

CITY OF BURLINGTON, VERMONT

AUDIT REPORT

JUNE 30, 2010

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 AUDIT REPORT
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77 Barre Street
P.O. Box 947
Montpelier, VT 05601
802/223-2352
802/223-3578 FAX

Fred Duplessis, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA
Wendy C. Gilwee, CPA
VT Lic. #92-000180

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, 2010, 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 Fund which is a major fund and thirty-eight percent (38%), thirty-six percent (36%), and fifty-three percent (53%), 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 Fund, is based on the report of the other auditors.

Except as discussed in the following paragraph, 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.

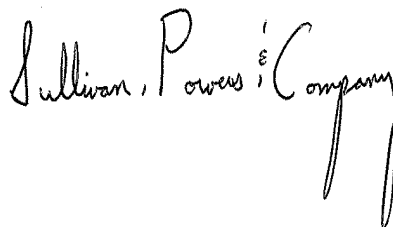
The City is unable to provide an assessment of its ability to refinance its debt or otherwise provide sufficient cash flow in the Telecom Fund in order to repay all, or a portion of, its due to other funds liability within a reasonable time. If the Telecom Fund cannot repay all, or a portion of, the due to other funds liability within a reasonable time, the City would be required to record a transfer from the General Fund to the Telecom Fund for the amount that cannot be repaid. In addition, if the City is able to repay the due to other funds liability, but over an extended period of time, the City would be required to report this as reserved fund balance in the General Fund. We are unable to form an opinion on the amount, if any, or when the due to other funds liability will be repaid by the Telecom Fund which has a balance of \$16,936,492 at June 30, 2010.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary in the General Fund, the Telecom Fund and the Government-wide financial statements if the City was able to determine the amount of the due to other funds liability of the Telecom Fund will not be repaid within a reasonable time, 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, 2010, 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 opinions on the financial statements that collectively comprise the City of Burlington, Vermont's basic financial statements. The combining fund schedules 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.

February 3, 2011
Montpelier, Vermont
Vt Lic. #92-000180

A handwritten signature in cursive script that reads "Sullivan, Powers & Company". The signature is written in black ink and is positioned to the right of the typed address.

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, 2010.

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 \$277,074,413 (total net assets).
- The City's total net assets increased over what we reported last year by \$20,406,506, The Governmental activities increased by \$7,893,159 and can be attributed in part to capital grants. The increase of \$12,513,347 in the business type activities can be attributed primarily by profits in the Airport fund.
- The total net assets of a component unit of the City, the Burlington Community Development Corporation, amounted to \$1,948,050 an increase of \$168,924 for the year.

Fund Financial Statements (refer to Exhibit C and Exhibit K)

- As of the close of the fiscal year ending June 30, 2010, the City's governmental funds reported combined ending fund balances of \$5,975,413. This consists of a fund balance in the General Fund of \$9,915,766 and of \$10,158 in the School fund and a deficit of (\$3,950,511) in all other governmental funds.
- The reserved portion of the governmental fund balance includes \$657,652 for inventories and prepaid expenditures and \$4,162,623 set aside for other restricted purposes.
- The undesignated fund balance of the General Fund component of the governmental funds had a positive ending fund balance of \$6,094,554, an increase of \$1,657,630 from the previous fiscal year.
- Management has designated \$1,688,462 of the General Fund balance for various purposes. Included in this number is \$938,106 that 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 other governmental funds reported as a group amounted to a shortfall of (\$6,172,531). 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 stated, revenues for grant funds received 60 days or more after the end of the fiscal year is 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 statement, 2) fund financial statements, and 3) notes to the financial statements. This report also contains another 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 the City of Burlington's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* present 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, 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, the Burlington Community Development Corporation (BCDC) that is organized to promote and undertake industrial and economic development projects in the City and the Airport Industrial Park.

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 states and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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 28 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. Similarly, the School Board adopts the School General Fund budget. 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 fund. 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 account 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, however, in greater 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 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	Governmental Activities	Business- Type Activities	Business- Type Activities	Total	Total	% Change
	2010	2009	2010	2009	2010	2009	
Current and other assets	\$ 35,664,464	\$ 27,632,856	\$ 86,052,073	\$ 70,598,814	\$ 121,716,537	\$ 98,231,670	24%
Capital assets	\$ 176,896,201	\$ 169,305,334	\$ 249,426,855	\$ 231,165,347	\$ 426,323,056	\$ 400,470,681	6%
Total Assets	\$ 212,560,665	\$ 196,938,190	\$ 335,478,928	\$ 301,764,161	\$ 548,039,593	\$ 498,702,351	10%
Other Liabilities	\$ 19,577,511	\$ 13,020,085	\$ 22,050,866	\$ 11,589,526	\$ 41,628,377	\$ 24,609,611	69%
Long-term liabilities outstanding	\$ 50,202,311	\$ 49,030,421	\$ 179,134,492	\$ 168,394,412	\$ 229,336,803	\$ 217,424,833	5%
Total Liabilities	\$ 69,779,822	\$ 62,050,506	\$ 201,185,358	\$ 179,983,938	\$ 270,965,180	\$ 242,034,444	12%
Net Assets							
Investment in capital assets, net of related debt	\$ 141,325,963	\$ 135,869,663	\$ 98,953,992	\$ 77,968,937	\$ 240,279,955	\$ 213,838,600	12%
Restricted	\$ 7,931,128	\$ 9,784,253	\$ 34,179,074	\$ 31,366,671	\$ 42,110,202	\$ 41,150,924	2%
Unrestricted	\$ (6,476,248)	\$ (10,766,232)	\$ 1,160,504	\$ 12,444,615	\$ (5,315,744)	\$ 1,678,383	-417%
Total Net Assets	\$ 142,780,843	\$ 134,887,684	\$ 134,293,570	\$ 121,780,223	\$ 277,074,413	\$ 256,667,907	8%

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 \$277,074,413 at the close of fiscal year 2010. This is an increase of \$20,406,506 over the amount reported at June 30, 2009.

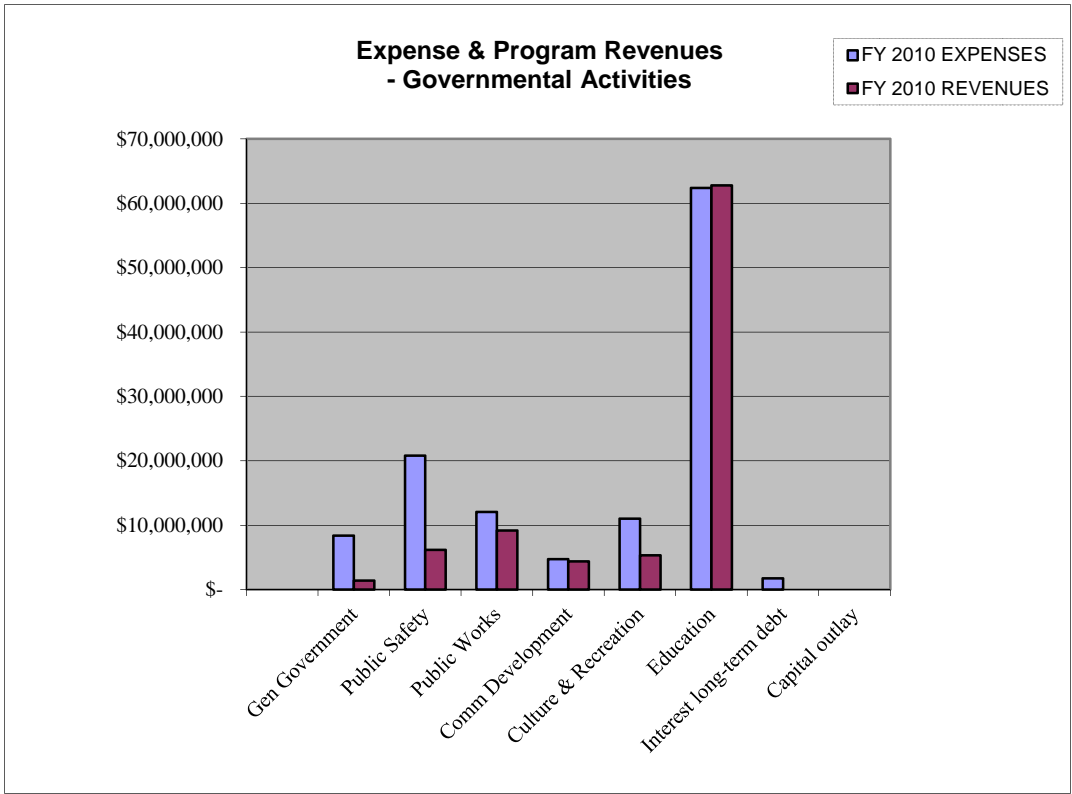
By far, the largest portion of the City's net assets (86.7% or \$240,279,955) reflects its investments in capital assets (e.g., land buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; 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 \$42,110,202) represents resources that are subject to external restrictions as to how they may be used.

At the end of fiscal year 2010, the City can report positive balances in two of the categories of net assets for the governmental activities and for its business-type activities. The governmental activities report indicates a positive balance of \$141,325,963 of investments in capital assets, net of related debt and a positive balance \$7,931,128 in net assets that are subject to an external restrictions. However, there is a negative balance of \$6,476,248 in the Governmental activities unrestricted net assets section. This is primarily due to reporting liabilities such as insurance reserves, compensated absences, landfill post-closure costs, and non capital debt and pension and post employment benefits that have not been funded.

The negative unrestricted net assets from Governmental Activities include major items such as \$1,619,000 of insurance reserves that are funded annually as incurred; \$5,424,856 in compensated absences for the City and Schools not funded, \$3,132,186 in debt which was not offset by a capital asset, \$1,850,711 of unfunded City obligation to the Retirement Fund known as the Net Pension Obligation, \$41,000 for outstanding landfill closure costs, and \$1,473,143 for unfunded liabilities for post retirement benefits.

Governmental Activities The net assets resulting from Government activities amounted to \$142,780,843 at the year end. The major factor contributing to this increase was the addition of capital assets, net of long-term liabilities during the fiscal year. Please refer to Exhibits D and E for a list of other changes in net assets of governmental activities.

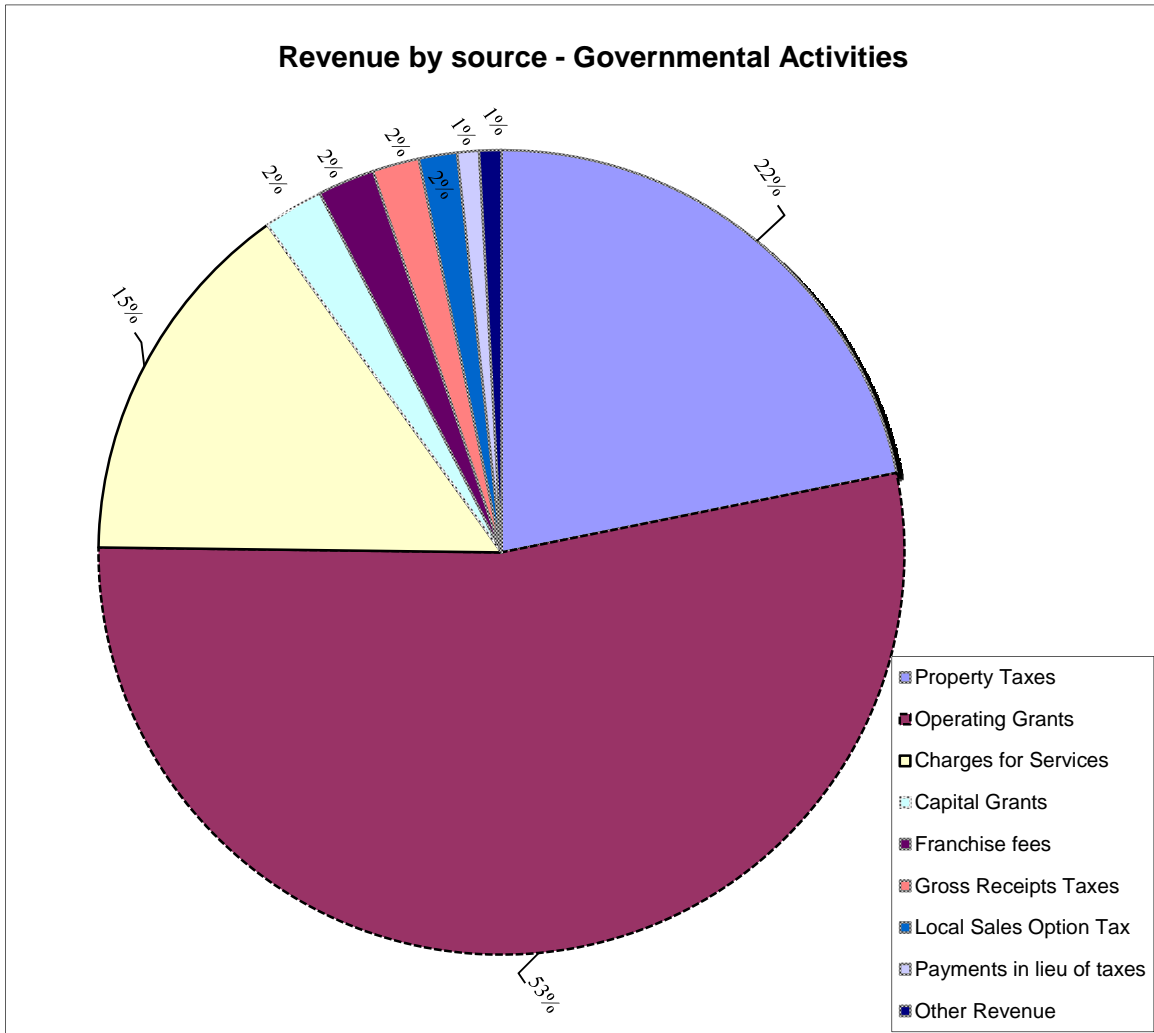


The above graph illustrates the expenses associated with the various functions of governmental activities and the revenues that are directly associated with or generated by these functions. The expenses of these functions are also funded with general revenues, such as property taxes, gross receipt taxes, 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 expense areas of the government-wide Statement of Activities.

CITY OF BURLINGTON REVENUE AND EXPENSES						
	Governmental Activities 2010	Governmental Activities 2009	Business Activities 2010	Business Activities 2009	Total 2010	Total 2009
Revenues						
Program revenues						
Charges for services	18,828,550	17,313,812	87,157,683	81,331,414	105,986,233	98,645,226
Operating Grants and Contributions	67,279,458	59,707,134	429,477	386,202	67,708,935	60,093,336
Capital Grants and Contributions	3,050,389	4,978,575	19,074,399	11,741,445	22,124,788	16,720,020
General revenues						0
Property Taxes	27,523,255	25,649,929	0	0	27,523,255	25,649,929
Rooms and Meals Taxes	2,362,060	2,184,515	0	0	2,362,060	2,184,515
Local Sales Option Tax	1,937,967	1,885,141	0	0	1,937,967	1,885,141
Payments in lieu of Taxes	1,093,798	970,324	0	0	1,093,798	970,324
Franchise Fees	2,874,784	2,727,631	0	0	2,874,784	2,727,631
Impact Fees	268,019	91,956	0	0	268,019	91,956
Interest & Penalties on Delinquent Taxes	318,881	288,033	0	0	318,881	288,033
Addition to Permanent Funds	25,145	36,874	0	0	25,145	36,874
Unrestricted Investment Earnings	435,179	651,377	607,153	571,356	1,042,332	1,222,733
Other Revenues	76,337	1,220	1,972,526	1,460,158	2,048,863	1,461,378
Total Revenues	126,073,822	116,486,521	109,241,238	95,490,575	235,315,060	211,977,096
Expenses						
Government Activities						
General Government	8,396,986	7,833,861	0	0	8,396,986	7,833,861
Public Safety	20,783,010	20,708,638	0	0	20,783,010	20,708,638
Public Works	12,042,610	12,111,622	0	0	12,042,610	12,111,622
Community Development	4,734,066	4,149,542	0	0	4,734,066	4,149,542
Culture and Recreation	11,026,270	10,069,342	0	0	11,026,270	10,069,342
Education	62,376,087	57,639,807	0	0	62,376,087	57,639,807
Interest on long-term debt	1,752,555	1,520,465	0	0	1,752,555	1,520,465
Capital Outlay	0	0	0	0	0	0
Business Type Activities						0
Electric	0	0	55,160,426	54,915,355	55,160,426	54,915,355
Airport	0	0	15,623,985	16,562,164	15,623,985	16,562,164
Telecom	0	0	10,579,222	10,480,260	10,579,222	10,480,260
Wastewater	0	0	5,655,138	5,447,686	5,655,138	5,447,686
Water	0	0	4,481,458	4,588,439	4,481,458	4,588,439
School Enterprise	0	0	2,296,741	2,202,700	2,296,741	2,202,700
Total Expenses	121,111,584	114,033,277	93,796,970	94,196,604	214,908,554	208,229,881
Changes in net assets before transfers	4,962,238	2,453,244	15,444,268	1,293,971	20,406,506	3,747,215
Transfers	2,930,921	2,609,579	(2,930,921)	(2,609,579)	0	0
Change in net assets	7,893,159	5,062,823	12,513,347	(1,315,608)	20,406,506	3,747,215
Net Assets - Beginning of Year	134,887,684	129,824,861	121,780,223	123,095,831	256,667,907	252,920,692
Net Assets - End of Year	142,780,843	134,887,684	134,293,570	121,780,223	277,074,413	256,667,907

The table below shows the percentages of revenue by each type of revenue for governmental activities. The largest sources are property taxes (22% of total), operating grants (53%), and charges for services (15%).

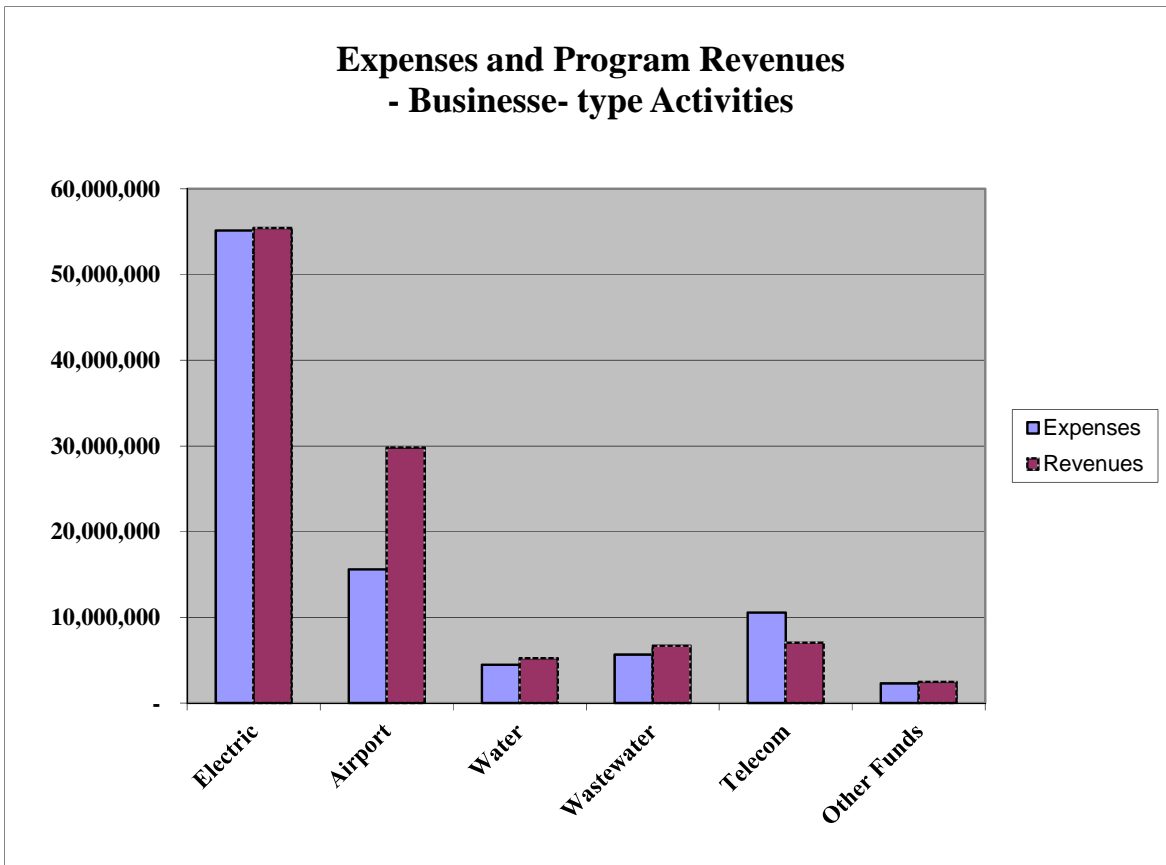


Business-type activity. Net assets for business-type activities amounted to \$134,293,570. Key factors which contribute to this amount are as follows:

- Total Operating Income for Business-type activities amounted to \$1,535,873 with the major operating revenue source being charges for services at \$81,526,719. Operating expenses amounted to \$85,848,286. Burlington Electric produced operating income of \$3,682,698; Wastewater produced operating income of \$252,203 and the Airport, and Telecom, produced losses of \$1,351,659, and \$1,818,094 respectively. All other proprietary funds, consisting of Water Resources and School funds, generated operating income of \$770,725. Costs at the Airport associated due to construction on runways and other projects resulting in fewer travelers. Burlington Telecom contributed to losses due to impact of less revenue than projected, and additional operating cost..
- Included in the operating expenses is depreciation and amortization in the amount of \$11,717,254 for all business-type activities.

