ 31,018	$ 13,266	$ 557,841
Receivables (Net of Allowance for Doubtful Accounts)	38,527	771,776	0	40,729	0	851,032
Loans Receivable	0	4,618,416	0	0	0	4,618,416
Interest Receivable	0	411,561	0	0	0	411,561
Land Held For Resale	0	549,352	0	0	0	549,352
Inventories	181,860	0	0	0	0	181,860
Total Assets	$ 824,793	$ 6,182,097	$ 78,159	$ 71,747	$ 13,266	$ 7,170,062
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts and Contracts Payable	$ 35,915	$ 277,826	$ 72,853	$ 14,340	$ 0	$ 400,934
Accrued Liabilities	30,070	20,089	4,697	4,642	0	59,498
Due to Other Funds	6,649	284	0	356	0	7,289
Deferred Revenue	730	5,795,088	0	95,140	0	5,890,958
Total Liabilities	73,364	6,093,287	77,550	114,478	0	6,358,679
Fund Balances/(Deficit):						
Reserved for:						
Inventory and Prepaid Expenses	181,860	0	0	0	0	181,860
Reserved for Restricted Purposes	569,569	88,810	0	0	13,266	671,645
Unreserved	0	0	609	(42,731)	0	(42,122)
Total Fund Balances/(Deficit)	751,429	88,810	609	(42,731)	13,266	811,383
Total Liabilities and Fund Balances	$ 824,793	$ 6,182,097	$ 78,159	$ 71,747	$ 13,266	$ 7,170,062

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT

Schedule 6

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – CITY SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Traffic Commission Fund	Community and Economic Development Fund	Housing Trust Fund	Church Street Marketplace Fund	Mary E. Wadell Fund	Total
Revenues:						
Intergovernmental	$ 0	$ 3,030,510	$ 0	$ 0	$ 0	$ 3,030,510
Charges for Services	3,484,814	449,509	10,250	29,666	0	3,974,239
Licenses and Permits	0	0	0	602,485	0	602,485
Loan Repayments	0	472,396	0	0	0	472,396
Interest Income	33,172	88,966	0	0	638	122,776
Other Revenues	0	39,037	0	85,282	0	124,319
Total Revenues	3,517,986	4,080,418	10,250	717,433	638	8,326,725
Expenditures:						
Current:						
Public Works	3,513,470	0	0	710,464	0	4,223,934
Community Development	0	4,090,617	378,107	0	0	4,468,724
Capital Outlay:						
Public Works	17,941	0	0	0	0	17,941
Debt Service:						
Bond and Note Principal Retirement	49,995	65,000	0	0	0	114,995
Lease Principal Retirement	22,575	3,435	0	11,371	0	37,381
Interest Charges	49,405	77,152	0	713	0	127,270
Total Expenditures	3,653,386	4,236,204	378,107	722,548	0	8,990,245
Excess/(Deficiency) of Revenue Over Expenditures	(135,400)	(155,786)	(367,857)	(5,115)	638	(663,520)
Other Financing Sources/(Uses):						
Sale of Capital Assets	1,800	0	0	0	0	1,800
Transfers In	329,736	170,980	191,982	11,500	0	704,198
Transfers Out	(157,852)	0	0	(7,163)	0	(165,015)
Total Other Financing Sources	173,684	170,980	191,982	4,337	0	540,983
Net Change in Fund Balance	38,284	15,194	(175,875)	(778)	638	(122,537)
Fund Balances/(Deficit) - July 1, 2006	713,145	73,616	176,484	(41,953)	12,628	933,920
Fund Balances/(Deficit) - June 30, 2007	$ 751,429	$ 88,810	$ 609	$ (42,731)	$ 13,266	$ 811,383

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET – CAPITAL PROJECTS FUNDS
JUNE 30, 2007