- The changes in net assets for all proprietary funds are shown below.

<u>Fund</u>	<u>Change in Net Assets</u>
Electric	\$ 1,273,457
Airport	14,260,294
Telecom	(3,749,919)
Wastewater	193,884
Other Proprietary Funds	<u>535,631</u>
Total	<u>\$12,513,347</u>



Program revenues for business-type activities amounted to \$106,661,559 for the year. A large share (82%) of the program revenues for business-type activities comes from charges for services. \$19,074,399 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, an 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 \$5,975,413 an increase of \$1,165,423 from the previous fiscal year.
- The reserved portion of the governmental fund balance includes \$657,652 for inventories and prepaid expenditures and \$4,162,623 set aside for other restricted purposes such as capital and grant-funded projects, as well as Cemetery endowments.
- The City has designated \$1,144,037 of the General Fund balance for various purposes after subtracting \$544,425 of uncollected taxes. The General Fund designated portion of the governmental fund balance include the Conservation Legacy Tax of \$438,840, Parks dedicated tax of \$189,132, Pennies for Parks dedicated tax of \$173,422 an insurance reserve of \$210,586, CCTA & County Tax dedicated tax of \$136,712 and several others amounting to \$539,770.
- The unreserved, undesignated, fund balance/(deficit) of all governmental funds amounts to \$(467,439). The General Fund balance component had a positive undesignated fund balance of \$6,094,554, an increase of 37.4% from the previous fiscal year. Deficits from other funds offset the general fund amount.
- The undesignated balance in the other governmental funds reported as a group amounted to (\$6,561,993). 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. Another factor that contributed to this negative fund balance was that capital financing for the City's master lease was not obtained until after the year end.

The fund balance of the City's General Fund was \$9,915,766, an increase of \$1,062,010 or 12% during this reporting period. Reasons for this increase are further discussed in the budgetary highlights of this discussion.

The School's Fund balance increased \$1,073,933 this year to a positive \$10,158 from (\$1,063,775) in the prior year. Total actual revenues are \$64,187,163. 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 \$63,113,230, which resulted in increased spending of 8.6% 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 provides the same type of information found in the government-wide financial statements, but in greater detail.

Net assets for the Electric fund amounted to \$48,362,257. Those for the Airport fund amounted to \$83,853,263. Those for the Wastewater fund amounted to \$11,831,578. Those for the School Enterprise Funds and Water amounted to \$10,647,139, and those for the Telecom Fund amounted to a deficit of \$20,400,667. The Telecom deficit is due to costs associated with the development, start-up and operation of the municipal network. The net assets of the Electric Fund increased by \$1,273,457 the Airport increased by \$14,260,294, School and Water Resources increased by \$535,631, the net assets of the Telecom Fund decreased by \$3,749,919 and Wastewater increased by \$193,884.. The Airport increase is again due to grants for construction projects. 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:

Fiscal year 2010 revenues generated \$2,333,862 over approved budget. There were several sources that exceed expectations this year. The Clerk/Treasurer's Office exceeded budget revenue by \$1,262,442, due to Taxes; Gross Receipt; PILOTS; Franchise Fees; Interest Income on pooled cash; and Fees for Services. Safety services generated \$741,236 in additional revenue over budget due to Police Grants. Inspection Service Permits and Code Enforcement Permit fees generated \$133,704 in additional revenue over budget, and additional money was received for Cultural and Recreation because of the collection of money received from the Quadricentennial Celebration.

Expenditures:

FY 2010 expenditures exceed the budget by \$1,218,169. The City's General Department Clerk/Treasurer and City Attorney contributed \$581,310, mostly due to additional elections, professional services, audit and legal costs. This excess cost was offset by savings in employee benefits. Cultural & Recreation exceeded budget by \$925,302 most of which was attributed to the Quadricentennial Celebration.

Fiduciary Funds

The net assets of the Retirement Fund increased \$16,625,661 to \$111,790,019 primarily due to favorable outcomes from the stock market and investments. At June 30, 2010, the actuarial value of accrued assets is \$130,594,539, the accrued liabilities were \$179,323,343. Thus, the unfunded liability as of June 30, 2010 was \$48,728,804. This represented an increase in unfunded liability of \$9,250,371 compared to the unfunded liability on June 30, 2009 of \$39,478,433.

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, it has been reduced to a cumulative amount of \$1,850,711 as of June 30, 2010,

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, 2010 amounted to \$426,323,056 (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 \$176,896,201 and the capital assets of the City’s business-type activities netted to \$249,426,855.

Expenditures in the Capital Projects funds were as follows:

	2010 AMOUNT EXPENDED
SOUTHERN CONNECTOR	\$ 421,385
SOUTH END & DOWNTOWN TRANSIT CENTER	8,044
FUEL DEPOT	312,769
STREET IMPROVEMENT PROJECTS	1,557,140
MORAN BLDG & HEATING UPGRADES	619,846
DOWNTOWN PLANNING & WINOOSKI BRIDGE	21,577
ENGLESBY BROOK & BARGE CANAL	23,327
STORMWATER UPGRADE FUND	363,713
OTHER CAPITAL PROJECTS	263,216
LAKEVIEW & COLLEGE ST GARAGES & WESTLAKE PROJECT	38,544
SCHOOL BOND CAPITAL PROJECTS	3,213,304
	<hr/>
TOTAL	<u><u>6,842,865</u></u>

Equipment purchased during the year for all funds included the following items:

- Police Department purchased five vehicles at a cost of \$140,461 and two motorcycles at a cost of \$30,300.
- Police Department purchased parking enforcement software upgrades in the amount of \$46,715.
- Department of Public Works Traffic Division purchased a dump truck in the amount of \$50,631.
- Department of Public Works purchased a Vibrotech Screener at a cost of \$36,000, a sidewalk tractor at a cost of \$99,588 and a plow truck in the amount of \$130,299.
- Fire Department purchased an ambulance at a cost of \$142,545 and a portable emergency backup alarm box in the amount of \$36,780.
- Parks Department purchased one truck in the amount of \$20,834, a skiff boat in the amount of \$42,205 and a replacement dock at the boathouse in the amount of \$193,250.
- Church Street Marketplace purchased a color copier in the amount of \$7,558 and electrical services at a cost of \$15,625.
- Code Enforcement Division purchased NEMRC billing software in the amount of \$26,000.
- Planning and Zoning purchased office chairs in the amount of \$3,562.
- Information and Technology Department purchased office furniture in the amount of \$1,410 and multiple software and licensing products at a cost of \$87,239.
- Wastewater Department purchased a sewer line enclosed camera in the amount of \$76,502.
- Storm water purchased a vactor at a cost of \$90,511.
- The Airport added approximately \$21,700,000 of capital assets during the year, items purchase include one passenger bus in the amount of \$24,995, one truck in the amount of \$40,277, a high speed plow in the amount of \$870,000, one material spreader in the amount of \$60,000, a fire alarm system upgrade at a cost of \$187,000, \$875,000 to purchase land, and approximately \$19,643,000 in construction work in progress for parking garage additions, runway and taxiway improvements

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

	Governmental Activities		Business Type Activities		Totals	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 15,932,130	\$ 15,932,130	\$ 21,160,656	\$ 20,286,743	\$ 37,092,786	\$ 36,218,873
Construction in Progress	36,780,553	32,346,512	37,991,765	17,321,635	74,772,318	49,668,147
Antiques and Works of Art	52,000	52,000	-	-	52,000	52,000
Land Improvements	2,436,588	2,371,585	26,899,803	26,968,535	29,336,391	29,340,120
Buildings and Building Improvements	78,941,239	76,627,147	69,247,768	75,744,819	148,189,007	152,371,966
Vehicles, Machiner, Equipment and Furniture	23,389,475	21,465,120	20,815,890	19,636,656	44,205,365	41,101,776
Book Collections	3,526,425	3,629,445	-	-	3,526,425	3,629,445
Infrastructure	98,908,416	94,235,188	-	-	98,908,416	94,235,188
Distribution and collection systems	-	-	240,577,366	235,007,099	240,577,366	235,007,099
	\$ 259,966,826	\$ 246,659,127	\$ 416,693,248	\$ 394,965,487	\$ 676,660,074	\$ 641,624,614

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 fiscal year, the City of Burlington had total bonds, notes, and capital leases payable of \$229,256,754. Of this, \$39,698,859 applies to governmental activities and \$189,557,895 (prior to unamortized premiums, discounts, and deferred loss on refunding) applies to business-type activities. The table below presents the components of this category for the current and past fiscal years:

	Governmental Activities		Business Type Activities		Totals	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General Obligation Bonds	\$ 20,757,499	\$ 15,897,809	\$ 43,948,084	\$ 26,655,565	\$ 64,705,583	\$ 42,553,374
Revenue Bonds	-	-	108,637,954	119,289,869	108,637,954	119,289,869
Bond/Revenue anticipation & Notes Payable	15,689,875	20,783,000	-	1,000,000	15,689,875	21,783,000
Obligations Under Capital Leases	3,251,485	2,289,762	36,971,857	33,878,667	40,223,342	36,168,429
Totals	39,698,859	38,970,571	189,557,895	180,824,101	229,256,754	219,794,672

The City's total bonds, notes, and capital leases increased by \$9,462,082 during the year. Outstanding General Obligation bonds had a net increase of \$22,152,209 to \$64,705,583.

On August 18, 2009, the Electric Department issued \$12,985,000 in new general obligation bonds, 2009 Series C to fund the cost of Transmission and Distribution improvements and upgrades. On August 18, 2009, the Electric Department also issued \$4,615,000 in general obligation bonds, 2009 Series D, to purchase equity in Vermont Transco, LLC.

The City issued general obligation bonds on August 18, 2009 to refund the \$5,000,000 General Obligation Bond Anticipation Note, 2009 Series A, due on August 24, 2009.

The City also issued general obligation bonds on August 18, 2009 which included \$1,000,000 for capital improvements for the City and \$2,000,000 for Schools. The City spent \$244,558 of the \$1,000,000 and reserved \$755,442 to be used in a subsequent year.

Moody's Investor Services provides a bond rating each time a bond issue is offered to the investing public. The August 18, 2009 bonds were issued with the City's Aa3 rating. In March, 2010, Moody's revised the City rating to A2. In January 2011, Moody's revised the City rating to A3. On October 13, 2010, Moody's reduced the Airports bond rating from Baa3 to Bal and also reduced the Electric department bond rating from A3 to Baa2.

There was one new revenue bond issued during the year to Wastewater and Storm Water Funds. The outstanding amount of revenue bonds decreased in FY 2010 by \$10,651,915 to \$108,637,954 for repayments of principal.

The balances due for the various revenue bonds at June 30, 2010 (exclusive of unamortized discounts, premiums, and deferred losses on refunding) were as follows:

Electric Department	\$ 43,110,000
Water Department	3,785,000
Wastewater Department	22,277,954
Airport	<u>39,465,000</u>
Total Revenue Bond	\$ <u>108,637,954</u>

The City received a new master lease for FY 2009 purchases with financing received in FY 2010 in the amount of \$1,500,000, to fund heavy equipment purchased in FY 2009 but financed in FY 2010. In addition the City issued two new master leases in FY 2010. The first lease that combines various departments needs was in the amount of \$2,465,270 and funded heavy equipment for Public Works; Police motorcycles and vehicles; Parks vehicles and dock replacement; Airport vehicles, plows and upgrade to fire alarms; Traffic vehicles; and copiers and computer equipment for departments. The second master lease was in the amount of \$1,437,470 for the purchase of financing capital improvements at the Airport.

The City issued \$18,500,000 in tax anticipation notes during the year, all of which were paid in full by June 30, 2010. The Burlington Electric Department issued \$4,000,000 in revenue anticipation notes during the year, which was renewed on June 30, 2010. The Water and Wastewater departments issued \$1,000,000 each in revenue anticipation notes which were also renewed on June 30, 2010.

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 2010:

- The City Tax Rate was set at .712 cents per hundred dollars of value in FY 2010.
- Once again, wage increases are a major driver of the City's overall FY 10 Budget as \$394,081, has been set aside for this purpose. The contracts for both the AFSCME and Police Unions, and Fire Union are still under negotiation. The contract with the Electrical Workers Union (IBEW) expired on June 30, 2009, and in June, 2010, the parties reached Tentative Agreement on a new four year contract.

- Employee Benefit costs increased in FY 2010 by about 6% from its FY 2009 budget, primarily due worker compensation claims and increases health insurance cost.
- In January 2006, the City Council also created a "Super Committee" to study the City's financial needs and problems. The Committee recommendations were adopted by the City Council and include the following policy goals for future budgets:
 - a. Limit the growth of the operating budget to 3% a year;
 - b. Reduce the cost of personnel benefits as a percent of wages;
 - c. Reduce the costs of salaries, wages and benefits as a percent of the budget; and,
 - d. Maintain the Fund Balance at 5% of annual operating expenses.

The achievement of these goals was a predominant theme of the FY 2010 budget.

Fiscal Year 2011 City Budget

The City of Burlington approved a General Fund Operating Budget for fiscal year 2011 in the amount of \$47,976,798. This represented an increase of 1.7% over the final budget of the previous fiscal year. In addition, the General Fund Capital Improvements budget of \$5,405,077 represented a decrease of 11.6% over the budget for fiscal year 2010. The street repair and repaving program budget of \$3,598,638, comprised nearly 68% of the capital budget.

The budget for FY 2011 provided for full funding of the annual contribution to the Burlington Employees Retirement System. The changes in the tax rates are shown in the table below:

Tax Rate Item	FY 10 Tax Rate per \$100	FY11 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	0.0617	0.0617	0.0000
Fixed Rates:			
Parks	0.0350	0.0350	0.0000
Highway	0.0312	0.0312	0.0000
Library	0.0050	0.0050	0.0000
Budget Driven Rates:			
CCTA	0.0337	0.0336	-0.0001
County Tax	0.0054	0.0054	0.0000
Retirement	0.1587	0.1768	0.0181
Debt Service	<u>0.0569</u>	<u>0.0469</u>	<u>-0.0100</u>
Total	0.7120	0.7200	0.0080

2011 School Budget

The budgeting process for FY 2011 led to the adoption of a budget of \$51,932,746 which represents an increase of \$2,029,658 or 4.1% over the FY 2010 budget of \$49,903,088. The FY 2011 budget funded a deficit from prior years and covered increases in facilities and livable wage. It eliminated 6.3 teaching positions and 4.5 administrative and program support positions as well as level funded salaries for central administration staff. The actual homestead tax rate changed from \$1.2394 in FY 2010 to \$1.2820 in FY 2011 or a \$0.05 increase over the previous year. The income cap percentage for education property tax for eligible taxpayers changed from 2.28% in FY 2010 to 2.35% in FY 2011 or an increase of 3.1%. The district spending adjustment, a key factor in determining the property tax rate, increased from 126.882% in FY 2010 to 130.770% in FY 2011. This is the amount of spending per equalized pupil that is above the state-wide base education rate, which was \$8,544 in both FY 2009 and FY 2010. The difference between the district spending per equalized pupil and the state base education rate is funded by property taxes.

2011 Budget for Utility Funds

The water and wastewater rate was increased in FY11 by 10% . Effective June 26, 2009, the Electric Department rates were increased by 11.3% primarily to cover the increased costs of purchased power and overhead. There were no other significant increases in charges and fees this year. The budget for FY 2011 also includes the operating and capital expense for Burlington Telecom.

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

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

CITY OF BURLINGTON, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Burlington Community Development Corporation
ASSETS				
Cash and Cash Equivalents	\$ 8,442,556	\$ 11,028,676	\$ 19,471,232	\$ 7,168
Restricted Cash	0	616,344	616,344	0
Investments	237,231	20,000	257,231	0
Receivables (Net of Allowance for Uncollectibles):	9,069,962	20,556,282	29,626,244	0
Estimated Unbilled Revenues	0	3,389,243	3,389,243	0
Notes, Loans and Capital Lease Receivable	3,552,065	1,453,471	5,005,536	2,063,389
Accrued Interest Receivable	612,949	0	612,949	4,062
Inventories	423,954	4,809,409	5,233,363	0
Other Current Assets	429,505	710,766	1,140,271	7,284
Interfund Loans Receivable/Payable	50,858	(50,858)	0	0
Internal Balances	11,110,794	(11,110,794)	0	0
Due from Component Unit	793,754	1,182,811	1,976,565	0
Restricted Investments	0	22,927,206	22,927,206	0
Investments in Associated Companies	0	18,510,786	18,510,786	0
Assets Held for Resale	570,934	0	570,934	0
Other Long-Term Assets, Net of Accumulated Amortization	369,902	12,008,731	12,378,633	0
Capital Assets				
Land	15,932,130	21,160,656	37,092,786	1,155,249
Construction in Progress	36,780,553	37,991,765	74,772,318	0
Antiques and Works of Art	52,000	0	52,000	0
Other Capital Assets, (Net of Accumulated Depreciation)	124,131,518	190,274,434	314,405,952	5,211,820
Total Assets	<u>212,560,665</u>	<u>335,478,928</u>	<u>548,039,593</u>	<u>8,448,972</u>
LIABILITIES				
Accounts Payable	5,498,742	12,798,870	18,297,612	210
Accrued Payroll and Benefits Payable	6,449,091	592,241	7,041,332	0
Other Accrued Liabilities	395,740	0	395,740	0
Due to Fiduciary Funds	3,246,795	30,027	3,276,822	0
Revenue Anticipation Notes	0	6,000,000	6,000,000	0
Accrued Interest Payable	236,983	1,350,088	1,587,071	4,062
Deferred Revenue	3,750,160	42,424	3,792,584	0
Payable from Restricted Assets	0	1,237,216	1,237,216	0
Due to Primary Government	0	0	0	1,976,565
Noncurrent Liabilities:				
Due within One Year	4,815,489	18,523,764	23,339,253	182,522
Due in More than One Year	45,386,822	160,610,728	205,997,550	4,337,563
Total Liabilities	<u>69,779,822</u>	<u>201,185,358</u>	<u>270,965,180</u>	<u>6,500,922</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	141,325,963	98,953,992	240,279,955	1,882,785
Restricted for:				
Education	399,620	0	399,620	0
Traffic	326,118	0	326,118	0
Community Development	4,565,559	0	4,565,559	0
Debt Service/Renewal and Replacements/Capital Projects	277,050	34,179,074	34,456,124	0
Perpetual Care	1,102,366	0	1,102,366	0
Other Purposes	1,260,415	0	1,260,415	18,000
Unrestricted/(Deficit):	<u>(6,476,248)</u>	<u>1,160,504</u>	<u>(5,315,744)</u>	<u>47,265</u>
Total Net Assets	<u>\$ 142,780,843</u>	<u>\$ 134,293,570</u>	<u>\$ 277,074,413</u>	<u>\$ 1,948,050</u>

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

CITY OF BURLINGTON, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

	Net (Expense) Revenue and Changes in Net Assets							Component Unit Burlington Community Development Corporation
	Program Revenues				Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Functions/Programs:								
Primary Government:								
Governmental Activities:								
General Government	\$ 8,396,986	\$ 1,198,950	\$ 209,652	\$ 0	\$ (6,988,384)	\$ 0	\$ (6,988,384)	\$ 0
Public Safety	20,783,010	5,271,957	760,248	111,661	(14,639,144)	0	(14,639,144)	0
Public Works	12,042,610	5,946,825	307,066	2,922,908	(2,865,811)	0	(2,865,811)	0
Community Development	4,734,066	1,194,606	3,163,453	0	(376,007)	0	(376,007)	0
Culture and Recreation	11,026,270	3,792,403	1,508,330	15,820	(5,709,717)	0	(5,709,717)	0
Education	62,376,087	1,423,809	61,330,709	0	378,431	0	378,431	0
Interest on Long-Term Debt	1,752,555	0	0	0	(1,752,555)	0	(1,752,555)	0
Total Governmental Activities	121,111,584	18,828,550	67,279,458	3,050,389	(31,953,187)	0	(31,953,187)	0
Business-Type Activities:								
Electric	55,160,426	54,033,005	0	1,394,354	0	266,933	266,933	0
Airport	15,623,985	11,724,249	429,477	17,658,832	0	14,188,573	14,188,573	0
Telecom	10,579,222	7,052,969	0	0	0	(3,526,253)	(3,526,253)	0
Wastewater	5,655,138	6,680,437	0	21,213	0	1,046,512	1,046,512	0
Water	4,481,458	5,216,838	0	0	0	735,380	735,380	0
School	2,296,741	2,450,185	0	0	0	153,444	153,444	0
Total Business-Type Activities	93,796,970	87,157,683	429,477	19,074,399	0	12,864,589	12,864,589	0
Total Primary Government	\$ 214,908,554	\$ 105,986,233	\$ 67,708,935	\$ 22,124,788	(31,953,187)	12,864,589	(19,088,598)	0
Component Unit:								
Burlington Community Development Corporation	\$ 447,751	\$ 531,124	\$ 25,547	\$ 0	0	0	0	108,920
General Revenues:								
Property Taxes					27,523,255	0	27,523,255	0
Gross Receipts Taxes					2,362,060	0	2,362,060	0
Local Option Sales Taxes					1,937,967	0	1,937,967	0
Payment in Lieu of Taxes					1,093,798	0	1,093,798	0
Franchise Fees					2,874,784	0	2,874,784	0
Impact Fees					268,019	0	268,019	0
Interest and Penalties on Delinquent Taxes					318,881	0	318,881	0
Addition to Permanent Funds					25,145	0	25,145	0
Unrestricted Investment Earnings					435,179	607,153	1,042,332	60,004
Other Revenues					76,337	1,972,526	2,048,863	0
Transfers					2,930,921	(2,930,921)	0	0
Total General Revenues and Transfers					39,846,346	(351,242)	39,495,104	60,004
Change in Net Assets					7,893,159	12,513,347	20,406,506	168,924
Net Assets, July 1, 2009					134,887,684	121,780,223	256,667,907	1,779,126
Net Assets, June 30, 2010					\$ 142,780,843	\$ 134,293,570	\$ 277,074,413	\$ 1,948,050