	City Capital Projects						
	Southern Connector	South End & Downtown Transit Centers	Fuel Depot	STP Bike Path	Street Improve-ment Projects	Riverside Ave. & North Street Projects	DPW New Facility, Moran Building & Heating Upgrades
ASSETS:							
Cash	$ (328,431)	$ (88,101)	$ 58,192	$ 81	$ (135,506)	$ (358,029)	$ 0
Investments	0	0	0	0	0	0	0
Due from Component Unit	0	0	0	0	0	0	0
Receivables	484,936	88,493	0	0	231,671	26,451	0
Total Assets	$ 156,505	$ 392	$ 58,192	$ 81	$ 96,165	$ (331,578)	$ 0
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable	$ 76,175	$ 392	$ 58,192	$ 81	$ 96,165	$ 50,731	$ 28,122
Interfund Loan Payable	0		0	0	0	0	446,303
Deferred Revenue	484,936	88,493	0	0	162,266	23,069	0
Total Liabilities	561,111	88,885	58,192	81	258,431	73,800	474,425
Fund Balance/(Deficit):							
Reserved for Restricted Purposes	0	0	0	0	0	0	0
Unreserved	(404,606)	(88,493)	0	0	(162,266)	(405,378)	(474,425)
Total Fund Balance/(Deficit)	(404,606)	(88,493)	0	0	(162,266)	(405,378)	(474,425)
Total Liabilities and Fund Balance	$ 156,505	$ 392	$ 58,192	$ 81	$ 96,165	$ (331,578)	$ 0

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET – CAPITAL PROJECTS FUNDS
JUNE 30, 2007

						School Capital Projects	
Downtown Planning & Queen City Bridge	Engelsby Brook & Barge Canal Pond	N. Winooski Streetscape & Battery St. Projects	Firehouse Center	Other Capital Projects	Lakeview and College St. Garages & Westlake Projects	School Bond Capital Projects	Total
$ (61,046)	$ (52,233)	$ (178,028)	$ (185,039)	$ 28,734	$ (967,823)	$ (681,572)	$ (2,948,801)
0	0	0	0	0	395,125	0	395,125
0	0	0	0	0	810,000	0	810,000
80,828	28,525	178,658	0	0	0	19,772	1,139,334
$ 19,782	$ (23,708)	$ 630	$ (185,039)	$ 28,734	$ 237,302	$ (661,800)	$ (604,342)
$ 19,782	$ 10,000	$ 630	$ 0	$ 0	$ 55,000	$ 75,880	$ 471,150
0	0	0	0	0	0	0	446,303
80,828	28,525	159,680	0	0	0	19,772	1,047,569
100,610	38,525	160,310	0	0	55,000	95,652	1,965,022
0	0	0	0	57,484	182,302	0	239,786
(80,828)	(62,233)	(159,680)	(185,039)	(28,750)	0	(757,452)	(2,809,150)
(80,828)	(62,233)	(159,680)	(185,039)	28,734	182,302	(757,452)	(2,569,364)
$ 19,782	$ (23,708)	$ 630	$ (185,039)	$ 28,734	$ 237,302	$ (661,800)	$ (604,342)

CITY OF BURLINGTON, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 8
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	City Capital Projects						
	Southern Connector	South End & Downtown Transit Centers	Fuel Depot	STP Bike Path	Street Improve-ment Projects	Riverside Ave. & North Street Projects	DPW New Facility, Moran Building & Heating Upgrades
Revenues:							
Intergovernmental Revenue	$ 199,817	$ 34,428	$ 1,018,750	$ 0	$ 286,404	$ 8,613	$ 0
Investment Income	0		0	0	0	0	0
Other Income	0	14,370	0	5,785	0	0	0
Total Revenues	199,817	48,798	1,018,750	5,785	286,404	8,613	0
Expenditures:							
Construction/Purchases	0	0	504,927	0	524,546	65,027	0
Engineering and Administrative Fees	477,672	55,443	27,502	0	36,290	9,132	0
Legal and Miscellaneous Expenses	5,767	876	55	0	0	16,375	0
Sub-Grant Expense	0	0	589,170	0	0	0	0
Debt Service:							
Principal	0	0	0	0	0	48,285	0
Interest	0	0	0	0	0	2,524	31,885
Bond Issue Costs	0	0	0	0	0	0	0
Total Expenditures	483,439	56,319	1,121,654	0	560,836	141,343	31,885
Excess/(Deficiency) of Revenues Over Expenditures	(283,622)	(7,521)	(102,904)	5,785	(274,432)	(132,730)	(31,885)
Other Financing Sources:							
Proceeds of Long-Term Debt	0	0	0	0	0	0	0
Net Premium on Debt	0	0	0	0	0	0	0
Transfers In	11,607	8,980	102,922	0	112,166	137,960	106,476
Transfers Out	0	0	0	0	0	0	0
Total Other Financing Sources	11,607	8,980	102,922	0	112,166	137,960	106,476
Net Changes in Fund Balance	(272,015)	1,459	18	5,785	(162,266)	5,230	74,591
Fund Balance/(Deficit) - - July 1, 2006	(132,591)	(89,952)	(18)	(5,785)	0	(410,608)	(549,016)
Fund Balance/(Deficit) - - June 30, 2007	$ (404,606)	$ (88,493)	$ 0	$ 0	$ (162,266)	$ (405,378)	$ (474,425)

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 8
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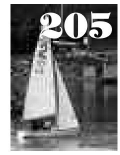
						School Capital Projects	
Downtown Planning & Queen City Bridge	Engelsby Brook & Barge Canal Pond	N. Winooski Streetscape & Battery St. Projects	Firehouse Center	Other Capital Projects	Lakeview and College St. Garages & Westlake Projects	School Bond Capital Projects	Total
$ 29,368	$ 1,357	$ 50,354	$ 0	$ 0	$ 0	$ 2,347,320	$ 3,976,411
0	0		0	0	55,503	0	55,503
0	0		0	57,484	448,000	9,721	535,360
29,368	1,357	50,354	0	57,484	503,503	2,357,041	4,567,274
0	8,766	252,683	0	128,945	498,029	6,136,918	8,119,841
131,727	2,272	5,766	0	0	0	0	745,804
0	0	0	0	0	43,367	0	66,440
0	0	0	0	0	0	0	589,170
0	0	0	0	0	0	0	48,285
0	0	0	11,713	0	34,239	0	80,361
0	0	0	0	0	0	54,770	54,770
131,727	11,038	258,449	11,713	128,945	575,635	6,191,688	9,704,671
(102,359)	(9,681)	(208,095)	(11,713)	(71,461)	(72,132)	(3,834,647)	(5,137,397)
0	0	0	0	100,195	0	4,365,000	4,465,195
0	0	0	0	0	0	52,204	52,204
21,531	0	58,410	0	0	0	0	560,052
0	0	0	0	0	0	(165,000)	(165,000)
21,531	0	58,410	0	100,195	0	4,252,204	4,912,451
(80,828)	(9,681)	(149,685)	(11,713)	28,734	(72,132)	417,557	(224,946)
0	(52,552)	(9,995)	(173,326)	0	254,434	(1,175,009)	(2,344,418)
$ (80,828)	$ (62,233)	$ (159,680)	$ (185,039)	$ 28,734	$ 182,302	$ (757,452)	$ (2,569,364)