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

CITY OF BURLINGTON, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 7,770,188	\$ 2,985	\$ 669,383	\$ 8,442,556
Investments	103,630	23,020	110,581	237,231
Receivables (Net of Allowance for Uncollectibles)	3,559,798	429,644	5,080,108	9,069,550
Due from Other Funds	3,530,280	7,945,903	1,959,510	13,435,693
Notes, Loans and Capital Lease Receivable	193,333	0	3,358,732	3,552,065
Accrued Interest Receivable	0	0	613,361	613,361
Interfund Loans Receivable	50,858	0	0	50,858
Inventories	222,750	0	201,204	423,954
Prepaid Expenses	225,058	0	8,640	233,698
Other Current Assets	195,807	0	0	195,807
Due From Component Unit	133,429	0	660,325	793,754
Asset Held for Resale	0	0	570,934	570,934
	<u>\$ 15,985,131</u>	<u>\$ 8,401,552</u>	<u>\$ 13,232,778</u>	<u>\$ 37,619,461</u>
<u>LIABILITIES</u>				
Liabilities:				
Accounts Payable	\$ 2,092,872	\$ 825,043	\$ 2,580,827	\$ 5,498,742
Accrued Payroll and Benefits Payable	1,108,754	5,214,227	126,110	6,449,091
Due to Other Funds	0	0	5,571,694	5,571,694
Other Liabilities	302,716	0	93,024	395,740
Deferred Revenue	2,369,216	2,352,124	8,811,634	13,532,974
Insurance Reserves - Funded	195,807	0	0	195,807
	<u>6,069,365</u>	<u>8,391,394</u>	<u>17,183,289</u>	<u>31,644,048</u>
Fund Balances/(Deficit):				
Reserved for				
Inventories and Prepaid Expenses	447,808	0	209,844	657,652
Other Purposes	2,229,367	399,620	1,533,636	4,162,623
Unreserved, Reported In				
General Fund	7,238,591	0	0	7,238,591
Special Revenue Funds	0	(389,462)	192,787	(196,675)
Capital Projects Funds	0	0	(5,886,778)	(5,886,778)
	<u>9,915,766</u>	<u>10,158</u>	<u>(3,950,511)</u>	<u>5,975,413</u>
Total Liabilities and Fund Balances	<u>\$ 15,985,131</u>	<u>\$ 8,401,552</u>	<u>\$ 13,232,778</u>	
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.				177,266,103
Other Long-Term Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are not Recognized in the Funds.				9,782,814
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.				<u>(50,243,487)</u>
Net Assets of Governmental Activities				<u>\$ 142,780,843</u>

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

CITY OF BURLINGTON, VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 30,481,386	\$ 0	\$ 1,488,197	\$ 31,969,583
Payments in Lieu of Taxes	2,587,663	1,486,220	0	4,073,883
Intergovernmental Revenues	2,058,113	60,219,457	5,444,715	67,722,285
Charges for Services	10,128,708	1,423,809	4,398,732	15,951,249
Fines and Forfeits	1,736,306	0	0	1,736,306
Licenses and Permits	5,431,947	13,572	1,034,498	6,480,017
Loan Repayments	0	0	233,006	233,006
Investment Income	379,799	0	38,499	418,298
Other Revenue	1,205,098	1,044,105	1,319,196	3,568,399
Total Revenues	54,009,020	64,187,163	13,956,843	132,153,026
EXPENDITURES:				
General Government	9,961,716	0	103,125	10,064,841
Public Safety	21,067,550	0	0	21,067,550
Public Works	3,331,859	0	5,368,957	8,700,816
Community Development	0	0	5,265,051	5,265,051
Culture & Recreation	9,947,876	0	0	9,947,876
Education	0	60,662,085	7,222	60,669,307
Capital Outlay	6,585,752	1,204,465	6,369,693	14,159,910
Debt Service -				
Bond and Note Principal Retirement	1,693,909	768,527	845,874	3,308,310
Lease Principal Retirement	797,145	28,068	152,274	977,487
Interest Charges	788,705	400,085	552,303	1,741,093
Bond Issue Costs	26,831	0	44,624	71,455
Total Expenditures	54,201,343	63,063,230	18,709,123	135,973,696
Excess/(Deficiency) of Revenues Over Expenditures	(192,323)	1,123,933	(4,752,280)	(3,820,670)
OTHER FINANCING SOURCES/(USES):				
Proceeds of Long-Term Debt	2,310,448	0	2,703,637	5,014,085
Net Premium on Debt	7,336	0	14,672	22,008
Transfers In	84,757	0	1,207,741	1,292,498
Transfers Out	(1,148,208)	(50,000)	(144,290)	(1,342,498)
Total Other Financing Sources/(Uses)	1,254,333	(50,000)	3,781,760	4,986,093
Net Change in Fund Balances	1,062,010	1,073,933	(970,520)	1,165,423
Fund Balances/(Deficit), July 1, 2009	8,853,756	(1,063,775)	(2,979,991)	4,809,990
Fund Balances/(Deficit), June 30, 2010	\$ 9,915,766	\$ 10,158	\$ (3,950,511)	\$ 5,975,413

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

CITY OF BURLINGTON, VERMONT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2010

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)	\$ 1,165,423
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$14,159,910) is allocated over their estimated useful lives and reported as depreciation expense (\$6,605,882). This is the amount by which capital outlays exceeded depreciation in the current period.	7,554,028
In the Statement of Activities, the gain/loss on the disposition/sale of capital assets and the donation of capital assets is reported, whereas, in the Governmental Funds, the disposition of and the donation 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 and donation of capital assets.	36,839
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	277,374
The issuance of long-term debt (\$5,014,085) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$4,285,797) 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.	(712,086)
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.	(428,419)
Change in net assets of governmental activities (Exhibit B)	\$ <u><u>7,893,159</u></u>

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, 2010

	General Fund				School "General Fund"		
	Budget		Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
	Original	Final					
Revenues:							
Taxes and Special Assessments	\$ 27,739,703	\$ 27,739,703	\$ 28,543,419	\$ 803,716	\$ 0	\$ 0	\$ 0
Local Option Sales Tax	2,000,000	2,000,000	1,937,967	(62,033)	0	0	0
Payments in Lieu of Taxes	3,747,242	3,885,144	3,717,622	(167,522)	1,504,127	1,486,220	(17,907)
Permits and Licenses	3,925,750	3,925,750	4,548,838	623,088	0	0	0
Intergovernmental Revenues	1,033,177	1,638,881	1,721,344	82,463	47,661,857	47,894,919	233,062
Charges for Services	8,694,749	8,799,825	10,250,743	1,450,918	970,361	1,145,194	174,833
Fines and Forfeits	1,729,195	1,729,195	2,034,247	305,052	0	0	0
Investment Income	275,000	275,000	379,799	104,799	100,000	0	(100,000)
Miscellaneous Revenues	344,167	335,741	218,674	(117,067)	370,720	576,581	205,861
Total Revenues	49,488,983	50,329,239	53,352,653	3,023,414	50,607,065	51,102,914	495,849
Expenditures:							
Current:							
General Administration	12,506,583	12,386,915	12,006,583	380,332	0	0	0
Safety Services	15,997,983	16,255,406	16,175,187	80,219	0	0	0
Public Works	2,466,329	2,476,085	2,468,150	7,935	0	0	0
Cultural and Recreation	6,806,467	7,340,862	8,266,164	(925,302)	0	0	0
Education	0	0	0	0	48,544,049	48,636,419	(92,370)
Debt Service	2,031,330	2,031,330	1,781,080	250,250	1,359,039	1,155,622	203,417
Capital Outlay	6,115,255	6,125,359	7,162,635	(1,037,276)	0	0	0
Total Expenditures	45,923,947	46,615,957	47,859,799	(1,243,842)	49,903,088	49,792,041	111,047
Excess/(Deficiency) of Revenues Over Expenditures	3,565,036	3,713,282	5,492,854	1,779,572	703,977	1,310,873	606,896
Other Financing Sources/(Uses):							
Proceeds of Long-Term Debt	3,000,000	3,000,000	2,310,448	(689,552)	0	0	0
Transfers Out	(6,580,965)	(6,766,965)	(6,741,292)	25,673	0	(50,000)	(50,000)
Total Other Financing Sources/(Uses)	(3,580,965)	(3,766,965)	(4,430,844)	(663,879)	0	(50,000)	(50,000)
Net Change in Fund Balances	\$ (15,929)	\$ (53,683)	\$ 1,062,010	\$ 1,115,693	\$ 703,977	\$ 1,260,873	\$ 556,896

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

CITY OF BURLINGTON, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Electric Fund	Airport Fund	Telecom Fund	Wastewater Fund	Other Proprietary Funds	Total
ASSETS						
Current Assets:						
Cash	\$ 8,760,796	\$ 2,232,420	\$ 34,600	\$ 200	\$ 660	\$ 11,028,676
Restricted Cash	0	616,344	0	0	0	616,344
Investments	0	20,000	0	0	0	20,000
Restricted Investments	1,142,591	0	0	0	1,299,625	2,442,216
Receivables (Net of Allowance for Uncollectible Accounts)	5,178,169	13,578,982	444,478	632,660	721,993	20,556,282
Estimated Unbilled Revenues	2,350,712	259,318	5,958	450,086	323,169	3,389,243
Due from Other Funds	0	4,107,770	0	1,637,826	770,692	6,516,288
Notes Receivable - Current	84,000	0	0	0	0	84,000
Due From Burlington Community Development Corporation - Current	0	58,488	0	0	0	58,488
Inventories	4,222,343	231,698	0	123,949	231,419	4,809,409
Other Current Assets	691,466	2,293	7,221	7,087	2,699	710,766
Total Current Assets	22,430,077	21,107,313	492,257	2,851,808	3,350,257	50,231,712
Noncurrent Assets:						
Restricted Investments	17,520,331	2,627,915	226,739	0	110,005	20,484,990
Due From Burlington Community Development Corporation	0	1,124,323	0	0	0	1,124,323
Notes Receivable - Long Term	1,369,471	0	0	0	0	1,369,471
Investment in Associated Companies	18,510,786	0	0	0	0	18,510,786
Other Long Term-Assets, Net of Accumulated Amortization	10,693,776	1,184,836	90,918	0	39,201	12,008,731
Capital Assets						
Land	559,594	19,544,060	157,800	847,952	51,250	21,160,656
Construction in Progress	4,135,665	33,853,126	0	2,974	0	37,991,765
Land Improvements	0	26,899,803	0	0	0	26,899,803
Buildings and Building Improvements	0	66,105,382	3,142,386	0	0	69,247,768
Vehicles, Machinery and Equipment	0	6,583,374	736,948	11,810,323	1,685,245	20,815,890
Production, General and Other Plant	66,843,237	0	0	0	0	66,843,237
Transmission and Distribution Plant	58,717,115	0	0	47,244,695	34,256,592	140,218,402
Fiber Optic Network	0	0	33,515,727	0	0	33,515,727
Less Accumulated Depreciation	(67,750,789)	(42,940,519)	(8,035,460)	(25,623,146)	(22,916,479)	(167,266,393)
Total Noncurrent Assets	110,599,186	114,982,300	29,835,058	34,282,798	13,225,814	302,925,156
Total Assets	\$ 133,029,263	\$ 136,089,613	\$ 30,327,315	\$ 37,134,606	\$ 16,576,071	\$ 353,156,868

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

CITY OF BURLINGTON, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	Electric Fund	Airport Fund	Telecom Fund	Wastewater Fund	Other Proprietary Funds	Total
LIABILITIES						
Current Liabilities:						
Accounts and Contracts Payable	\$ 3,937,941	\$ 8,195,098	\$ 470,610	\$ 145,922	\$ 49,299	\$ 12,798,870
Accrued Payroll and Benefits Payable	337,079	100,912	67,149	36,590	50,511	592,241
Accrued Interest Payable	173,325	983,426	193,337	0	0	1,350,088
Due to Other Funds	0	11,421	17,009,040	4,581	632,067	17,657,109
Deferred Revenue	0	0	0	0	42,424	42,424
Revenue Anticipation Notes	4,000,000	0	0	1,000,000	1,000,000	6,000,000
Payable from Restricted Assets:						
Accrued Interest Payable	1,142,591	0	0	0	94,625	1,237,216
Revenue Notes and Bonds Payable - Current Portion	0	0	0	0	1,205,000	1,205,000
General Obligation Bonds Payable - Current Portion	1,465,833	0	0	69,146	0	1,534,979
Revenue Notes and Bonds Payable - Current Portion	6,740,000	2,355,000	0	4,779,789	0	13,874,789
Capital Leases Payable - Current Portion	8,912	475,849	1,303,230	63,258	57,747	1,908,996
Total Current Liabilities	17,805,681	12,121,706	19,043,366	6,099,286	3,131,673	58,201,712
Noncurrent Liabilities:						
Interfund Loan Payable	0	0	0	50,858	0	50,858
General Obligation Bonds Payable	41,140,858	0	0	1,411,438	0	42,552,296
Revenue Bonds Payable	24,773,041	37,309,015	0	17,498,165	2,497,101	82,077,322
Capital Leases Payable	1,401	2,583,043	31,582,934	141,100	140,547	34,449,025
Accrued Compensated Absences Payable	945,262	179,484	59,880	82,186	132,972	1,399,784
Post-Employment Benefits Payable	0	43,102	41,802	19,995	26,639	131,538
Other Noncurrent Liabilities	763	0	0	0	0	763
Total Noncurrent Liabilities	66,861,325	40,114,644	31,684,616	19,203,742	2,797,259	160,661,586
Total Liabilities	84,667,006	52,236,350	50,727,982	25,303,028	5,928,932	218,863,298
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	11,767,165	70,093,286	(2,390,917)	10,269,044	9,215,414	98,953,992
Restricted - Debt Service/Renewal and Replacements/Capital Projects	24,740,294	8,123,775	0	0	1,315,005	34,179,074
Unrestricted/(Deficit)	11,854,798	5,636,202	(18,009,750)	1,562,534	116,720	1,160,504
Total Net Assets/(Deficit)	48,362,257	83,853,263	(20,400,667)	11,831,578	10,647,139	134,293,570
Total Liabilities and Net Assets	\$ 133,029,263	\$ 136,089,613	\$ 30,327,315	\$ 37,134,606	\$ 16,576,071	\$ 353,156,868

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, 2010

	Electric Fund	Airport Fund	Telecom Fund	Wastewater Fund	Other Proprietary Funds	Total
OPERATING REVENUES:						
Charges for Services	\$ 48,561,964	\$ 11,674,083	\$ 7,052,969	\$ 6,680,437	\$ 7,557,266	\$ 81,526,719
Intergovernmental	0	226,476	0	0	0	226,476
Miscellaneous	5,471,041	50,166	0	0	109,757	5,630,964
Total Operating Revenues	54,033,005	11,950,725	7,052,969	6,680,437	7,667,023	87,384,159
OPERATING EXPENSES:						
Operating, Maintenance, and General and Administrative Expenses	45,299,269	9,378,430	6,545,273	3,987,783	5,939,356	71,150,111
Depreciation and Amortization	3,553,156	3,923,954	2,102,009	1,584,388	553,747	11,717,254
Payments in Lieu of Taxes	1,497,882	0	223,781	856,063	403,195	2,980,921
Total Operating Expenses	50,350,307	13,302,384	8,871,063	6,428,234	6,896,298	85,848,286
Operating Income/(Loss)	3,682,698	(1,351,659)	(1,818,094)	252,203	770,725	1,535,873
NONOPERATING REVENUES (EXPENSES):						
Other Income/(Expense) - Net	(45,641)	(24,942)	0	0	0	(70,583)
Dividends from Associated Companies	1,972,526	0	0	0	0	1,972,526
Grant Income	0	203,001	0	0	0	203,001
Passenger Facility Charges	0	2,437,872	0	0	0	2,437,872
Investment Income	531,880	71,721	115	3,435	2	607,153
Interest Expense	(6,015,397)	(1,991,186)	(1,921,596)	(82,967)	(263,710)	(10,274,856)
Amortization of Debt Issue Costs	(126,705)	(97,751)	(2,938)	0	(19,601)	(246,995)
Gain/(Loss) on Sale/Disposal of Capital Assets	(120,258)	(578)	(7,406)	0	(1,785)	(130,027)
Grant Expense	0	(207,144)	0	0	0	(207,144)
Total Nonoperating Revenues (Expenses)	(3,803,595)	390,993	(1,931,825)	(79,532)	(285,094)	(5,709,053)
Income (Loss) Before Contributions and Transfers	(120,897)	(960,666)	(3,749,919)	172,671	485,631	(4,173,180)
Capital Contributions	1,394,354	15,220,960	0	21,213	0	16,636,527
Transfers In	0	0	0	0	50,000	50,000
Change in Net Assets	1,273,457	14,260,294	(3,749,919)	193,884	535,631	12,513,347
Net Assets/(Deficit), July 1, 2009	47,088,800	69,592,969	(16,650,748)	11,637,694	10,111,508	121,780,223
Net Assets/(Deficit), June 30, 2010	\$ 48,362,257	\$ 83,853,263	\$ (20,400,667)	\$ 11,831,578	\$ 10,647,139	\$ 134,293,570

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, 2010

	Electric Fund	Airport Fund	Telecom Fund	Wastewater Fund	Other Proprietary Funds	Total
Cash Flows From Operating Activities:						
Receipts from Customers and Users	\$ 48,771,741	\$ 11,508,776	\$ 6,231,106	\$ 6,603,676	\$ 7,393,022	\$ 80,508,321
Receipts of Operating Grants	0	188,730	0	0	0	188,730
Receipts for Interfund Services	0	0	783,878	0	185,639	969,517
Other Receipts	5,927,213	458,433	0	0	0	6,385,646
Payments to Suppliers	(37,892,929)	(4,908,461)	(4,139,076)	(1,916,049)	(2,602,861)	(51,459,376)
Payments for Wages and Benefits	(5,644,691)	(2,818,351)	(2,060,275)	(1,164,474)	(2,601,891)	(14,289,682)
Payment in Lieu of Taxes	(1,497,882)	0	(223,781)	(856,063)	(403,195)	(2,980,921)
Payments for Interfund Services	0	(1,268,226)	(171,644)	(810,347)	(693,813)	(2,944,030)
Payments for Other Expenses	0	(437,352)	0	0	0	(437,352)
Net Cash Provided by Operating Activities	9,663,452	2,723,549	420,208	1,856,743	1,276,901	15,940,853
Cash Flows From Noncapital Financing Activities:						
Other Income/Deductions, Net	(45,642)	0	0	0	0	(45,642)
Net Proceeds/(Repayment) of Revenue Anticipation Notes	0	0	0	1,000,000	1,000,000	2,000,000
Increase in Due (from)/to Other Funds	0	6,315,522	1,948,752	(1,654,123)	(606,851)	6,003,300
Payments from BCDC on Loan Receivable	0	56,761	0	0	0	56,761
Receipt of Interfund Transfer	0	0	0	0	50,000	50,000
Interest Paid on Revenue Anticipation Notes	0	0	0	(17,436)	(17,436)	(34,872)
Interest Paid on Cash Deficit to General Fund	0	0	(317,562)	0	(7,575)	(325,137)
Net Cash Provided/(Used) by Noncapital Financing Activities	(45,642)	6,372,283	1,631,190	(671,559)	418,138	7,704,410
Cash Flows From Capital and Related Financing Activities:						
Proceeds from Bonds, Notes & Leases Payable	18,151,024	3,294,245	0	79,476	128,806	21,653,551
Proceeds from Sale of Equipment	64,950	0	0	0	0	64,950
Acquisition and Construction of Capital Assets	(6,538,717)	(15,620,588)	(1,377,675)	(211,296)	(324,140)	(24,072,416)
Capital Grants/Contributions	1,394,354	9,509,877	0	21,213	0	10,925,444
Passenger Facility Charges	0	2,495,758	0	0	0	2,495,758
Increase in Deferred Charges/Loss on Refunding	(323,715)	0	0	0	0	(323,715)
Principal Paid on:						
General Obligation Bonds	(239,690)	0	0	(67,791)	0	(307,481)
Revenue Bonds	(6,370,000)	(2,250,000)	0	(889,889)	(1,145,000)	(10,654,889)
Capital Lease Obligations	(19,094)	(235,353)	0	(54,801)	(97,115)	(406,363)
Interest Paid on :						
General Obligation Bonds/Other Notes	(1,835,892)	0	0	(59,129)	0	(1,895,021)
Revenue Bonds	(2,467,801)	(2,018,525)	0	0	(217,303)	(4,703,629)
Capital Lease Obligations	0	(15,753)	(1,546,695)	(6,402)	(8,000)	(1,576,850)
Net Cash Provided/(Used) by Capital and Related Financing Activities	1,815,419	(4,840,339)	(2,924,370)	(1,188,619)	(1,662,752)	(8,800,661)
Cash Flows From Investing Activities:						
Net (Additions)/Reductions to Restricted Investments	(416,990)	(1,473,469)	901,194	0	(31,947)	(1,021,212)
Increase in Investment in Associated Companies	(5,245,470)	0	0	0	0	(5,245,470)
Receipt of Interest & Dividends	2,047,762	48,510	115	3,435	0	2,099,822
Net Cash Provided/(Used) by Investing Activities	(3,614,698)	(1,424,959)	901,309	3,435	(31,947)	(4,166,860)
Net Increase in Cash	7,818,531	2,830,534	28,337	0	340	10,677,742
Cash - July 1, 2009	942,265	18,230	6,263	200	320	967,278
Cash - June 30, 2010	\$ 8,760,796	\$ 2,848,764	\$ 34,600	\$ 200	\$ 660	\$ 11,645,020

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, 2010

	Electric 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)	\$ 3,682,698	\$ (1,351,659)	\$ (1,818,094)	\$ 252,203	\$ 770,725	\$ 1,535,873
Depreciation and Amortization	6,268,465	3,923,954	2,102,009	1,584,388	553,747	14,432,563
Provision for Bad Debts	0	163,306	138,782	0	0	302,088
Other Non-Operating Net Revenues and Expenses	0	(29,085)	0	0	0	(29,085)
(Increase)/Decrease in Other Receivables	740,791	(260,708)	(39,516)	(48,660)	(54,030)	337,877
(Increase)/Decrease in Unbilled Revenues	(452,551)	72,018	1,531	(27,961)	5,638	(401,325)
(Increase)/Decrease in Inventory	384,345	(26,601)	0	8,241	(5,584)	360,401
Increase/(Decrease) in Accounts Payable	(427,801)	119,055	(114,545)	53,897	5,433	(363,961)
Increase/(Decrease) in Accrued Payroll And Benefits	(649,420)	59,693	27,323	13,213	22,897	(526,294)
Increase/(Decrease) in Other Operating Assets/Liabilities	116,925	53,576	122,718	21,422	(21,925)	292,716
Net Cash Provided by Operating Activities	\$ 9,663,452	\$ 2,723,549	\$ 420,208	\$ 1,856,743	\$ 1,276,901	\$ 15,940,853

Non-Cash Financing Activities:

The Electric Department disposed of property, plant and equipment with a cost of \$647,770 with accumulated depreciation of \$478,516.

The Airport Department disposed of property, plant and equipment with a cost of \$6,964,066 with accumulated depreciation of \$6,963,488.

The Airport Department traded property, plant and equipment with a cost of \$28,200 and accumulated depreciation of \$21,049

The Wastewater Department disposed of property, plant and equipment with a cost of \$75,744 with accumulated depreciation of \$75,744.

The Telecom Department disposed of Property, plant and equipment with a cost of \$14,812 with accumulated depreciation of \$7,406

The Water Department disposed of property, plant and equipment with a cost of \$132,465 with accumulated depreciation of \$130,680.

CITY OF BURLINGTON, VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Pension Trust Fund	Private Purpose Trust Funds	Agency Fund - Student Activities
<u>ASSETS</u>			
Cash	\$ 6,494	\$ 37,576	\$ 294,178
Investments	109,011,355	167,662	0
Due from Other Funds	3,276,822	0	0
Reimbursement Receivable	12,792	0	0
Total Assets	<u>112,307,463</u>	<u>205,238</u>	<u>294,178</u>
<u>LIABILITIES</u>			
Accounts Payable	232,124	0	0
Accrued Liabilities	276,395	0	0
Compensated Absences	8,925	0	0
Due to Student Organizations	0	0	294,178
Total Liabilities	<u>517,444</u>	<u>0</u>	<u>294,178</u>
<u>NET ASSETS</u>			
Held in Trust For:			
Employees' Pension Benefits	111,790,019	0	0
Individuals and Organizations	0	205,238	0
Total Net Assets	<u>\$ 111,790,019</u>	<u>\$ 205,238</u>	<u>\$ 0</u>

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, 2010

	Pension Trust Fund	Private Purpose Trust Funds
<u>ADDITIONS:</u>		
Contributions:		
Employer - Pension	\$ 5,752,571	\$ 0
Employer - FICA	2,861,469	0
Employer - Post Employment Health	68,915	0
Plan Members	1,886,154	0
Total Contributions	10,569,109	0
Investment Earnings:		
Interest and Dividends	3,361,690	3,496
Net Increase in the Fair Value of Investments	14,125,937	0
Total Investment Earnings	17,487,627	3,496
Less Investment Expenses	(505,500)	0
Net Investment Earnings	16,982,127	3,496
Total Additions	27,551,236	3,496
<u>DEDUCTIONS:</u>		
Benefits - Pension	7,690,990	0
Benefits - FICA	2,862,488	0
Benefits - Post Employment Health	68,915	0
Refunds of Contributions	86,736	0
Administrative Expenses	216,446	0
Other	0	2,380
Total Deductions	10,925,575	2,380
Change in Net Assets	16,625,661	1,116
Net Assets - July 1, 2009	95,164,358	204,122
Net Assets- June 30, 2010	\$ 111,790,019	\$ 205,238

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

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.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

The City reports on the following major governmental funds:

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

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

The City reports on the following major Enterprise funds:

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

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

Telecom Fund – This fund accounts for the operations of the Telecommunications system.

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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 and at the elementary and middle schools.

C. Measurement Focus

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

Governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally reported on their balance sheets. Their reported fund balances (net current assets) are considered a measure of available spendable resources, and are segregated into 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, 2010

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

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

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

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

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

The government-wide and proprietary fund financial statements follow Financial Accounting Standards Board (FASB) Statements and Interpretations Accounting Principles Board (APB) Opinions; and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. As permitted under Statement of Governmental Accounting Standards No. 20, the City has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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.

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 of individual funds are shown as due from other funds and excess withdrawals of individual funds are shown as due to other funds. Interest income is allocated based on these 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.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as “interfund receivables/payables”. 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”. The majority of the internal balances is the result of the pooling of cash.

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. Any amounts unspent have 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.

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2010

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%. Separate financial statements are available for these jointly owned facilities.

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 \$2,367,804. The total deferred depreciation at June 30, 2010 was \$3,505,333.

The City's capitalization policy considers 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:

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
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
Fiber Optic Network	5,000	7-30 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 certain 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 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
JUNE 30, 2010

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 \$41,000. Actual payments will take place through the year 2013.

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 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 net assets 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 net assets 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 fund balances are available for future appropriations.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

**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 expenditures (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 from the sale of capital assets as an other financing source, whereas government-wide statements report the gain or loss from the sale of capital assets as revenue or expense.

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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	\$ 8,442,556	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,442,556
Investments	237,231	0	0	0	0	237,231
Receivables	9,069,550	0	0	0	0	9,069,550
Due from Other Funds	13,435,693	0	0	0	(2,324,899)	11,110,794
Notes, Loans and Capital Lease Receivables	3,552,065	0	0	0	0	3,552,065
Accrued Interest Receivable	613,361	0	0	0	0	613,361
Interfund Loans Receivable	50,858	0	0	0	0	50,858
Inventories	423,954	0	0	0	0	423,954
Other Current Assets	429,505	0	0	0	0	429,505
Due From Component Unit	793,754	0	0	0	0	793,754
Asset Held For Resale	570,934	0	0	0	0	570,934
Other Long-Term Assets	0	0	369,902	0	0	369,902
Capital Assets	0	0	176,896,201	0	0	176,896,201
Total Assets	37,619,461	0	177,266,103	0	(2,324,899)	212,560,665
LIABILITIES						
Accounts Payable	5,498,742	0	0	0	0	5,498,742
Accrued Payroll and Benefits Payable	6,449,091	0	0	0	0	6,449,091
Due to Other Funds	5,571,694	0	0	0	(5,571,694)	0
Other Liabilities	395,740	0	0	0	0	395,740
Due to Fiduciary Funds	0	0	0	0	3,246,795	3,246,795
Accrued Interest Payable	0	236,983	0	0	0	236,983
Deferred Revenue	13,532,974	(9,782,814)	0	0	0	3,750,160
Insurance Reserves	195,807	1,423,193	0	0	0	1,619,000
Noncurrent Liabilities	0	10,789,710	0	37,793,601	0	48,583,311
Total Liabilities	31,644,048	2,667,072	0	37,793,601	(2,324,899)	69,779,822
NET ASSETS						
Invested in Capital Assets	0	0	177,266,103	(35,940,140)	0	141,325,963
Other	5,975,413	(2,667,072)	0	(1,853,461)	0	1,454,880
Total Net Assets	\$ 5,975,413	\$ (2,667,072)	\$ 177,266,103	\$ (37,793,601)	\$ 0	\$ 142,780,843

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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 Activities
REVENUES						
Taxes	\$ 31,969,583	\$ (146,301)	\$ 0	\$ 0	\$ 0	\$ 31,823,282
PILOT	4,073,883	0	0	0	(2,980,085)	1,093,798
Intergovernmental Revenues	67,722,285	373,956	0	0	(68,096,241)	0
Charges for Services	15,951,249	49,719	0	0	2,827,582	18,828,550
Operating Grants and Contributions	0	0	0	0	67,279,458	67,279,458
Capital Grants and Contributions	0	0	0	0	3,050,389	3,050,389
Fines and Forfeits	1,736,306	0	0	0	(1,736,306)	0
Licenses and Permits	6,480,017	0	0	0	(6,480,017)	0
Loan Repayments	233,006	(233,006)	0	0	0	0
Investment Income	418,298	0	0	16,881	0	435,179
Other Revenues	3,568,399	0	0	0	(5,233)	3,563,166
Other Sources:						
Proceeds of Debt and Lease Financing	5,014,085	0	0	(5,014,085)	0	0
Bond Premium	22,008	0	0	(22,008)	0	0
Transfers from Other Funds	1,292,498	0	0	0	1,638,423	2,930,921
Total Revenues	138,481,617	44,368	0	(5,019,212)	(4,502,030)	129,004,743
EXPENDITURES						
General Government	10,064,841	(447,912)	242,464	22,304	(1,484,711)	8,396,986
Public Safety	21,067,550	110,966	815,102	5,392	(1,216,000)	20,783,010
Public Works	8,700,816	43,045	3,460,187	0	(161,438)	12,042,610
Community Development	5,265,051	(4,330)	3,734	0	(530,389)	4,734,066
Culture and Recreation	9,947,876	35,522	1,042,872	0	0	11,026,270
Education	60,669,307	688,868	1,004,684	13,228	0	62,376,087
Capital Outlay	14,159,910	0	(14,159,910)	0	0	0
Debt Service:						
Principal	4,285,797	0	0	(4,285,797)	0	0
Interest	1,741,093	2,260	0	9,202	0	1,752,555
Bond Issue Costs	71,455	0	0	(71,455)	0	0
Other Uses:						
Transfers to Other Funds	1,342,498	0	0	0	(1,342,498)	0
Total Expenditures	137,316,194	428,419	(7,590,867)	(4,307,126)	(4,735,036)	121,111,584
Net Change for the Year	\$ <u>1,165,423</u>	\$ <u>(384,051)</u>	\$ <u>7,590,867</u>	\$ <u>(712,086)</u>	\$ <u>233,006</u>	\$ <u>7,893,159</u>

CITY OF BURLINGTON, VERMONT
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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 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 1, the budget is legally enacted through passage of a resolution of the City Council.
3. The Mayor may propose, with the advice of the Board of Finance, amendments to the budget. Such proposed amendments require a majority approval of the City Council. The amount of such proposed amendments may be decreased by a simple majority vote of the City Council. Such proposed amendments may be increased above the level proposed by the Mayor only with a two-thirds vote of the City Council.
4. The Board of Finance is authorized to transfer budgeted amounts between line items within an appropriation account or within accounts of a department. Any revisions which increase the total expenditures of any department function or fund above the original appropriation must be approved by resolution of the City Council.
5. That portion of the designated fund balance that consists of operating and capital improvement carry-overs, represents unexpended appropriations which are allowed to be carried over to later years as provided for by City Charter or by resolution of the City Council. All other unexpended appropriations lapse at the close of the fiscal year. The City Charter specifically prohibits expenditures in excess of appropriations except on an emergency basis for health, police, fire and public welfare.
6. The City of Burlington tax rate can change each year by the cost of CCTA, Retirement, County and Debt Service without voter approval. However, any rate change on the tax rate for other purposes, above the maximum approved tax rate previously approved by voters, must be approved by City voters.
7. The City elected to budget expenditures in excess of revenues by \$53,683 in order to utilize a portion of 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.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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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, 2010.
6. The School elected to budget revenues in excess of expenditures by \$703,977 in order to fund prior years' deficits. This is reflected as a current year's budgeted excess of revenue over expenditures in Exhibit F for the School 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, 2010, expenditures in the City General Fund exceeded appropriations by \$1,243,842. The over-expenditures were funded by excess revenues and available fund balance.

C. Other Financial Statements

Due to bond covenants, and other requests, the City has issued separate financial statements for the Electric, Airport, Telecom 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
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D. Budgetary/GAAP Reconciliation

The following 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	\$1,260,873
Excess/(Deficiency) of Revenues Over Expenditures in Other School Special Revenue Funds	<u>(186,940)</u>
Change in Fund Balances – GAAP Basis – Exhibit D	<u>\$1,073,933</u>

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Investment Policy – Electric 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.

CITY OF BURLINGTON, VERMONT
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- (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-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.

In 2008, 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. See the State of Vermont's financial statements which are available on the State's website for a description of the investment policy.

During 2009, the Board elected to invest 90% of their funds in accordance with the strategies of the Vermont Pension Investment Committee and 4% in timberland, 4% in private equity and 2% in emerging markets.

The City has committed to invest a total of \$3.4 million in private equity and \$3.4 million in timberland. The timberland commitment has not been completely fulfilled as of June 30, 2010.

CITY OF BURLINGTON, VERMONT
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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, 2010 consist of the following:

Deposit and Investment Type	Amount
Cash and Cash Equivalents:	
Demand Deposits with Financial Institutions	\$ 18,493,183
Demand Deposits held by Broker	1,790,780
Certificates of Deposit - Cash	5,615
Cash on Hand	143,414
Total Cash and Cash Equivalents	20,432,992
Investments:	
Certificates of Deposits - Investments	399,104
Money Market Accounts - Investments	226,739
Cash Equivalents Invested in U.S. Government Obligations	22,726,256
Equity Mutual Funds	2,898,342
Timberland	3,326,414
Private Equity	800,929
Investments with Vermont Pension Investment Committee (VPIC)	101,985,670
Total Investments	132,363,454
Total Cash and Investments	\$ 152,796,446

The City has ten (10) certificates of deposit at various banks ranging from \$4,212 to \$102,177 with interest rates ranging from 0.198% to 1% and maturity dates ranging from July 23, 2010 to June 1, 2011.

CITY OF BURLINGTON, VERMONT
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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's cash equivalent mutual funds and equity mutual funds are open-ended and therefore not exposed to custodial credit risk. The City's private equity, timberland and the money market fund are also not exposed to custodial credit risk. 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.

<u>Deposits with Financial Institutions</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Insured - FDIC/NCUA	\$ 1,596,910	\$ 1,607,559
Secured by Irrevocable Standby Letter of Credit Issued by Federal Home Loan Bank of Pittsburgh	16,784,796	18,463,894
Uninsured, Collateralized by U.S. Government Agencies Securities	216,732	216,732
Uninsured, Uncollateralized	<u>2,090,244</u>	<u>2,103,447</u>
Total Deposits	<u>\$ 20,688,682</u>	<u>\$ 22,391,632</u>

Deposits is comprised of the following:

Deposits with Financial Institutions	\$ 18,493,183
Deposits held by Broker	1,790,780
Certificates of Deposit - Cash	5,615
Certificates of Deposit - Investments	<u>399,104</u>
Total Deposits	<u>\$ 20,688,682</u>

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.

Burlington Community Development Corporation's had \$7,168 in cash that was fully insured by the FDIC. These amounts are included in the above table. There were no reconciling items.

CITY OF BURLINGTON, VERMONT
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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 such as Standard and Poor’s or Moody’s rating services. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows investors to make informed buying and selling decisions. The City’s certificates of deposit are exempt from the credit risk analysis. The City’s cash equivalent mutual funds and equity mutual funds are open-ended and, therefore are also excluded from the credit risk analysis. The money market fund, timberland and private equity are not rated.

Concentration of Credit Risk

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. When available, mutual funds are shown at their weighed average maturity. The certificates of deposit are not subject to be interest rate risk disclosure requirements.

Investment Type	<u>Remaining Maturity (In Years)</u>			Total
	<u>0-1</u>	<u>10-15</u>	<u>N/A</u>	
Cash Equivalent Mutual Funds	\$ 22,726,256	\$ 0	\$ 0	22,726,256
Money Market Fund	226,739	0	0	226,739
Timberland	0	3,326,414	0	3,326,414
Private Equity	0	0	800,929	800,929
Equity Mutual Funds	0	0	2,898,342	2,898,342
	<u>\$ 22,952,995</u>	<u>\$ 3,326,414</u>	<u>\$ 3,699,271</u>	<u>\$ 29,978,680</u>

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.

CITY OF BURLINGTON, VERMONT
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Restricted Cash

The Airport Fund has \$616,344 of cash that is restricted passenger facility charges to be used for approved projects.

Investments-Pension Fund

The total amount of investments held by the Vermont Pension Investment Committee (VPIC) are \$101,985,670. See the State of Vermont’s financial statements which are available on the State’s website for all applicable disclosures related to these investments. The remaining \$7,025,685 are invested in alternate investments such as timber, private equity and emerging markets.

B. Restricted Investments

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. 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	Airport	Telecom	Water Resources	Total
Debt Service Reserve Fund	\$ 9,539,702	\$ 902,304	\$ 226,739	\$ 0	\$ 10,668,745
Renewal and Replacement Funds	1,060,147	0	0	110,005	1,170,152
Construction Funds	0	1,725,611	0	0	1,725,611
Debt Service Funds	7,902,960	0	0	1,299,625	9,202,585
Accrued Interest Receivable	160,113	0	0	0	160,113
Total	<u>\$ 18,662,922</u>	<u>\$ 2,627,915</u>	<u>\$ 226,739</u>	<u>\$ 1,409,630</u>	<u>\$ 22,927,206</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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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	\$ 2,927,260	\$ 0	\$ 2,927,260
Billed User Charges	65,072	8,891,330	8,956,402
Unbilled User Charges	59,518	3,389,032	3,448,550
Billed Service Fees	0	160,949	160,949
Unbilled Service Fees	0	211	211
Allowance for Doubtful Taxes/Fees	(1,285,000)	(2,013,468)	(3,298,468)
Police, Fire and Ambulance Fees	2,129,165	0	2,129,165
Allowance for Doubtful Accounts - Police, Fire and Ambulance Fees	(1,530,958)	0	(1,530,958)
Franchise Fees	141,811	0	141,811
Other General Fund Reimbursements	235,336	0	235,336
School Tuition	189,291	0	189,291
School Other Receivables	619	0	619
Public Works Receivables	290,809	0	290,809
Allowance for Doubtful Accounts - Public Works	(58,000)	0	(58,000)
Recreation Fees Receivable	126,010	0	126,010
Traffic Fees Receivable	23,930	0	23,930
Marketplace Fees Receivable	18,102	0	18,102
Grants Receivable	5,333,358	13,087,473	18,420,831
Passenger Facility Charges	0	308,909	308,909
Interest Receivable on Deposits/Short - Term Loans	172,838	0	172,838
Other Receivables	241,005	121,089	362,094
Other Allowance for Doubtful Accounts	(10,616)	0	(10,616)
Accrued Interest Receivable on Deposits	412	0	412
	<u> </u>	<u> </u>	<u> </u>
Total Receivables	\$ 9,069,962	\$ 23,945,525	\$ 33,015,487

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, 2010:

Year Ended	Balance 06/30/09	Additions	Adjustments/ Abatements	Collections	Balance 06/30/10
1986-1999	\$ 180,857	\$ 0	\$ (54,902)	\$ 3,454	\$ 122,501
2000	27,457	0	(52)	120	27,285
2001	18,369	0	(57)	87	18,225
2002	53,410	0	(63)	14	53,333
2003	79,128	0	(456)	791	77,881
2004	94,886	0	(438)	139	94,309
2005	125,995	0	(530)	255	125,210
2006	47,099	0	(3,907)	4,604	38,588
2007	77,514	0	(4,166)	18,675	54,673
2008	126,585	0	(692)	49,898	75,995
2009	488,695	0	(1,413)	334,933	152,349
2010	<u>0</u>	<u>595,597</u>	<u>(3,389)</u>	<u>108,809</u>	<u>483,399</u>
Total	<u>\$ 1,319,995</u>	<u>\$ 595,597</u>	<u>\$ (70,065)</u>	<u>\$ 521,779</u>	<u>\$ 1,323,748</u>

Also included in taxes receivable are \$360,705 in gross receipts taxes, \$769,841 of delinquent tax penalties and interest, \$472,470 of local option sales taxes and \$496 of Downtown Improvement District Taxes.