CITY OF BURLINGTON, VERMONT

Schedule 9

COMBINING SCHEDULE OF NET ASSETS – OTHER PROPRIETARY FUNDS

JUNE 30, 2007

	Water Fund	School Food Service Enterprise Fund	School Other Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash	$ 181,179	$ 342,462	$ 15,341	$ 538,982
Restricted Investments	1,218,656	0	0	1,218,656
Receivables (Net of Allowance for Uncollectible Accounts)	480,845	274,426	0	755,271
Unbilled Receivables	431,673	0	0	431,673
Accrued Interest Receivables	5,163	0	0	5,163
Inventory	168,766	7,625	0	176,391
Prepaid Pension	40,927	0	0	40,927
Other Current Assets	236	0	0	236
Total Current Assets	2,527,445	624,513	15,341	3,167,299
Noncurrent Assets:				
Restricted Investments	160,000	0	0	160,000
Deferred Charges	98,003	0	0	98,003
Capital Assets				
Land	51,250	0	0	51,250
Vehicles, Machinery and Equipment	1,111,375	334,143	0	1,445,518
Transmission and Distribution Plant	33,534,221	0	0	33,534,221
Less Accumulated Depreciation	(20,853,538)	(214,206)	0	(21,067,744)
Total Noncurrent Assets	14,101,311	119,937	0	14,221,248
Total Assets	$ 16,628,756	$ 744,450	$ 15,341	$ 17,388,547
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 32,690	$ 627	$ 0	$ 33,317
Accrued Payroll and Benefits	18,837	0	0	18,837
Due to Other Funds	3,126	0	0	3,126
Deferred Revenue	57,963	0	0	57,963
Payable From Restricted Assets:				
Accrued Interest Payable	173,656	0	0	173,656
Revenue Bonds Payable - Current Portion	1,045,000	0	0	1,045,000
Capital Leases Payable - Current Portion	94,995	13,796	0	108,791
Total Current Liabilities	1,426,267	14,423	0	1,440,690
Noncurrent Liabilities:				
Accrued Compensated Absences Payable	130,973	0	0	130,973
Revenue Bonds Payable	5,812,753	0	0	5,812,753
Capital Leases Payable	189,104	14,734	0	203,838
Total Noncurrent Liabilities	6,132,830	14,734	0	6,147,564
Total Liabilities	7,559,097	29,157	0	7,588,254
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	6,799,459	91,407	0	6,890,866
Restricted	1,205,000	0	0	1,205,000
Unrestricted	1,065,200	623,886	15,341	1,704,427
Total Net Assets	9,069,659	715,293	15,341	9,800,293
Total Liabilities and Net Assets	$ 16,628,756	$ 744,450	$ 15,341	$ 17,388,547

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS – OTHER PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 10

	Water Fund	School Food Service Enterprise Fund	School Other Enterprise Funds	Total
OPERATING REVENUES:				
Charges for Services	$ 4,987,569	$ 1,958,844	$ 97,424	$ 7,043,837
Miscellaneous	104,463	0	0	104,463
Total Operating Revenues	5,092,032	1,958,844	97,424	7,148,300
OPERATING EXPENSES:				
Operating, Maintenance, and General and Administrative Expenses	3,280,411	1,742,942	101,084	5,124,437
Depreciation	698,478	16,443	0	714,921
Payments in Lieu of Taxes	222,612	0	0	222,612
Total Operating Expenses	4,201,501	1,759,385	101,084	6,061,970
Operating Income /(Loss)	890,531	199,459	(3,660)	1,086,330
NONOPERATING REVENUES (EXPENSES):				
Investment Income	48,971	0	0	48,971
Interest Expense	(397,745)	0	0	(397,745)
Amortization of Debt Issue Costs	(19,601)	0	0	(19,601)
Total Nonoperating Revenues (Expenses)	(368,375)	0	0	(368,375)
Change in Net Assets	522,156	199,459	(3,660)	717,955
Net Assets - July 1, 2006	8,547,503	515,834	19,001	9,082,338
Net Assets - June 30, 2007	$ 9,069,659	715,293	$ 15,341	$ 9,800,293