D. Notes, Loans and Capital Lease 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 City has a capital lease receivable related to land under the Cherry Street Parking Garage. The City conveyed the land under the Cherry Street Parking Garage to Security Capital Corporation in June, 1993. On the same date, the land was leased by Security Capital to the City with annual rent payments of \$80,000 per year. Security Capital then became Lasalle. It is now in the hands of Bank of America.

CITY OF BURLINGTON, VERMONT
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The City then subleased the same land to Donohoe O'Brien Burlington Square Limited Partnership (DOBBSLP) on the same date, under the same terms, whereas Donohoe O'Brien had to pay the City \$80,000 per year. There is a sublease agreement with an option to purchase between the City and DOBBSLP. The original loan amount dated February 1, 1993 showed a loan balance of \$837,884 with interest at 4.7739%.

The City paid off the lease to Bank of America on August 1, 2008 in the amount of \$347,845. DOBBSLP now makes monthly payments of \$6,667 to the City. The capital lease receivable balance at June 30, 2010 is \$193,333. Future lease payments of \$80,000 will be received over the next three (3) years and then \$33,333 in fiscal year 2013.

The Electric Department has notes receivable totaling \$1,453,471 which are due from the Winooski One Partnership for engineering and from a logging contractor who was advanced monies to buy a tree chipper that is being repaid as wood chips are brought to the Department.

Burlington Community Development Corporation has loaned funds to the Champlain Housing Trust Corporation. The balance of the loans at June 30, 2010 is \$1,218,612 and will be repaid at the same terms as the offsetting notes payable.

Burlington Community Development Corporation also has a capital lease receivable for the Westlake Parking Garage from Westlake Parking, LLC. The lease requires annual payments of \$72,000 for twenty (20) years and then a lump sum payment of \$448,000. The lease also requires an annual contribution of \$6,000 to a Capital Reserve Fund. The present value of the lease utilizing a 7% interest rate is \$844,777.

A summary of notes, loans and capital lease receivables and the related accrued interest receivable are as follows:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Component</u>
	<u>Activities</u>	<u>Activities</u>		<u>Unit - BCDC</u>
Notes, Loans and Capital Lease Receivable	\$ 16,595,668	\$ 1,453,471	\$ 18,049,139	\$ 2,063,389
Loan Discounts	(2,567,077)	0	(2,567,077)	0
Allowance for Doubtful Loans	(10,476,526)	0	(10,476,526)	0
Accrued Interest Receivable - Loans	4,648,985	0	4,648,985	4,062
Allowance for Doubtful Accrued Interest	<u>(4,036,036)</u>	<u>0</u>	<u>(4,036,036)</u>	<u>0</u>
Net Notes and Loans Receivable	<u>\$ 4,165,014</u>	<u>\$ 1,453,471</u>	<u>\$ 5,618,485</u>	<u>\$ 2,067,451</u>

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.

CITY OF BURLINGTON, VERMONT
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E. INVESTMENTS IN ASSOCIATED COMPANIES

The Electric Department follows the cost method of accounting for its 6.38% class B common stock, 1.97% class C common stock and 7.69% class C preferred stock ownership interest in Vermont Electric Power Company, Inc. ("VELCO"); and its 3.79% 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.

On December 28, 2007, the Electric Department purchased 81,457 Class A units and 103,674 Class B units in Vermont Transco, LLC for \$1,851,330.

On December 29, 2008, the Electric Department purchased 175,292 Class A units and 223,098 Class B units in Vermont Transco, LLC for \$3,983,900.

On December 30, 2008, the Electric Department purchased 9,651 Class A units and 12,282 Class B units in Vermont Transco, LLC for \$219,330. This was an oversubscription allocation offering.

On March 31, 2009, the Electric Department purchased 94,170 Class A units and 119,853 Class B units in Vermont Transco, LLC for \$2,140,230.

On December 29, 2009, the Electric Department purchased 230,800 Class A units and 293,747 Class B units in Vermont Transco, LLC for \$5,245,470.

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F. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 15,932,130	\$ 0	\$ 0	\$ 15,932,130
Construction in Progress	32,346,512	5,087,065	653,024	36,780,553
Antiques and Works of Art	<u>52,000</u>	<u>0</u>	<u>0</u>	<u>52,000</u>
 Total Capital Assets, Not Being Depreciated	 <u>48,330,642</u>	 <u>5,087,065</u>	 <u>653,024</u>	 <u>52,764,683</u>
Capital Assets, Being Depreciated:				
Land Improvements	2,371,585	65,003	0	2,436,588
Buildings and Building Improvements	76,627,147	2,314,092	0	78,941,239
Vehicles, Machinery, Equipment and Furniture	21,465,120	2,491,082	566,727	23,389,475
Book Collections	3,629,445	340,570	443,590	3,526,425
Infrastructure	<u>94,235,188</u>	<u>4,673,228</u>	<u>0</u>	<u>98,908,416</u>
Totals	<u>198,328,485</u>	<u>9,883,975</u>	<u>1,010,317</u>	<u>207,202,143</u>
Less accumulated depreciation for:				
Land improvements	763,898	0	0	763,898
Buildings and Building Improvements	15,944,573	1,291,348	0	17,235,921
Vehicles, Machinery, Equipment and Furniture	12,801,702	1,781,886	445,460	14,138,128
Book Collections	2,788,878	308,733	443,590	2,654,021
Infrastructure	<u>45,054,742</u>	<u>3,223,915</u>	<u>0</u>	<u>48,278,657</u>
Totals	<u>77,353,793</u>	<u>6,605,882</u>	<u>889,050</u>	<u>83,070,625</u>
 Total Capital Assets, Being Depreciated	 <u>120,974,692</u>	 <u>3,278,093</u>	 <u>121,267</u>	 <u>124,131,518</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 169,305,334</u>	 <u>\$ 8,365,158</u>	 <u>\$ 774,291</u>	 <u>\$ 176,896,201</u>

CITY OF BURLINGTON, VERMONT
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	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 20,286,743	\$ 874,841	\$ 928	\$ 21,160,656
Construction in Progress	17,321,635	26,318,938	5,648,808	37,991,765
Total Capital Assets, Not Being Depreciated	37,608,378	27,193,779	5,649,736	59,152,421
Capital Assets, Being Depreciated:				
Land Improvements	26,968,535	134,879	203,611	26,899,803
Buildings and Building Improvements	75,744,819	269,199	6,766,250	69,247,768
Vehicles, Machinery, Equipment and Furniture	19,636,656	1,221,308	42,074	20,815,890
Distribution and Collection Systems	202,427,439	5,476,223	842,023	207,061,639
Fiber Optic Network	32,579,660	950,879	14,812	33,515,727
Totals	357,357,109	8,052,488	7,868,770	357,540,827
Less Accumulated Depreciation for:				
Land Improvements	18,640,299	1,271,061	203,033	19,708,327
Buildings and Building Improvements	24,544,576	2,411,718	6,766,250	20,190,044
Vehicles, Machinery, Equipment and Furniture	11,934,558	1,047,583	34,923	12,947,218
Distribution and Collection Systems	103,303,101	4,544,943	671,914	107,176,130
Fiber Optic Network	5,377,606	1,874,474	7,406	7,244,674
Totals	163,800,140	11,149,779	7,683,526	167,266,393
Total Capital Assets, Being Depreciated	193,556,969	(3,097,291)	185,244	190,274,434
Business-Type Activities Capital Assets, Net	\$ 231,165,347	\$ 24,096,488	\$ 5,834,980	\$ 249,426,855

Certain amounts in the beginning balance column have been reclassified.

At June 30, 2010, approximately \$3,869,563 and \$33,093,422 in assets were acquired through existing capital leases for governmental and business type activities, respectively. These assets are included in vehicles, machinery, equipment and furniture 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 Activities:	
General Government	\$ 242,464	Electric	\$ 2,992,511
Public Safety	815,102	Airport	3,923,954
Public Works	3,460,187	Wastewater	1,584,388
Community Development	3,734	Telecom	2,095,179
Culture and Recreation	1,042,872	Water	532,350
Education	1,041,523	School	21,397
Total Depreciation Expense - Governmental Activities	\$ 6,605,882	Total Depreciation Expense - Business-Type Activities	\$ 11,149,779

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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, 2010 are as follows:

Burlington Electric Department	50%
Central Vermont Public Service Corporation	20%
Vermont Public Power Supply Authority	19%
Green Mountain Power Corporation	<u>11%</u>
Total	<u>100%</u>

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, 2009 are as follows:

Central Vermont Public Service Corporation	47.52%
Green Mountain Power Corporation	34.77%
Vermont Public Power Supply Authority	9.36%
Burlington Electric Department	7.70%
Others	<u>.65%</u>
Total	<u>100.00%</u>

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.

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A summary of the McNeil Generating Station financial statements as of and for the year ended June 30, 2010 and the Highgate Converter cash basis financial statements as of and for the year ended December 31, 2010 are as follows:

<u>Category</u>	McNeil Generating Station	Highgate Converter
Total Assets	\$ 92,360,839	\$ 29,992,482
Liabilities	462,421	0
Owners' Equity	91,898,418	29,992,482
Total Liabilities & Owners' Equity	\$ 92,360,839	\$ 29,992,482
Contribution by Joint Owners	\$ 20,471,261	\$ 1,629,363
Station Operating Expenses	20,646,581	1,115,367
Increase in Owners' Equity	(175,320)	513,996
Owners' Equity - Beginning of Year	92,073,738	29,478,486
Owners' Equity - End of Year	\$ 91,898,418	\$ 29,992,482

Burlington Community Development Corporation owns two buildings at the Burlington Airport with a cost of \$5,340,385 and accumulated depreciation of \$425,440. 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 \$45,673. The net carrying value of the Corporation's properties are \$6,367,069. The buildings are being depreciated over seventy-five (75) years and the land improvements over sixty (60) years.

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

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Component Unit				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,155,249	\$ 0	\$ 0	\$ 1,155,249
Construction in Progress	<u>1,256</u>	<u>0</u>	<u>1,256</u>	<u>0</u>
Total Capital Assets, Not Being Depreciated	<u>1,156,505</u>	<u>0</u>	<u>1,256</u>	<u>1,155,249</u>
Capital Assets, Being Depreciated:				
Buildings	5,340,385	0	0	5,340,385
Land Improvements	<u>342,548</u>	<u>0</u>	<u>0</u>	<u>342,548</u>
Totals	<u>5,682,933</u>	<u>0</u>	<u>0</u>	<u>5,682,933</u>
Less accumulated depreciation for:				
Buildings	355,114	70,326	0	425,440
Land Improvements	<u>39,964</u>	<u>5,709</u>	<u>0</u>	<u>45,673</u>
Totals	<u>395,078</u>	<u>76,035</u>	<u>0</u>	<u>471,113</u>
Total Capital Assets, Being Depreciated	<u>5,287,855</u>	<u>(76,035)</u>	<u>0</u>	<u>5,211,820</u>
Component Unit Capital Assets, Net	<u>\$ 6,444,360</u>	<u>\$ (76,035)</u>	<u>\$ 1,256</u>	<u>\$ 6,367,069</u>

G. Interfund Balances and Activity

The composition of interfund balances at June 30, 2010, is as follows:

<u>Fund</u>	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
General Fund	\$ 3,530,280	\$ 0
School Fund	7,945,903	0
Airport Fund	4,107,770	11,421
Telecom Fund	0	17,009,040
Wastewater Fund	1,637,826	4,581
Pension Trust Fund	3,276,822	0
Other Non-Major Funds:		
Special Revenue Funds	938,053	959,968
Capital Project Funds	42,643	4,611,726
Permanent Funds	978,814	0
Water Fund	0	632,067
School Enterprise Funds	<u>770,692</u>	<u>0</u>
Total	<u>\$ 23,228,803</u>	<u>\$ 23,228,803</u>

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The \$17,009,040 due to other funds in the Telecom Fund consist of two (2) different components; \$16,936,492 was frozen by the City in October 2009 and the remaining \$72,548 consists of amounts that must be repaid within sixty (60) days.

The main purpose of the interfund balances is so that the City can pool its cash balances. Excess cash of individual funds are shown as due from other funds and excess withdrawals of individual funds are shown as due to other funds.

Interfund transfers during the year ended June 30, 2010 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Southern Connector Fund	\$ 10,526	Fund Capital Outlay
General Fund	Fuel Depot Fund	8,415	Fund Capital Outlay
General Fund	Street Improvement Projects Funds	245,102	Fund Capital Outlay
General Fund	Heating Upgrade Fund	20,420	Fund Interfund Loans
General Fund	Other Capital Projects	53,271	Fund Local Share
General Fund	Traffic Fund	270,000	Fund Free Parking
General Fund	Traffic Fund	40,000	Meter Replacement
General Fund	CEDO Fund	299,402	Subsidy
General Fund	Housing Trust Fund	189,227	Tax Transfer
General Fund	Marketplace Fund	11,845	Subsidy
Traffic Fund	General Fund	64,400	Subsidy
Traffic Fund	CEDO Fund	30,000	Subsidy
CEDO Fund	Street Improvement Projects Fund	3,206	Fund Local Share
Marketplace Fund	Street Improvement Projects Fund	15,519	Fund Local Share
Stormwater Fund	Street Improvement Projects Fund	10,808	Fund Local Share
Cemetery Fund	General Fund	20,328	Fund Cemetery Operations
Loomis Library Fund	General Fund	29	Fund Library Operations
	Total	<u>\$ 1,292,498</u>	

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Interfund Loans

In 2009, the City's General Fund issued a \$50,858 interfund loan to the Wastewater Fund to assist in capital financing. The loan will be repaid beginning in fiscal year 2013 and completely repaid by the end of fiscal year 2014. Interest of approximately 4% is being charged on this loan.

The Burlington Community Development Corporation, a component unit of the City, owes three (3) separate City funds a total of \$1,976,565 related to a short-term loan on a former property held for resale, for other pieces of property, plant and equipment and for excess cash withdrawals from the City's pooled cash account. Debt of \$660,325 related to the Westlake Parking garage will be repaid to the Westlake Projects Fund without interest. A time frame for this repayment has not been established. Debt of \$1,182,811 relates to a loan from the Airport Fund for financing of the Aviation Support Hanger. This note will be repaid over twenty (20) years with interest at 3%. Excess cash withdrawals in the amount of \$133,429 will be repaid to the City in fiscal year 2011.

H. Other Long-Term Assets

The Governmental Activities other long-term assets, net of accumulated amortization, consists of deferred debt issuance costs of \$369,902 as of June 30, 2010.

The Business-type Activities other long-term assets, net of accumulated amortization, consists of the following as of June 30, 2010:

Category	Electric Fund	Airport Fund	Telecom Fund	Water Resources Fund	Total
Deferred Debt Issuance Costs	\$ 1,323,434	\$ 1,184,836	\$ 49,937	\$ 39,201	\$ 2,597,408
Deferred Depreciation Expense	3,505,333	0	0	0	3,505,333
Unamortized Demand Side Side Mgt (DSM)	2,371,711	0	0	0	2,371,711
Other Unamortized Charges	2,471,152	0	0	0	2,471,152
Non-Utility Property	775,600	0	0	0	775,600
Deferred VPSB Accounting Orders	246,546	0	0	0	246,546
Licensing Costs	0	0	40,981	0	40,981
Total	<u>\$ 10,693,776</u>	<u>\$ 1,184,836</u>	<u>\$ 90,918</u>	<u>\$ 39,201</u>	<u>\$ 12,008,731</u>

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

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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, 2010 are as follows:

<u>Category</u>	<u>Amount</u>
Loss on Transfer of Moran Station	\$1,326,122
Costs Associated with Chase Hydro	1,142,503
Deferred Prepayment	<u>2,527</u>
Total	<u>\$2,471,152</u>

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.

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 \$775,600 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, 2010

I. Deferred Revenue

Deferred Revenue in the Governmental Funds consists of:

		Other Governmental Funds:	
General Fund:		Traffic Fund:	
Unavailable Property Taxes, Interest, and Penalties	\$ 544,425	Parking Fees Received in Advance	\$ <u>16,465</u>
Unavailable Gross Receipts, Taxes, Interest and Penalties	73,360	Total Traffic Fund	<u>16,465</u>
Unavailable Public Safety Non-Exchange Transaction Fees	361,831	CEDO Fund:	
Unavailable Public Works Non-Exchange Transaction Fees	13,660	Unavailable Loans Receivable	3,411,490
Other Unavailable Receivables	50,160	Unavailable Accrued Interest Receivable	612,649
Prepaid Culture & Recreation Fees	170,862	Unavailable Land Held For Resale	570,934
Prepaid Public Safety Fire Alarm Fees	100	Unavailable Grant Receivables	210,871
Prepaid Public Safety Charges for Services	<u>1,154,818</u>	Grants Received in Advance	<u>18,344</u>
Total General Fund	<u>\$ 2,369,216</u>	Total CEDO Fund	<u>4,824,288</u>
School Fund:		Marketplace Fund:	
Unavailable Grant Receivables	\$ 97,147	Unavailable Vendor Assessment Receivables	7,486
Grants Received in Advance	<u>2,254,977</u>	Vendor Assessments Received in Advance	<u>18,254</u>
Total School Fund	<u>\$ 2,352,124</u>	Total Marketplace	<u>25,740</u>
		Capital Projects Funds:	
		Unavailable Grants Receivable	3,828,801
		Grants Received in Advance	<u>116,340</u>
		Total Capital Projects Funds	<u>3,945,141</u>
		Total Other Governmental Funds	<u>\$ 8,811,634</u>

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 receivables are 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.

The Water Fund has \$42,424 of deferred revenue from receiving deposits for work not yet performed. This revenue will be earned once the work has been completed.

CITY OF BURLINGTON, VERMONT
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J. Long-term Liabilities

General Obligation Bonds. The City issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior 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. Two of the five no-interest loans do charge a 2% administration fee. The City has borrowed money from the Vermont Special Environmental Revolving Fund for sewer stormwater projects. These bonds are both general obligation and revenue supported bonds.

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

Certificates of Participation – The City enters into agreements for the purpose of financing the acquisition and/or renovation of land and buildings. These agreements qualify as long-term debt obligations for accounting purposes (even though they include clauses that allow for cancellation of the 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.

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.

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

Unamortized 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.

Other Post Employment Benefits

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

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.

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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	\$ 15,897,809	\$ 7,000,000	\$ 2,140,310	\$ 20,757,499	\$ 1,704,166
Other Debt	16,783,000	74,875	1,168,000	15,689,875	1,105,000
Bond Anticipation Note Payable	4,000,000	0	4,000,000	0	0
Obligations Under Capital Leases	2,289,762	1,939,210	977,487	3,251,485	985,000
Insurance Reserves	2,069,000	0	450,000	1,619,000	915,523
City Compensated Absences	2,151,805	13,547	0	2,165,352	0
School Compensated Absences	2,743,390	516,114	0	3,259,504	0
Landfill Post-Closure	57,000	0	16,000	41,000	16,000
City - Post Employment Benefits	393,073	215,712	0	608,785	2,800
School - Post Employment Benefits	691,604	172,754	0	864,358	63,000
Net Pension Obligation	1,873,565	0	22,854	1,850,711	24,000
Total Governmental Activities					
Long-term Liabilities	\$ 48,950,008	\$ 9,932,212	\$ 8,774,651	50,107,569	\$ 4,815,489
Add Unamortized Premium				159,150	
Subtract Deferred Loss on Refunding				(64,408)	
Total				\$ 50,202,311	
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
General Obligation Bonds Payable	* \$ 26,655,565	\$ 17,600,000	\$ 307,481	\$ 43,948,084	\$ 1,534,979
Revenue Bonds Payable	* 119,289,869	2,974	10,654,889	108,637,954	15,079,789
Obligations Under Capital Leases	33,878,667	3,499,553	406,363	36,971,857	1,908,996
Bond Anticipation Note Payable	1,000,000	0	1,000,000	0	0
Compensated Absences	1,362,100	37,684	0	1,399,784	0
Post Employment Benefits	0	131,538	0	131,538	0
Deferred Electric Credit	1,312	0	549	763	0
Total Business-type Activities					
Long-Term Liabilities	\$ 182,187,513	\$ 21,271,749	\$ 12,369,282	191,089,980	\$ 18,523,764
Add Unamortized Premium				1,415,870	
Subtract Unamortized Discount				(121,420)	
Subtract Deferred Loss on Refunding Bonds				(12,636,102)	
Subtract Deferred Loss on Refunding Capital Leases				(613,836)	
Total				\$ 179,134,492	

* The beginning balances for General Obligation Bonds Payable and Revenue Bonds Payable have been reclassified.

The Electric Fund has not recorded \$172,677 of post employment benefit liabilities.