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT

Schedule 11

COMBINING SCHEDULE OF CASH FLOWS – OTHER PROPRIETARY FUNDS

FOR THE YEAR ENDING JUNE 30, 2007

	Water Fund	School Food Service Enterprise Fund	School Other Enterprise Funds	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	$ 4,886,877	$ 1,745,651	$ 97,424	$ 6,729,952
Receipts for Interfund Services	153,588	0	0	153,588
Payments to Suppliers	(1,276,077)	(983,905)	(101,324)	(2,361,306)
Payments for Wages and Benefits	(1,521,914)	(766,837)	0	(2,288,751)
Payments for Interfund Services	(554,989)	0	0	(554,989)
Payments in Lieu of Taxes	(222,612)	0	0	(222,612)
Net Cash Provided/(Used) by Operating Activities	1,464,873	(5,091)	(3,900)	1,455,882
Cash Provided by Noncapital Financing Activities:	0	0	0	0
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(211,425)	(66,103)	0	(277,528)
Proceeds of Financing Lease	76,610	44,266	0	120,876
Principal Paid on:				
Revenue Bonds	(995,000)	0	0	(995,000)
Capital Lease Obligations	(78,286)	(15,736)	0	(94,022)
Interest Paid on :				
Revenue Bonds	(370,446)	0	0	(370,446)
Capital Lease Obligations	(8,983)	0	0	(8,983)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(1,587,530)	(37,573)	0	(1,625,103)
Cash Flows From Investing Activities:				
Net (Additions)/Reductions to Restricted Cash and Investments	(26,866)	0	0	(26,866)
Receipt of Interest & Dividends	48,441	0	0	48,441
Net Cash Provided by Investing Activities	21,575	0	0	21,575
Net Increase/(Decrease) in Cash	(101,082)	(42,664)	(3,900)	(147,646)
Cash - July 1, 2006	282,261	385,126	19,241	686,628
Cash - June 30, 2007	$ 181,179	$ 342,462	$ 15,341	$ 538,982
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Operating Income/(Loss)	$ 890,531	$ 199,459	$ (3,660)	$ 1,086,330
Depreciation	698,478	16,443	0	714,921
(Increase)/Decrease in Receivables	8,516	(213,193)	0	(204,677)
(Increase)/Decrease in Unbilled Revenues	(96,348)	0	0	(96,348)
(Increase)/Decrease in Inventory	(18,364)	(5,575)	0	(23,939)
Increase/(Decrease) in Accounts Payable	(4,746)	(2,225)	(240)	(7,211)
Increase/(Decrease) in Prepaid Pension/Net Pension Obligation	(61,729)	0	0	(61,729)
Increase/(Decrease) in Accrued Payroll And Benefits	10,017	0	0	10,017
Increase/(Decrease) in Other Operating Assets/Liabilities	38,518	0	0	38,518
Net Cash Provided/(Used) by Operating Activities	$ 1,464,873	$ (5,091)	$ (3,900)	$ 1,455,882

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET – PERMANENT FUNDS
JUNE 30, 2007

Schedule 12

	Cemetery Fund	Loomis Library Fund	Lolita Deming Estate Fund	School Land Rent Fund	Westford Scholarship Fund	WEZF 93 FM DARE Fund	Total
ASSETS:							
Cash	$ 746,289	$ 10,948	$ 10,387	$ 3,483	$ 0	$ 2,136	$ 773,243
Investments	200,000	0	0	8,159	4,146	0	212,305
Accrued Interest Receivable	1,682	0	0	0	0	0	1,682
TOTAL ASSETS	$ 947,971	$ 10,948	$ 10,387	$ 11,642	$ 4,146	$ 2,136	$ 987,230
LIABILITIES AND FUND BALANCE							
LIABILITIES:	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Total Liabilities	0	0	0	0	0	0	0
FUND BALANCE:							
Reserved for Endowments	947,971	10,948	2,486	1,603	4,146	1,000	968,154
Reserved for Restricted Purposes	0	0	7,901	10,039	0	1,136	19,076
Total Fund Balance	947,971	10,948	10,387	11,642	4,146	2,136	987,230
Total Liabilities and Fund Balance	$ 947,971	$ 10,948	$ 10,387	$ 11,642	$ 4,146	$ 2,136	$ 987,230

The accompanying notes are integral part of this financial statement.