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

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

	Issue Date	Interest Rate %	Maturity Date	Original Issue	Outstanding 6/30/2009	New Issue	Principal Reduction	Outstanding 6/30/2010	
Governmental Activities:									
General Obligation Bonds:									
87	Urban Renewal 1998 Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	835,000	230,000	0	75,000	155,000
90	G.O. 1998 Series B Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	174,167	47,499	0	15,000	32,499
100	General Improvements 1999 Series B	07/20/99	4.25-4.80	12/01/2009	750,000	90,000	0	90,000	0
105	General Improvements 2000 Series A	10/12/00	4.25-4.75	12/01/2010	750,000	180,000	0	90,000	90,000
107	General Improvements 2001 Series A	10/01/01	3.00-4.00	11/01/2011	750,000	255,000	0	80,000	175,000
115	General Improvements 2002 Series A	07/30/02	3.00-4.00	09/01/2012	750,000	335,000	0	80,000	255,000
118	Fire Equipment Bond 2003A	05/01/03	3.50-4.00	11/01/2018	2,500,000	1,815,000	0	150,000	1,665,000
129	General Improvements 2003 Series B	10/15/03	2.00-3.75	11/01/2013	750,000	410,000	0	75,000	335,000
136	General Improvements 2004 Refunding Series B	07/15/04	2.00-3.80	12/01/2016	530,000	320,000	0	40,000	280,000
138	General Improvements 2004 Series A	07/15/04	2.25-3.75	05/01/2015	750,000	480,000	0	75,000	405,000
139	General Improvements 2005 Series A	06/28/05	3.50-3.60	11/01/2015	250,000	185,000	0	25,000	160,000
143	General Improvements 2005 Series B	07/06/05	3.25-3.50	11/1/2015	1,000,000	745,000	0	95,000	650,000
148	General Improvements 2006 Refunding Series B	10/10/06	3.75	12/1/2009	1,454,867	411,783	0	411,783	0
150	General Improvements 2006 Series B	10/10/06	3.50-4.00	11/1/2026	1,000,000	935,000	0	35,000	900,000
154	General Improvements 2007 Series A	12/10/07	3.50-4.25	11/1/2027	1,000,000	970,000	0	35,000	935,000
163	General Improvements 2009 Series C	08/18/09	2.00-4.125	11/1/2029	1,000,000	0	1,000,000	0	1,000,000
164	General Improvements 2009 Series C	08/18/09	2.00-4.125	11/1/2029	1,000,000	0	1,000,000	0	1,000,000
165	General Improvements 2009 Series C Street Improv	08/18/09	2.00-4.125	11/1/2029	2,250,000	0	2,250,000	0	2,250,000
88	G.O. School 1998 Series C Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	696,667	190,000	0	60,000	130,000
112	G.O. School 2002 Series Refunding Bonds	07/30/02	2.50-4.00	09/01/2013	1,070,000	545,000	0	100,000	445,000
114	G.O. School 2002 Series A Bonds	07/30/02	3.00-4.375	03/01/2018	860,000	670,000	0	35,000	635,000
137	G.O. School 2004 Refunding Series B Bonds	07/15/04	2.00-3.80	12/01/2016	2,370,000	1,410,000	0	175,000	1,235,000
145	G.O. School 2005 Series B Bonds	07/06/05	3.25-4.2	11/1/2025	750,000	680,000	0	30,000	650,000
147	G.O. School 2006 Refunding Series B Bonds	10/10/06	3.75	12/1/2006	614,105	188,527	0	188,527	0
152	G.O. School 2006 Series A Bonds	10/10/06	3.50-4.00	11/1/2026	750,000	700,000	0	25,000	675,000
153	G.O. School 2006 Series A Bonds - Athletic Field	10/10/06	3.50-4.00	11/1/2026	3,615,000	3,375,000	0	130,000	3,245,000
156	G.O. School 2007 Series A Bonds	12/10/07	3.50-4.25	11/1/2027	750,000	730,000	0	25,000	705,000
166	G.O. School 2009 Series C Bonds	08/18/09	2.00-4.125	11/1/2029	750,000	0	750,000	0	750,000
167	G.O. School 2009 Series C Bonds	08/18/09	2.00-4.125	11/1/2029	2,000,000	0	2,000,000	0	2,000,000
General Obligation Bonds Subtotal					<u>31,719,806</u>	<u>15,897,809</u>	<u>7,000,000</u>	<u>2,140,310</u>	<u>20,757,499</u>
Other Debt									
94	Downtown Parking - Certificate of Participation	06/01/99	4.30-4.80	12/01/2018	5,500,000	2,340,000	0	195,000	2,145,000
95	Waterfront Refunding - Certificate of Participation	06/01/99	4.30-4.80	12/01/2018	1,390,000	855,000	0	70,000	785,000
103	Capital Projects - Certificate of Participation	06/27/00	5.375-5.75	12/01/2020	4,100,000	2,950,000	0	180,000	2,770,000
116	Police Facility - Certificate of Participation Refunding	07/30/02	3.00-4.25	05/01/2015	2,075,000	1,080,000	0	160,000	920,000
140	Downtown Parking - Certificate of Participation	6/7/05	4.0-4.375	05/01/2025	7,870,000	7,250,000	0	330,000	6,920,000
158	HUD Section 108 - US Guaranteed Notes 1999	04/28/99	5.40-6.20	08/01/2017	1,930,000	910,000	0	130,000	780,000
128	HUD Section 108 - US Guaranteed Notes 2003	02/12/03	3.25	08/01/2022	3,602,000	598,000	0	103,000	495,000
159	HUD Section 108 - US Guaranteed Notes 2005	1/23/09	variable	08/01/2018	1,827,000	800,000	0	0	800,000
	State of VT-EPA 2009 Series 1 (Stormwater)	2/9/10	2.00	10/01/2031	1,204,000	0	74,875	0	74,875
Other Debt Subtotal					<u>29,498,000</u>	<u>16,783,000</u>	<u>74,875</u>	<u>1,168,000</u>	<u>15,689,875</u>
Total Governmental Activities Bonds and Other Debt					<u>61,217,806</u>	<u>32,680,809</u>	<u>7,074,875</u>	<u>3,308,310</u>	<u>36,447,374</u>

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

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

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	Issue Date	Interest Rate %	Maturity Date	Original Issue	Outstanding 6/30/2009	New Issue	Principal Reduction	Outstanding 6/30/2010
Tax and Bond Anticipation & Other Notes Payable								
Bond Anticipation Note - GF, School & BED	2/24/2009	2.00%	8/24/2009	5,000,000	5,000,000	0	5,000,000	0
Tax Anticipation Note - School	7/1/2009	1.29%	9/30/2009	7,000,000	0	7,000,000	7,000,000	0
Revenue Anticipation Note - BED	7/10/2009	1.85%	6/30/2010	4,000,000	0	4,000,000	4,000,000	0
Revenue Anticipation Note - Water	7/10/2009	1.85%	6/30/2010	1,000,000	0	1,000,000	1,000,000	0
Revenue Bond Anticipation Note - Wastewater	7/10/2009	1.85%	6/30/2010	1,000,000	0	1,000,000	1,000,000	0
Tax Anticipation Note - General Fund	8/7/2009	2.35%	6/30/2010	11,500,000	0	8,000,000	8,000,000	0
Revenue Anticipation Note - BED	6/30/2010	2.99%	9/30/2010	4,000,000	0	4,000,000	0	4,000,000
Revenue Anticipation Note - Water	6/30/2010	2.99%	9/30/2010	1,000,000	0	1,000,000	0	1,000,000
Revenue Anticipation Note - Wastewater	6/30/2010	2.99%	9/30/2010	1,000,000	0	1,000,000	0	1,000,000
				<u>35,500,000</u>	<u>5,000,000</u>	<u>27,000,000</u>	<u>26,000,000</u>	<u>6,000,000</u>

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

Business-type Activities:

General Obligation Bonds:

89	Electric 1998 Series C Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	174,167	47,500	0	15,000	32,500
135	Electric 2004 Series B Refunding Bonds	07/15/04	2.00-3.80	12/01/2016	510,002	300,000	0	35,000	265,000
141	Electric 2005 Series A Bonds	06/28/05	3.50-4.20	11/01/2025	1,000,000	910,000	0	40,000	870,000
144	Electric 2005 Series B Bonds	07/06/05	3.25-4.20	11/01/2025	1,000,000	905,000	0	40,000	865,000
149	Electric 2006 Series B Refunding Bonds	10/10/06	3.75	12/1/2009	146,028	39,690	0	39,690	0
151	Electric 2006 Series A Bonds	10/10/06	3.50-4.00	11/1/2026	1,000,000	935,000	0	35,000	900,000
157	Electric 2007 Series A Bonds	12/20/07	3.50-4.30	11/1/2027	1,000,000	970,000	0	35,000	935,000
159	Electric 2009 Series A Bonds	04/20/09	2.00-4.375	11/1/2029	12,750,000	12,750,000	0	0	12,750,000
160	Electric 2009 Series B Bonds	04/20/09	4.00-6.00	11/1/2029	8,250,000	8,250,000	0	0	8,250,000
162	Electric 2009 Series D Bonds	08/18/09	1.45-5.60	11/1/2029	4,615,000	0	4,615,000	0	4,615,000
168	Electric 2009 Series C Bonds	08/18/09	2.00-4.125	11/1/2029	1,000,000	0	1,000,000	0	1,000,000
169	Electric 2009 Series C Bonds	08/18/09	2.00-4.125	11/1/2029	1,000,000	0	1,000,000	0	1,000,000
170	Electric 2009 Series C Bonds	08/18/09	2.00-4.125	11/1/2029	10,985,000	0	10,985,000	0	10,985,000
161	State of VT-EPA 2001 Series 1 (Digester)	07/01/00	2.00	10/01/2026	2,500,000	1,548,375	0	67,791	1,480,584
	General Obligation Bonds Subtotal				<u>45,930,197</u>	<u>26,655,565</u>	<u>17,600,000</u>	<u>307,481</u>	<u>43,948,084</u>

Revenue Obligation Bonds:

77	Electric Revenue Bonds 1996 Series A	04/01/96	3.80-6.38	12/01/2012	54,475,000	18,150,000	0	4,125,000	14,025,000
126	Electric Revenue Bonds 2001 Series A	12/01/01	2.30-4.60	07/01/2014	11,115,000	7,755,000	0	655,000	7,100,000
127	Electric Revenue Bonds 2002 Series A	04/01/02	5.00-5.375	07/01/2014	20,875,000	15,045,000	0	1,195,000	13,850,000
130	Electric Revenue Bonds 2004 Series A	04/15/04	4.27	07/01/2024	10,000,000	8,530,000	0	395,000	8,135,000
102	State of VT-EPA 1990 Series 1	12/06/90	0.00	12/01/2010	5,378,105	4,275,597	0	242,015	4,033,582
101	State of VT-EPA 1991 Series 1	02/12/92	0.00	12/01/2014	19,403,807	17,481,190	0	582,114	16,899,076
103	Wastewater State of VT-EPA 2006 Series 1 (Siphon)	09/06/06	2.00	02/01/2027	1,650,000	1,408,082	0	65,760	1,342,322
173	State of VT-EPA 2009 Series 1 (Turbo Blower)	2/9/2010	2.00	10/1/2031	120,000	0	2,974	0	2,974
82	Water Revenue Bonds 1997 Series A	07/10/97	4.10-5.00	12/01/2012	13,925,000	4,930,000	0	1,145,000	3,785,000
78	Airport Revenue Bonds 1997 Series A	05/01/97	3.85-5.60	07/01/2017	12,380,000	7,210,000	0	640,000	6,570,000
79	Airport Revenue Bonds 1997 Series B	05/01/97	4.00-5.75	07/01/2017	7,450,000	4,370,000	0	385,000	3,985,000
104	Airport Revenue Bonds 2000 Series A	05/17/00	4.80-6.20	07/01/2020	10,435,000	7,550,000	0	455,000	7,095,000
119	Airport Revenue Bonds 2003 Series A and B	06/11/03	2.00-5.00	07/01/2028	24,800,000	22,585,000	0	770,000	21,815,000
	Revenue Obligation Bonds Subtotal				<u>192,006,912</u>	<u>119,289,869</u>	<u>2,974</u>	<u>10,654,889</u>	<u>108,637,954</u>
	Total Business-type				<u>237,937,109</u>	<u>145,945,434</u>	<u>17,602,974</u>	<u>10,962,370</u>	<u>152,586,038</u>
	Total of All Bonds				<u>299,154,915</u>	<u>178,626,243</u>	<u>24,677,849</u>	<u>14,270,680</u>	<u>189,033,412</u>

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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, 2010, the City did not meet the debt service coverage requirements for the Airport and Water Funds. As a result, the Airport will be required to perform and implement a study to meet this ratio requirement and the Water Department has increased water rates in fiscal year 2010 and 2011 to meet this ratio requirement.

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.

Anticipated maturities of the bonds and notes excluding the bond anticipation note are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 2,809,166	\$ 1,391,391	\$ 16,614,769	\$ 5,890,836
2012	2,818,333	1,286,775	13,381,765	5,275,235
2013	2,677,246	1,184,454	14,117,873	4,623,925
2014	2,687,791	1,084,227	26,795,180	4,132,405
2015	2,574,838	983,307	12,787,451	3,557,870
2016-2020	11,890,000	3,433,254	25,987,688	12,425,583
2021-2025	7,550,000	1,509,154	22,674,150	7,308,228
2026-2030	3,440,000	290,889	20,227,162	2,287,619
Total	\$ <u>36,447,374</u>	\$ <u>11,163,451</u>	\$ <u>152,586,038</u>	\$ <u>45,501,701</u>

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The City is the lessee of various equipment under capital leases expiring in various years through 2028. Future minimum payments under the capital leases consisted of the following as of June 30, 2010.

Year Ending <u>6/30</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>
2011	\$ 1,051,579	\$ 3,529,825
2012	920,738	3,523,489
2013	740,724	3,479,472
2014	552,117	3,448,001
2015	180,395	3,147,565
2016-2020	28,793	15,005,187
2021-2025	0	14,137,886
2026-2029	<u>0</u>	<u>6,362,047</u>
 Total Minimum Lease Payments	 3,474,346	 52,633,472
 Less Amounts Representing Interest	 <u>(222,861)</u>	 <u>(15,661,615)</u>
 Net Present Value of Future Payments	 3,251,485	 36,971,857
 Deferred Loss on Lease Refunding	 <u>0</u>	 <u>(613,836)</u>
 Net Capital Leases Payable	 <u>\$ 3,251,485</u>	 <u>\$ 36,358,021</u>

There is a capital lease in the amount of \$33,500,000 for the Telecom Fund. The lease repayments are to be paid back from Telecom revenues. If these revenues are insufficient, other City funds are not obligated in any manner to repay this lease. This lease is not supported by the general taxing authority of the City. Subsequent to the end of the year, the City did not appropriate funds to pay this lease and, therefore, terminated the lease pursuant to its terms.

Burlington Community Development Corporation has one (1) note payable with TD Bank on the Gilbane property totaling \$327,803 which is secured by a mortgage. The loan is for ten years and has a fixed rate of 7.66%. Subsequent to year end, the note was renewed for another ten (10) year period with interest at 6.25%.

The Corporation also has four (4) notes payable with Peoples United Bank with a balance of \$1,218,612 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 3.25% and 4%.

The Corporation also has borrowed \$3,320,000 from the Vermont Economic Development Authority (VEDA) to construct an Aviation Support Hanger. The loan is for twenty (20) years with interest at 7.15%. The balance as of June 30, 2010 is \$2,973,670. Subsequent to year end, the Corporation issued a \$2,977,500 note with the Union Bank for the purpose of refinancing the VEDA loan. Interest is at 4.09% and the note is due November 1, 2020.

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As part of the subsequent refinancing of the VEDA note as discussed previously, the Corporation issued a \$560,000 note with VEDA to pay for a swap termination fee and other related costs associated with refinancing. Interest is at 3.75% and is due November 19, 2020.

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, 2010 is \$1,182,811.

The Corporation also owes a City Capital Projects Fund \$660,325 for its share of the Westlake Parking Garage. The amount will be paid in 2011 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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 182,522	\$ 242,895
2012	179,814	200,373
2013	187,744	191,762
2014	195,645	183,133
2015	208,352	174,135
2016-2020	1,155,725	713,115
2021-2025	2,331,173	106,636
2026-2030	<u>79,110</u>	<u>5,844</u>
Total	<u>\$ 4,520,085</u>	<u>\$ 1,817,893</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 58,488	\$ 34,684
2012	60,267	32,905
2013	62,100	31,072
2014	63,989	29,183
2015	65,935	27,237
2016-2020	361,005	104,855
2021-2025	419,351	46,509
2026-2027	<u>91,676</u>	<u>1,496</u>
Total	<u>\$ 1,182,811</u>	<u>\$ 307,941</u>

CITY OF BURLINGTON, VERMONT
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K. Restricted Net Assets

The restricted net assets of the City's Governmental Activities as of June 30, 2010 are as follows:

Restricted for Specific General Fund Purposes	
By Various Instruments	\$1,229,734
Restricted for Education by Grant Agreements	399,620
Restricted for Traffic Activities by Charter	326,118
Restricted for Community Development by Grant Agreement	4,565,559
Restricted for TIF District Debt Service by Ordinance	277,050
Restricted for Wadell Fund by Donations	13,821
Restricted for Capital Construction by Donations and Debt Agreement	16,860
Restricted for Perpetual Care by Trust Agreements	<u>1,102,366</u>
 Total Restricted Governmental Activities Net Assets	 <u>\$7,931,128</u>

The restricted net assets of the City's Business-type Activities as of June 30, 2010 are as follows:

Restricted for Debt Service by Revenue Bond	\$18,567,488
Restricted for Renewal & Replacement Projects by Revenue Bond	1,170,152
Restricted for Capital Projects by PFC Regulations	7,221,471
Restricted for Capital Projects by Revenue Bond	<u>7,219,963</u>
 Total Restricted Business-type Activities Net Assets	 <u>\$34,179,074</u>

The City also has eight Private Purpose Trust Funds that are restricted by trust agreements and donations totaling \$205,238.

BCDC, a component unit of the City has \$18,000 of net assets restricted for future capital reserves as required by the Capital Lease Agreement.

CITY OF BURLINGTON, VERMONT
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L. Reserved Fund Balances

The reserved fund balances of the City's Governmental Funds as of June 30, 2010 are as follows:

General Fund:

Reserved for Inventories and Prepaid Expenses	\$ 447,808
Reserved for Parking Fund by Charter	23,000
Reserved for Library Books by Grants and Donations	162,019
Reserved for Public Record Restoration by Grants	47,669
Reserved for Capital Construction by Impact Fees	355,909
Reserved for Public Safety Expenditures by Police Equitable Sharing Funds	641,137
Reserved for Capital Reserve Expenses by Bond Proceeds	755,442
Reserved for Capital Lease Receivable – Long Term	193,333
Reserved for Wastewater Interfund Loan – Long Term	<u>50,858</u>
Total General Fund	<u>2,677,175</u>

School Fund:

Reserved for Education Expenditures by Donations and Grants	<u>399,620</u>
Total School Fund	<u>399,620</u>

Other Governmental Funds:

Reserved for Traffic Fund Prepaid Expenses and Inventories	201,204
Reserved for Traffic Fund Expenditures by City Charter	124,914
Reserved for Tax Increment Financing Fund Prepaid Expenses	1,375
Reserved for Tax Increment Financing Fund Debt Service by Ordinance	275,675
Reserved for Stormwater Fund Prepaid Expenses	6,817
Reserved for Church Street Marketplace Prepaid Expenses	448
Reserved for Mary E. Waddell Fund by Trust Agreement	13,821
Reserved for Capital Construction by Donations	16,860
Reserved for Cemetery Endowments by Trust Agreements	1,066,052
Reserved for Other Permanent Funds by Donations	<u>36,314</u>
Total Other Governmental Funds	<u>1,743,480</u>

Total Reserved Fund Balances	<u>\$4,820,275</u>
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CITY OF BURLINGTON, VERMONT
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M. Designated Fund Balances

The designated fund balances of the City's Governmental Funds as of June 30, 2010 are as follows:

General Fund:	
Designated for CCTA & County Tax – Dedicated Tax	\$ 136,712
Designated for Conservation Legacy – Dedicated Tax	438,840
Designated for Parks – Greenbelt – Dedicated Tax	189,132
Designated for Parks – Pennies for Parks – Dedicated Tax	<u>173,422</u>
 Total Tax Items	 938,106
 Less: Uncollected Property Taxes, Penalties and Interest	 <u>(544,425)</u>
 Total Designated Tax Items	 393,681
 Designated for Insurance Reserves	210,586
Designated for General Capital Reserve	294,709
Designated for Financed Capital	21,520
Designated for Recycling	<u>223,541</u>
 Total Designated Fund Balance	 <u>\$1,144,037</u>

The City's General Fund designated tax items were reduced by the \$544,425 revenue deferral for uncollected property taxes, penalties and interest. The expending of funds for the designated tax items 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, 2010 was \$6,094,554.

The unreserved deficit of \$389,462 in the School Fund will be funded in fiscal year 2011 by budgeting a surplus.

The unreserved, designated fund balances in the Other Governmental Funds as of June 30, 2010 are as follows:

Special Revenue Funds:	
Designated for Housing	\$334,019
Designated for Stormwater	<u>144,521</u>
 Total Special Revenue Funds	 <u>\$478,540</u>

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The unreserved, undesignated fund balances/(deficits) in the Other Governmental Funds as of June 30, 2010 are as follows:

Special Revenue Funds:	
Community and Economic Development Fund	\$ (240,385)
Church Street Marketplace Fund	<u>(45,368)</u>
Total Special Revenue Funds	<u>(285,753)</u>
Capital Projects Funds:	
Southern Connector Fund	(593,819)
South End and Downtown Transit Centers Fund	(10,285)
Fuel Depot	(288,788)
Street Improvement Projects Fund	(2,395,876)
Riverside Avenue and North Street Projects Fund	(23,069)
Burlington/Winooski Bridge Fund	(19,922)
Moran Plant Project Fund	(519,075)
Stormwater Upgrade Fund	(288,838)
Other Capital Projects Fund	(320,735)
Lakeview and College Street Garages and Westlake Project Fund	(8,874)
School Capital Projects Fund	<u>(1,417,497)</u>
Total Capital Projects Funds	<u>(5,886,778)</u>
Total Unreserved, Undesignated Fund Balances/(Deficits)	<u>\$(6,172,531)</u>

The deficit in the Church Street Marketplace Fund will be funded in 2011 with increased revenue collection efforts and decreased expenses. The Lakeview and College Street Garages and Westlake Project Fund deficits will be funded in 2011 by a transfer from the General Fund. The Moran Plant Project Fund deficit will be funded with a combination of grants and proceeds of long-term debt. The School Capital Projects Funds deficit and the Stormwater Upgrade Fund deficit were funded in 2011 with proceeds of long-term debt. All other City funds with deficits will be funded as grants receivable are collected in fiscal year 2011.

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, 2010, taxes became due and payable on August 12, 2009, November 12, 2009, March 12, 2010 and June 12, 2010. 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 (10th) 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.

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The amount of taxes the City may levy is subject to charter limitations. These limits and the rates assessed for 2009-2010 are as follows:

Category	Charter Limits	Rate per \$100 of Assessed Value Residential	Rates 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)	0.0350	0.0350	0.0350
Streets-Special	0.0617	0.0617	0.0617
County Tax	Actual	0.0054	0.0054
General Long-Term			
Debt Retirement & Interest	Actual	0.0569	0.0569
Retirement Contribution	Actual	0.1587	0.1587
Chittenden County			
Transportation Authority	Actual	0.0337	0.0337
Library Tax	0.0050	0.0050	0.0050
Housing Trust Fund	0.0100	0.0054	0.0054
Open Space	0.0100	0.0054	0.0054
Total City Tax Rate		<u>0.7120</u>	<u>0.7120</u>
Total School Tax Rate	Actual	<u>1.2394</u>	<u>1.5334</u>
Total Tax Rate		<u><u>1.9514</u></u>	<u><u>2.2454</u></u>

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)	\$ 19,575,901
School (Non-Residential)	27,303,654
City Real	24,234,005
City 120% Commercial Adjustment	1,098,535
City Personal	<u>1,010,022</u>
Total Taxes Assessed	73,222,117
Less: Current Year Collections and Adjustments	<u>72,738,718</u>
Delinquent Taxes	<u><u>\$ 483,399</u></u>
Percentage of Current Tax Collections to Total Levies	<u><u>99.34%</u></u>

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The City also assessed a \$.09 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 \$284,310 in “Downtown Improvement District” taxes.

B. Commitments and Contingencies

ELECTRIC DEPARTMENT

1. The Department purchases a portion of its electricity requirements pursuant to long-term contracts. Sources of purchased power include power contracts from New York State Electric and Gas (NYSEG) and Vermont Electric Power Producers, Inc. (VEPPI). Payments under long-term power supply contracts were \$5,027,661 for the year ended June 30, 2010. Future budgeted commitments for the next five (5) years under these contracts totaled approximately \$12 million at June 30, 2010. 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 Burlington Gas Turbine, which the Department wholly owns. 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	36.0%
NYPA	4.0%
NYSEG	9.0%
VEPPI	6.0%
Other	<u>45.0%</u>
Total	<u>100.0%</u>

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2. The Burlington City Council has approved, and the Vermont Public Service Board has likewise approved, a 10 year contract with Vermont Wind. Under the proposed contract, the Department would receive 16 MW (40%) of Vermont Wind's permitted wind farm in Northeast Vermont. The contract, while approved, has not yet been executed and commercial operations are not expected before 2010.
3. On May 12, 2009, the Department filed with the VPSB a request to increase rates by 11.33% to a revenue level of \$50,393,364. By law, the Department is allowed to begin charging these new rates for service rendered 45 days after the filing, subject to refund should the Board ultimately approve less than the filed amount. Therefore, on June 26, 2009 the Department began charging the new rates. The rates received Vermont Public Service Board approval on March 1, 2010.
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, 2010.
5. In 2008, the McNeil Generating Station (McNeil) installed a Regenerative Selective Catalytic Reduction (RSCR) unit. The RSCR unit significantly reduces McNeil's Nitrous Oxide (NOx) emission level which allows the station to qualify to sell Connecticut Class I Renewable Energy Certificated (RECs). On March 4, 2009, the Connecticut Department of Public Utilities finalized approval of McNeil Station to sell Class I RECs retroactive to October 1, 2008. Connecticut Class 1 RECs are one of the more valuable REC products in New England and REC sales are expected to be a significant revenue source for the Department. The Department planning staff monitors McNeil output levels, REC commitments made, and the markets for these RECs and periodically sells RECs either through an auction structure, through broker initiated transactions, or through direct placement with entities who need the RECs to comply with Connecticut statutes. The Department enters into agreements to sell these RECs for both the current year's generation, and for future years production.

The RECs are determined to be qualified for sale based on consistent review of outputs garnered by McNeil. At the end of every quarter, an affidavit is signed stating whether or not McNeil's emissions output met the requirements needed to sell the RECs. McNeil receives a certificate from the State of Connecticut indicating that they met the standards based on the statistics provided by McNeil. At the time of the certificates received, the sales contract is consummated with the customer, and upon delivery of the RECs to the customer, the sale is recorded as revenue.

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6. 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. The Department has determined the adoption of GASB Statement No. 49 did not have a material effect on the financial statements.

OTHER FUNDS

LAKE CHAMPLAIN BARGE CANAL

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

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 \$421,385 were expended in fiscal year 2010. Federal and State permitting and final design are ongoing and construction will not begin until at least 2011.

CHITTENDEN SOLID WASTE DISTRICT

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

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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, 2010 have not yet been conducted. Accordingly, the City's compliance with grant application requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

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 and other projects in progress include parking expansion, south end development, VORTEX conversion project, land acquisition and mitigation, taxiway and runway improvements, security and lighting enhancements, and various engineering projects, as well as an airport master plan.

LETTERS OF CREDIT

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

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 (COP's). It is anticipated that repayment will come from additional property taxes that will accrue to the City within its tax increment financing (TIF) district.

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

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TRANSPORTATION CENTER

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

The engineering and design costs for the Transportation Center were paid for with Federal Transportation Authority (FTA) funds. In the event that 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 would be funded with tax increment funds to pay back the proceeds of a Certificate of Participation issued in June of 2005.

In 2010, the City entered into an agreement to transfer grant funding, project authority and liability for the project to the Chittenden County Transportation Authority.

BURLINGTON TELECOM

In March 1996 and November 2000, voters authorized the City to provide an alternate telecommunications 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 communication services 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, the City-owned telecommunications project. Phase II expanded the project to allow businesses and non-profit organizations along this route to connect to the municipal network for telephone and internet services. 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, including cable television.

In May 2004, the City Council authorized the Chief Administrative Officer to solicit financing opportunities for the Phase III expansion of the project to include delivery of voice, data, and cable television services throughout the City. The technology for this phase had been updated since Phase I was constructed, which necessitated a different design. In November 2004, additional financing of \$10,000,000 was again secured from Koch Financial of Scottsdale, Arizona. The original \$2,600,000 was refinanced at a lower interest rate at this time.

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In March 2005, the City purchased a building at 200 Church Street to house the equipment and administration for the expanded services. In September 2005, the City received a Certificate of Public Good (CPG) to operate a cable television system within the City. The City previously had obtained a CPG to offer telecommunication services. Thereafter, 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 fiscal year 2006 and fiscal year 2007. In January, 2006, an additional \$10,000,000 in financing was secured to cover construction and hookup costs for the Phase III expansion. 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 \$33.5 million was secured with CitiCapital. This refinancing was completed in August, 2007.

By January 2008, the CitiCapital financing was expended and in the spring of 2008, CitiCapital notified the City that it was terminating its leasing business and would not be able to provide the City additional funding as expected. Subsequently, the City explored other opportunities for financing. However, the national constriction of financing in 2008 and 2009 precluded a favorable refinancing of the CitiCapital lease to restructure Burlington Telecom's debt and provide additional funding. In anticipation of financing, the City utilized pooled cash for Burlington Telecom.

In September 2008, the City filed a petition with the Vermont Public Service Board to amend the City's CPG to extend the September, 2008 timetable for completion of the build out of Burlington Telecom's system in Burlington. The City conducted an audit to determine the number of homes that were not passed in the City and the costs to complete this build out. This evaluation was completed in August, 2009 and determined that cost would be an estimated \$3 to \$10 million depending on the method of build out (aerial or underground construction) and determination of whether this was for the completion of the entire City of Burlington, including private-rights of way.

In December 2009, a civil lawsuit was filed entitled Osier and Shaver v. Burlington Telecom. The original lawsuit was later amended to include the City of Burlington and Jonathan Leopold as parties. The Amended Complaint seeks recovery of the monies used by Burlington Telecom from the City's pooled cash management system, plus attorney's fees. The parties have agreed to an Interim Stipulated Order providing that the City shall not utilize its pooled cash management system nor any other City monies to make any payment to CitiCapital Leasing unless authorized by order of the PSB. Under the Order, the City may make payments from the pooled cash in the ordinary course of business that are reimbursed to the pooled cash management system within sixty (60) days of payment. The City filed a Motion to Dismiss this lawsuit which was denied by the Court. The parties are currently engaged in discovery.

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In December 2009, the City Council appointed a Blue Ribbon Committee, consisting of four citizens with business and/or telecommunications expertise, and three City Councilors, to make recommendations regarding the financial structure of Burlington Telecom. In February, 2010, the Blue Ribbon Committee delivered its report containing a series of recommendations to address the challenges facing Burlington Telecom. The Committee recommended that the first step is to retain a restructuring financial advisor.

Pursuant to this recommendation, in March, 2010, the City retained Dorman & Fawcett of Quechee, Vermont to advise the City. Negotiations between Dorman & Fawcett and CitiCapital continued throughout most of 2010. In September 2010, Dorman & Fawcett also assumed interim management of BT pending the appointment of a permanent General Manager.

In November 2010, both the City and CitiCapital acknowledged the lease agreement was terminated as a result of non-appropriation and the equipment used as collateral under the agreement must be returned. Dorman & Fawcett are currently negotiating with potential financial and strategic partners to secure the funding to purchase replacement equipment.

MORAN PROJECT

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

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

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

Due to the fact that the Moran Building is a defunct coal-fired electric generating plant, the City has remediation costs associated with known environmental contamination. The City has currently estimated a remediation liability approximating \$265,000 however this estimate is subject to change due to factors such as price increases and decreases, changes in technology, further environmental discoveries, or changes in applicable laws or regulations. The City has recorded an \$88,800 liability in the Moran Building Capital Project Fund which represents the funded portion of the remediation liability. The City is confident that they have secured outside funding to pay for the remaining amounts.

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

- Lake Champlain Community Sailing Center. LCCSC is a well-established community based non-profit that will expand into a year-round operation in the renovated Moran building. LCSCS provides youth sailing camps, adult instruction, boat rentals, small boat storage and more, regardless of age, physical or financial ability.
- Ice Factor. This family adventure center will have the nation's first indoor ice climbing wall, a first-rate rock climbing center, play area for small children, an aerial adventure course, and more. Ice factor will also operate a café and restaurant, as well as an outdoor seasonal ice skating rink.
- The third tenant remains to be identified

The Moran Project will create considerable short *and* long term economic benefits for the local and regional economies. These include 560+ temporary jobs, and an estimated \$41.7 million multiplier effect from construction spending. The project will also create 60-80 permanent jobs, generate \$2 million in gross receipts, and have an estimated \$6 million annual economic impact. Importantly, this impact will be located where the jobs are needed most: in Burlington's HUD-designated Renewal Community, where the poverty rate is 31.4%, more than 2.4 times the national rate.

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

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

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

GENERAL

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

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

On July 1, 1992, the City entered into an agreement with The Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund (hereinafter VLCT) for the purpose of VLCT providing property, liability and worker's compensation coverage to replace its self-insured risks. VLCT is a risk pool set up for the benefit of members of the Vermont League of Cities and Towns. VLCT also 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 terminated December 31, 2006, however the terms of the agreement are still in place until all claims and liabilities for applicable fund 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 for calendar year 2007, a \$2,590,000 aggregate limit for calendar year 2008 and a \$2,870,000 aggregate limit for calendar year 2009. On January 1, 2010, the City increased the per occurrence limit to \$350,000 per claim and has a \$2,758,800 aggregate limit for calendar year 2010. The City has hired a third party administrator, the Travelers Indemnity Company, to process, pay and administer the claims after which they bill the City for reimbursement. The City has an irrevocable standby letter of credit with the Travelers Indemnity Company as beneficiary in the amount of \$1,500,000 to secure the payment of claims.

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The liability recorded at June 30, 2010 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 \$130,000 and for aggregate stop loss of 125% of projected claims for the 2010 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:

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

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At June 30, 2010, the City has recorded a liability of \$352,248 included in accounts payable which represents reported health, dental, property, liability and worker's compensation claims incurred on or before June 30, 2010, but were not paid by the City as of that date. A reserve of \$1,619,000 is included for claims incurred but not reported. This consists of \$1,187,000 for property, liability and workers' compensation claims, \$414,000 for health claims and \$18,000 for dental claims. \$195,807 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 \$102,094 and \$32,249, respectively, in unemployment claims during fiscal year 2010.

D. Bonds/Debt Issued and Authorized

1. On August 18, 2009, the City issued \$19,985,000 Series C and \$4,615,000 Series D General Obligation Bonds for the purpose of financing various capital projects for the General Fund (\$1,000,000), School Fund (\$2,000,000), Electric Fund (\$16,600,000) and \$5,000,000 of these proceeds was used to pay off a bond anticipation note.
2. At various points during the year, the City issued and repaid \$21,000,000 of tax and revenue anticipation notes.
3. On August 6, 2009, the City entered into a Capital lease with Sun Trust leasing for \$1,500,000 for the purpose of financing capital purchases.
4. On May 19, 2010, the City entered into a Capital lease with Chase leasing for \$2,465,270 for the purpose of financing capital purchases.
5. On June 5, 2010 the City Airport Fund entered into a capital lease with TD Equipment for \$1,473,470 for the purchase of financing capital improvements at the airport.
6. In March 2010, the voters of the City of Burlington approved a \$21,500,000 revenue bond for the construction of two additional levels of parking to the North portion of the Airport parking garage.
7. On February 9, 2010, the City entered into an agreement authorizing the issuance of \$1,324,000 of revenue bonds to the Vermont Special Environmental Revolving Fund for stormwater and wastewater upgrades. The bonds are part of the American Recovery and Reinvestment Account (ARRA) and are eligible for 50% to be forgiven. There is a 2% administrative fee charged. The bonds are due in 2031.

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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. BCDC also owns two (2) buildings on Airport property. BCDC owes the Airport \$1,182,811 as of June 30, 2010 for financing an Aviation Support Hanger. BCDC also owes a City Capital Projects Fund \$660,325 for financing of its share of the new Westlake Parking Garage until permanent financing can be obtained. Furthermore, BCDC pools its cash with the City. As of June 30, 2010, BCDC had excess withdrawals of cash and therefore owed the General Fund \$133,429.

The City of Burlington Art's Department head is also the Executive Director of the Burlington City Arts Foundation, Inc.

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 2015.

Lease revenue for the year ended June 30, 2010 was approximately \$5,777,000 which includes contingent rentals approximating \$2,148,000.

Burlington Telecom leases space in its office building to an unrelated third party. The lease was renewed in March, 2010 and is due to expire in February, 2015. The lease has one more five (5) year renewal option. Future guaranteed lease payments for the next five years are estimated to be \$66,000 annually, indexed for inflation.

The Water Fund leases space on its Redstone Tower to two cell phone companies who installed antennas on them. The lease terms end at various date and have newel options.

Minimum future lease revenue estimated to be received in each of the next five years under these agreements are as follows:

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Year ending June 30,

	<u>Airport</u> <u>Fund</u>	<u>Telecom</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>
2011	\$5,864,000	\$66,000	\$108,291
2012	\$5,951,000	\$66,000	\$113,915
2013	\$6,041,000	\$66,000	\$119,838
2014	\$6,132,000	\$66,000	\$126,075
2015	\$6,224,000	\$38,500	\$132,643

The Electric Department has entered into an agreement with Winooski One Partnership to lease land from the Department. The Department receives \$70,000 annually from this lease.

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, 2010 was \$9,039,045 and \$31,376,095 respectively. The City's total payroll, except for school teachers, was \$53,715,623.

Class A participants vest 20 percent after three years of creditable service, and 20 percent for each year thereafter until they are 100 percent vested after 7 years of creditable service. The normal benefit is payable commencing at age 55 or with 25 years of service. Class A participants who retire at or after age 55 with 7 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2.75 percent of their average final compensation (AFC) during the highest three non-overlapping twelve-month periods (five (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% (3.6% for service from July, 2006 forward) and no COLA. The half and no COLA options have been eliminated for new policemen hired after July 1, 2006 and new firemen hired after January 1, 2007. Also, these new hires have a 2.65 percent accrual rate only. Employees may retire prior to age 55 and receive reduced retirement benefits. Class A employees have unreduced benefits after 25 years of service, regardless of age.

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

There are 172 active members and 134 retirees and beneficiaries in Class A and 652 active members and 303 retirees and beneficiaries in Class B. Additionally, there are 366 former Class A and Class B employees with vested rights.

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 City funded one-hundred percent (100%) of the annual required contribution in 2010. The cumulative net pension obligation for the City is \$1,850,711 which is being amortized over thirty (30) years with interest at eight percent (8%).

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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%

The total annual required contribution (ARC) to the system for 2010 was \$5,752,571 which was computed through an actuarial valuation performed as of June 30, 2008. All funds, contributed approximately 10.08% percent of current covered payroll. The Electric Department also pays additional amounts based on exposure and past service. Class A and B employees contributed \$1,886,154 (10.8% and 3% percent respectively of current covered payroll). The total required system contributions include past service cost amortization of the unfunded past service cost of \$2,455,550.

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)
6/30/2005	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%
6/30/2007	119,785,835	150,002,528	(30,216,693)	79.86%	34,256,676	-88.21%
6/30/2008	129,101,729	156,313,830	(27,212,101)	82.59%	36,751,722	-74.04%
6/30/2009	129,841,522	169,319,955	(39,478,433)	76.68%	39,769,493	-99.27%

SCHEDULE OF EMPLOYER CONTRIBUTION

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2006	4,688,149	3,931,746	84%
6/30/2007	5,279,934	5,751,577	109%
6/30/2008	6,044,832	5,999,870	99%
6/30/2009	5,767,773	5,875,315	102%
6/30/2010	5,752,571	5,752,571	100%

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

SCHEDULE OF ANNUAL PENSION COST

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual Required Contribution (ARC)	5,752,571	5,767,773	6,044,832
Interest on NPO	149,885	160,857	158,949
Adjustment to ARC	<u>(172,739)</u>	<u>(190,457)</u>	<u>(180,061)</u>
Annual Pension Cost (APC)	5,729,717	5,738,173	6,023,720
Employer Contributions Made	<u>(5,752,571)</u>	<u>(5,875,315)</u>	<u>(5,999,870)</u>
Increase/(Decrease) in NPO	(22,854)	(137,142)	23,850
NPO - Beginning of Year	<u>1,873,565</u>	<u>2,010,707</u>	<u>1,986,857</u>
NPO - End of Year	<u><u>1,850,711</u></u>	<u><u>1,873,565</u></u>	<u><u>2,010,707</u></u>
Percentage of APC Contributed	<u><u>99.60%</u></u>	<u><u>102.40%</u></u>	<u><u>99.60%</u></u>

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 6.42% of all eligible covered salaries on-behalf of the School District. The Schools' total payroll was \$39,730,356, while its eligible covered payroll was \$26,739,684 resulting in an estimated \$1,716,688 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.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

DEFERRED COMPENSATION

The City's also offers its employees two deferred compensation plans in accordance with Internal Revenue Code Section 457 through the International City/County Management Association's (ICMA) Retirement Corporation and Nationwide Retirement Solutions. The plans permit employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, or death. The City has no liability for losses under the plans, but does have the duty of due care that would be required of an ordinary prudent inventor.