Schedule 13

CITY OF BURLINGTON, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Cemetery Fund	Loomis Library Fund	Lolita Deming Estate Fund	School Land Rent Fund	Westford Scholarship Fund	WEZF 93 FM DARE Fund	Total
REVENUES:							
Investment Income	$ 41,719	$ 553	$ 109	$ 134	$ 165	$ 102	$ 42,782
Sale of Endowments	23,050	0	0	0	0	0	23,050
Total Revenues	64,769	553	109	134	165	102	65,832
EXPENDITURES:							
Miscellaneous	0	0	0	0	0	0	0
Total Expenditures	0	0	0	0	0	0	0
Excess of Revenues Over Expenditures	64,769	553	109	134	165	102	65,832
OTHER FINANCING SOURCES/(USES):							
Transfers to Cemetery Department	(41,719)	0	0	0	0	0	(41,719)
Transfers to Library Department	0	(553)	0	0	0	0	(553)
Total Other Financing Sources/(Uses)	(41,719)	(553)	0	0	0	0	(42,272)
Net Change in Fund Balances	23,050	0	109	134	165	102	23,560
Fund Balances, July 1, 2006	924,921	10,948	10,278	11,508	3,981	2,034	963,670
Fund Balances, June 30, 2007	$ 947,971	$ 10,948	$ 10,387	$ 11,642	$ 4,146	$ 2,136	$ 987,230

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET – PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2007

Schedule 14

	Louisa Howard Fund	Walter Carpenter Fund	Vondry Trust Fund	Raymond Tracy Estate Fund	Scholarship Trust Fund	Reed Estate Fund	Fireman's Relief Fund	Christmas Gift Fund	Total
ASSETS									
Cash	$ 27,402	$ 1,768	$ 0	$ 0	$ 0	$ 0	$ 613	$ 1,580	$ 31,363
Investments	0	5,439	11,191	18,061	145,285	4,327	0	0	184,303
Interest Receivable	0	59	0	0	0	0	0	0	59
Total Assets	$ 27,402	$ 7,266	$ 11,191	$ 18,061	$ 145,285	$ 4,327	$ 613	$ 1,580	$ 215,725
LIABILITIES AND FUND BALANCE									
LIABILITIES:	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Total Liabilities	0	0	0	0	0	0	0	0	0
FUND BALANCE:									
Reserved for endowments	500	2,000	0	0	0	3,434	0	0	5,934
Reserved for restricted purposes	26,902	5,266	11,191	18,061	145,285	893	613	1,580	209,791
Total Fund Balance	27,402	7,266	11,191	18,061	145,285	4,327	613	1,580	215,725
Total Liabilities and Fund Balance	$ 27,402	$ 7,266	$ 11,191	$ 18,061	$ 145,285	$ 4,327	$ 613	$ 1,580	$ 215,725

The accompanying notes are an integral part of this financial statement.

CITY OF BURLINGTON, VERMONT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – PRIVATE PURPOSE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 15

	Louisa Howard Fund	Walter Carpenter Fund	Vondry Trust Fund	Raymond Tracy Estate Fund	Scholarship Trust Fund	Reed Estate Fund	Fireman's Relief Fund	Christmas Gift Fund	Total
OPERATING REVENUES:									
Investment income	$ 273	$ 105	$ 423	$ 467	$ 4,732	$ 188	$ 6	$ 15	$ 6,209
Donations	0	0	0	0	6,600	0	0	0	6,600
Total Operating Revenues	273	105	423	467	11,332	188	6	15	12,809
OPERATING EXPENSES:									
Miscellaneous	0	0	0	0	3,029	0	0	0	3,029
Total Operating Expenses	0	0	0	0	3,029	0	0	0	3,029
Net Income	273	105	423	467	8,303	188	6	15	9,780
Fund Balance - July 1, 2006	27,129	7,161	10,768	17,594	136,982	4,139	607	1,565	205,945
Fund Balance - June 30, 2007	$ 27,402	$ 7,266	$ 11,191	$ 18,061	$ 145,285	$ 4,327	$ 613	$ 1,580	$ 215,725

The accompanying notes are an integral part of this financial statement.

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