POST EMPLOYMENT HEALTH BENEFITS

Beginning in fiscal year 2008, the City was required to implement Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) including health care, life insurance, and other non-pension benefits offered to retirees. This new standard addresses how the City should account for and report its costs related to post-employment health care and other non-pension benefits, such as the City's implicit subsidy of retiree health insurance and the School Department's direct subsidy of retiree health insurance. Historically, the City's subsidy was reported on a pay-as-you-go basis. GASB Statement No. 45 requires that the City recognize the cost of the retiree health subsidy during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the City. The City has adopted this standard prospectively.

Plan Descriptions

The City's School Department pays for half of the cost of health benefits to retired educators with 15 years of service until they reach the age of 62. The School Department also pays for half of the cost of health benefits for administrative assistants who have 15 years of service with the Department and have reached the age of 55. There are 536 active members and 41 retirees and beneficiaries.

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

Funding Policy

The City funds the benefits on a pay-as-you-go basis.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Annual OPEB cost and Net OPEB Obligation

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The City has elected not to pre-fund OPEB liabilities. The City is required to record the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year.

	<u>City Plan</u>	<u>School District Plan</u>
Annual Required Contribution	\$ 320,729	\$ 231,880
Interest on Net OPEB Obligation	24,427	27,664
Adjustment to Annual Required Contribution	<u>(20,356)</u>	<u>(23,976)</u>
Annual OPEB Cost	324,800	235,568
Contributions Made	<u>(2,800)</u>	<u>(62,814)</u>
Increase in Net OPEB Obligation	322,000	172,754
Net OPEB Obligation - Beginning of Year	591,000	691,604
Net OPEB Obligation - End of Year	<u><u>\$ 913,000</u></u>	<u><u>\$ 864,358</u></u>

Trend Information:

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation for the year ended June 30, 2010 were as follows:

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
City Plan	06/30/2008	\$ 303,548	.9 %	\$ 287,452
	06/30/2009	306,048	.9 %	591,000
	06/30/2010	324,800	.8 %	913,000
School District Plan	06/30/2008	362,506	8.6 %	331,344
	06/30/2009	383,312	6.0 %	691,604
	06/30/2009	235,568	27.1 %	864,358

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Funded Status and Funding Progress:

As of June 30, 2009, the most recent actuarial valuation date for the City plan, the plan was 0% funded. The actuarial accrued liability for benefits was \$3,593,453, and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$3,593,453. For the fiscal year ended June 30, 2009, the covered payroll (annual payroll of active employees covered by the plan) was \$33,073,193 and the ratio of the UAAL to the covered payroll was 10.9%.

As of June 30, 2010, the most recent actuarial valuation date for the School District plan, the plan was 0% funded. The actuarial accrued liability for benefits was \$2,257,751, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,257,751. For the fiscal year ended June 30, 2010, the covered payroll (annual payroll of active employees covered by the plan) was \$28,831,983 and the ratio of the UAAL to the covered payroll was 7.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employers are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, which is required supplementary information presents trend information that will show whether the actual value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

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

In the actuarial valuations, the projected unit credit cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses) and an annual healthcare cost trend rate ranging from 9% to 10% initially, reduced by decrements to an ultimate rate of 5.0 percent after nine to eleven years. A 30 year amortization period is being used. The remaining amortization period at June 30, 2010 was 27 years.

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2010

**CITY PLAN
 SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAL)	Funded Ratio	Payroll	Unfunded AAL as % of Payroll
June 30, 2009	\$ 0	\$ 3,593,453	\$ 3,593,453	0%	\$ 33,073,193	10.9%

**CITY PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ended <u>June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 290,000	0%
2009	\$ 304,548	0%
2010	\$ 320,729	0%

**SCHOOL DISTRICT PLAN
 SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAL)	Funded Ratio	Payroll	Unfunded AAL as % of Payroll
June 30, 2008	\$ 0	\$ 3,891,509	\$ 3,891,509	0%	\$ 24,767,727	15.7%
June 30, 2009	\$ 0	\$ 2,257,751	\$ 2,257,751	0%	\$ 28,831,983	7.8%

**SCHOOL DISTRICT PLAN
 SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Fiscal Year Ended <u>June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 362,506	0%
2009	\$ 383,312	0%
2010	\$ 231,880	0%

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010 was \$68,915. 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 part of accrued liabilities in the Retirement Fund as of June 30, 2010 is \$218,603.

H. Subsequent Events

1. On July 1, 2010, the City issued a \$7,000,000 tax anticipation note payable to TD Bank, N.A. The note was repaid on September 7, 2010.
2. On July 19, 2010, the City issued a \$11,500,000 tax anticipation note payable to TD Bank, N.A. The note is due March 10, 2011.
3. On July 21, 2010, the City School Department issued \$9,700,000 Taxable General Obligation Public Improvement Bonds, Series 2010A (Qualified School Construction Bonds – Direct Payment) and \$2,000,000 Taxable General Obligation Public Improvement Bonds, Series 2010B (Qualified School Construction Bonds – Direct Payment) for the purpose of financing capital improvements for the School Department.
4. On September 30, 2010, the Wastewater Department issued a \$1,000,000 revenue anticipation note payable to TD Bank, N.A. The note is due June 30, 2011.
5. On September 30, 2010, the Water Department issued a \$1,000,000 revenue anticipation note payable to TD Bank, N.A. The note is due June 30, 2011.
6. On September 30, 2010, the Electric Department issued a \$5,000,000 revenue anticipation note payable to TD Bank, N.A. The note is due June 30, 2011.
7. On October 29, 2010, the City issued a \$7,000,000 tax anticipation note payable to TD Bank, N.A. This note was cancelled December 10, 2010 and replaced with a more favorable interest rate tax anticipation note (item # 8).
8. On December 10, 2010, the City issued a \$7,000,000 tax anticipation note Series 2010D payable to CEDE & CO. The note is due June 30, 2011.

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2010

9. On December 10, 2010, the Airport Department issued a \$5,000,000 revenue anticipation note Series 2010D payable to CEDE & CO. The note is due June 30, 2011.
10. On December 10, 2010, the City issued \$5,915,000 General Obligation Bond Anticipation Note, Series 2010C for the purpose of financing various capital improvements and for working capital for the General Fund (\$897,500), General Fund Street Repaving (\$2,925,000), General Fund Fire Trucks (\$1,192,500) and Electric Fund (\$900,000). This debt matures August 10, 2011.
11. In October 2010, the Vermont Public Service Board determined that Burlington Telecom was in violation of Condition No. 2 (catch-all provision), Condition No 17 (build-out), Condition No. 56 (no losses borne by taxpayers) and Condition 60 (cash pool). Under the law, Burlington Telecom has an opportunity to cure these violations.
12. Also, subsequent to year end, as mentioned in the Commitments and Contingencies section, the City did not appropriate funds to pay its master lease with CitiCapital. The City terminated the lease pursuant to its terms and is negotiating with CitiCapital regarding their taking possession of the secured assets according to the lease agreement.

I. Operating Leases

The General Fund has operating leases for office space and land rent which end at various dates. Future minimum lease payments are as follows:

Year Ended		
2011	\$	119,679
2012		90,363
	\$	210,042

The Traffic Fund of 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. The City also leases office space for the Marketplace Fund for \$12,000 per year which is an annual lease.

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.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

CONDENSED STATEMENT OF NET ASSETS

Assets:	
Current Assets	\$ 1,033,488
Restricted Assets - Current	1,299,625
Restricted Assets - Non-Current	110,005
Other Non-Current Assets	39,201
Capital Assets	<u>12,981,974</u>
 Total Assets	 <u>15,464,293</u>
Liabilities:	
Current Liabilities	3,131,337
Noncurrent Liabilities	<u>2,797,259</u>
 Total Liabilities	 <u>5,928,596</u>
 Net Assets:	 \$ <u><u>9,535,697</u></u>

CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

Water Charges (Pledged Against Bonds)	\$ 5,216,838
Operating Expenses	(3,664,012)
Depreciation Expense	(532,350)
Payment in Lieu of Taxes	<u>(403,195)</u>
 Operating Income	 <u>617,281</u>
Nonoperating Revenues/(Expenses):	
Investment Earnings	2
Interest Expense	(263,710)
Loss on Disposal of Equipment	(1,785)
Amortization of Bond Issue Costs	<u>(19,601)</u>
 Total Nonoperating Revenues/(Expenses)	 <u>(285,094)</u>
 Change in Net Assets	 332,187
 Beginning Net Assets	 <u>9,203,510</u>
 Ending Net Assets	 \$ <u><u>9,535,697</u></u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

CONDENSED STATEMENT OF CASH FLOWS

Net Cash Provided/(Used) by:	
Operating Activities	\$ 1,149,631
Noncapital Financing Activities	520,883
Capital and Related Financing Activities	(1,638,227)
Investing Activities	<u>(31,947)</u>
Net Increase in Cash	340
Beginning Cash and Cash Equivalents	<u>320</u>
Ending Cash and Cash Equivalents	<u><u>\$ 660</u></u>

CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET
SCHOOL FUND
JUNE 30, 2010

	<u>General</u>	<u>Title I, II, III,IV,V Grants</u>	<u>Other Grant Special Revenue</u>	<u>Vocational Center</u>	<u>Other Special Revenue</u>	<u>Total</u>
ASSETS						
Cash	\$ 2,985	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,985
Investments	0	0	0	0	23,020	23,020
Due from Other Funds	4,329,326	1,063,490	1,952,945	192,081	408,061	7,945,903
Receivables	<u>266,624</u>	<u>0</u>	<u>162,401</u>	<u>0</u>	<u>619</u>	<u>429,644</u>
Total Assets	<u>\$ 4,598,935</u>	<u>\$ 1,063,490</u>	<u>\$ 2,115,346</u>	<u>\$ 192,081</u>	<u>\$ 431,700</u>	<u>\$ 8,401,552</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts Payable	\$ 533,197	\$ 117,486	\$ 63,956	\$ 83,537	\$ 26,867	\$ 825,043
Accrued Payroll and Benefits	4,256,440	442,613	302,296	210,157	2,721	5,214,227
Deferred Revenue	<u>97,147</u>	<u>503,391</u>	<u>1,749,094</u>	<u>0</u>	<u>2,492</u>	<u>2,352,124</u>
Total Liabilities	<u>4,886,784</u>	<u>1,063,490</u>	<u>2,115,346</u>	<u>293,694</u>	<u>32,080</u>	<u>8,391,394</u>
Fund Balance/(Deficit):						
Reserved for:						
Other Purposes	0	0	0	0	399,620	399,620
Unreserved:						
Undesignated	<u>(287,849)</u>	<u>0</u>	<u>0</u>	<u>(101,613)</u>	<u>0</u>	<u>(389,462)</u>
Total Fund Balance/(Deficit)	<u>(287,849)</u>	<u>0</u>	<u>0</u>	<u>(101,613)</u>	<u>399,620</u>	<u>10,158</u>
Total Liabilities and Fund Balance	<u>\$ 4,598,935</u>	<u>\$ 1,063,490</u>	<u>\$ 2,115,346</u>	<u>\$ 192,081</u>	<u>\$ 431,700</u>	<u>\$ 8,401,552</u>

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 SCHOOL FUND
 FOR THE YEAR ENDED JUNE 30, 2010

	General	Title I, II, III, IV, V Grants	Other Grant Special Revenue	Vocational Center	Other Special Revenue	Total
Revenues:						
Payments in Lieu of Taxes	\$ 1,486,220	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,486,220
Intergovernmental	48,811,073	4,696,086	4,653,153	1,916,285	142,860	60,219,457
Charges for Services	270,606	0	458,381	440,887	253,935	1,423,809
Licenses and Permits	0	0	0	0	13,572	13,572
Other	576,581	0	0	0	467,524	1,044,105
Total Revenues	51,144,480	4,696,086	5,111,534	2,357,172	877,891	64,187,163
Expenditures:						
Education	47,449,635	4,696,086	5,948,383	2,809,228	963,218	61,866,550
Debt Service:						
Bond and Note Principal Retirement	757,360	0	0	11,167	0	768,527
Lease Principal Retirement	28,068	0	0	0	0	28,068
Interest Charges	399,876	0	0	209	0	400,085
Total Expenditures	48,634,939	4,696,086	5,948,383	2,820,604	963,218	63,063,230
Excess/(Deficiency) of Revenues Over Expenditures	2,509,541	0	(836,849)	(463,432)	(85,327)	1,123,933
Other Financing Sources/(Uses):						
Transfer In	0	0	837,349	361,819	4,594	1,203,762
Transfer Out	(1,248,668)	0	(500)	0	(4,594)	(1,253,762)
Total Other Financing Sources/(Uses)	(1,248,668)	0	836,849	361,819	0	(50,000)
Net Change in Fund Balance	1,260,873	0	0	(101,613)	(85,327)	1,073,933
Fund Balance/(Deficit) - July 1, 2009	(1,548,722)	0	0	0	484,947	(1,063,775)
Fund Balance/(Deficit) - June 30, 2010	\$ (287,849)	\$ 0	\$ 0	\$ (101,613)	\$ 399,620	\$ 10,158

CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>				
Cash	\$ 498,259	\$ 156,406	\$ 14,718	\$ 669,383
Investments	0	2,159	108,422	110,581
Receivables (Net of Allowance for Doubtful Accounts)	895,209	4,125,381	0	5,020,590
Unbilled Revenues	59,518	0	0	59,518
Due from Other Funds	938,053	42,643	978,814	1,959,510
Loans Receivable	3,358,732	0	0	3,358,732
Accrued Interest Receivable	612,949	0	412	613,361
Inventories	201,204	0	0	201,204
Prepaid Expenses	8,640	0	0	8,640
Due From Component Unit	0	660,325	0	660,325
Land Held for Resale	570,934	0	0	570,934
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>7,143,498</u>	\$ <u>4,986,914</u>	\$ <u>1,102,366</u>	\$ <u>13,232,778</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts and Contracts Payable	\$ 369,686	\$ 2,211,141	\$ 0	\$ 2,580,827
Accrued Payroll and Benefits Payable	126,110	0	0	126,110
Due to Other Funds	959,968	4,611,726	0	5,571,694
Accrued Liabilities	4,200	88,824	0	93,024
Deferred Revenue	4,866,493	3,945,141	0	8,811,634
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	6,326,457	10,856,832	0	17,183,289
Fund Balances/(Deficit):				
Reserved for:				
Inventory and Prepaid Expenses	209,844	0	0	209,844
Reserved for Restricted Purposes	414,410	16,860	1,102,366	1,533,636
Unreserved	192,787	(5,886,778)	0	(5,693,991)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances/(Deficit)	817,041	(5,869,918)	1,102,366	(3,950,511)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	\$ <u>7,143,498</u>	\$ <u>4,986,914</u>	\$ <u>1,102,366</u>	\$ <u>13,232,778</u>

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CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
REVENUES:				
Taxes	\$ 1,488,197	\$ 0	\$ 0	\$ 1,488,197
Intergovernmental	3,746,092	1,698,623	0	5,444,715
Charges for Services	4,398,732	0	0	4,398,732
Licenses and Permits	1,034,498	0	0	1,034,498
Loan Repayments	233,006	0	0	233,006
Interest	18,069	0	20,430	38,499
Other Revenues	716,699	577,352	25,145	1,319,196
	<u>11,635,293</u>	<u>2,275,975</u>	<u>45,575</u>	<u>13,956,843</u>
Total Revenues				
EXPENDITURES:				
Current Expenditures				
General Government	3,125	100,000	0	103,125
Public works	5,268,015	100,942	0	5,368,957
Community Development	4,932,489	332,562	0	5,265,051
Education	0	7,222	0	7,222
Capital Outlay	112,730	6,256,963	0	6,369,693
Debt Service Expenditures				
Bond and Note Principal	845,874	0	0	845,874
Lease Principal	152,274	0	0	152,274
Interest	551,751	552	0	552,303
Bond Issue Costs	0	44,624	0	44,624
	<u>11,866,258</u>	<u>6,842,865</u>	<u>0</u>	<u>18,709,123</u>
Total Expenditures				
Excess/(Deficiency) of Revenues Over Expenditures	<u>(230,965)</u>	<u>(4,566,890)</u>	<u>45,575</u>	<u>(4,752,280)</u>
OTHER FINANCING SOURCES/(USES):				
Proceeds of Long-term Debt	106,136	2,597,501	0	2,703,637
Net Premium on Debt	0	14,672	0	14,672
Transfers in	840,474	367,267	0	1,207,741
Transfers out	(123,933)	0	(20,357)	(144,290)
	<u>822,677</u>	<u>2,979,440</u>	<u>(20,357)</u>	<u>3,781,760</u>
Total Other Financing Sources/(Uses)				
Net Change in Fund Balances	591,712	(1,587,450)	25,218	(970,520)
Fund Balances/(Deficit) - July 1, 2009	<u>225,329</u>	<u>(4,282,468)</u>	<u>1,077,148</u>	<u>(2,979,991)</u>
Fund Balances/(Deficit) - June 30, 2010	<u>\$ 817,041</u>	<u>\$ (5,869,918)</u>	<u>\$ 1,102,366</u>	<u>\$ (3,950,511)</u>

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CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET
CITY SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Traffic Commission Fund	Community and Economic Development Fund	Housing Trust Fund	Tax Increment Financing Fund	Storm Water Fund	Church Street Marketplace Fund	Mary E. Wadell Fund	Total
ASSETS								
Cash	\$ 46,501	\$ 451,308	\$ 0	\$ 0	\$ 0	\$ 450	\$ 0	\$ 498,259
Receivables (Net of Allowance for Doubtful Accounts)	23,930	798,721	0	0	65,072	7,486	0	895,209
Unbilled Revenues	0	0	0	0	59,518	0	0	59,518
Due from Other Funds	204,084	0	399,900	275,675	27,586	16,987	13,821	938,053
Loans Receivable	0	3,358,732	0	0	0	0	0	3,358,732
Interest Receivable	0	612,949	0	0	0	0	0	612,949
Land Held For Resale	0	570,934	0	0	0	0	0	570,934
Inventories	201,204	0	0	0	0	0	0	201,204
Prepaid Expense	0	0	0	1,375	6,817	448	0	8,640
Total Assets	\$ 475,719	\$ 5,792,644	\$ 399,900	\$ 277,050	\$ 158,993	\$ 25,371	\$ 13,821	\$ 7,143,498
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts and Contracts Payable	\$ 52,581	\$ 217,213	\$ 61,057	\$ 0	\$ 7,655	\$ 31,180	\$ 0	\$ 369,686
Accrued Payroll and Benefits Payable	70,407	43,147	624	0	0	11,932	0	126,110
Due to Other Funds	10,148	948,381	0	0	0	1,439	0	959,968
Accrued Liabilities	0	0	4,200	0	0	0	0	4,200
Deferred Revenue	16,465	4,824,288	0	0	0	25,740	0	4,866,493
Total Liabilities	149,601	6,033,029	65,881	0	7,655	70,291	0	6,326,457
Fund Balances/(Deficit):								
Reserved for:								
Inventory and Prepaid Expenses	201,204	0	0	1,375	6,817	448	0	209,844
Reserved for Restricted Purposes	124,914	0	0	275,675	0	0	13,821	414,410
Unreserved	0	(240,385)	334,019	0	144,521	(45,368)	0	192,787
Total Fund Balances/(Deficit)	326,118	(240,385)	334,019	277,050	151,338	(44,920)	13,821	817,041
Total Liabilities and Fund Balances	\$ 475,719	\$ 5,792,644	\$ 399,900	\$ 277,050	\$ 158,993	\$ 25,371	\$ 13,821	\$ 7,143,498

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CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CITY SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Traffic Commission Fund	Community and Economic Development Fund	Housing Trust Fund	Tax Increment Financing Fund	Storm Water Fund	Church Street Marketplace Fund	Mary E. Wadell Fund	Total
Revenues:								
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 1,488,197	\$ 0	\$ 0	\$ 0	\$ 1,488,197
Intergovernmental	0	3,746,092	0	0	0	0	0	3,746,092
Charges for Services	3,685,573	186,657	0	0	493,655	32,847	0	4,398,732
Licenses and Permits	0	0	350,000	0	0	684,498	0	1,034,498
Loan Repayments	0	233,006	0	0	0	0	0	233,006
Interest Income	1,392	16,640	0	0	0	0	37	18,069
Other Revenues	0	657,949	0	0	0	58,750	0	716,699
Total Revenues	3,686,965	4,840,344	350,000	1,488,197	493,655	776,095	37	11,635,293
Expenditures:								
Current:								
General Government	0	0	0	3,125	0	0	0	3,125
Public Works	4,065,832	0	0	0	393,755	808,428	0	5,268,015
Community Development	0	4,584,582	347,907	0	0	0	0	4,932,489
Capital Outlay	0	68,797	0	0	43,933	0	0	112,730
Debt Service:								
Bond and Note Principal Retirement	0	183,000	0	662,874	0	0	0	845,874
Lease Principal Retirement	130,745	0	0	0	9,522	12,007	0	152,274
Interest Charges	23,542	15,113	0	511,880	21	1,195	0	551,751
Total Expenditures	4,220,119	4,851,492	347,907	1,177,879	447,231	821,630	0	11,866,258
Excess/(Deficiency) of Revenues Over Expenditures	(533,154)	(11,148)	2,093	310,318	46,424	(45,535)	37	(230,965)
Other Financing Sources/(Uses):								
Proceeds of Long-Term Debt	0	0	0	0	90,511	15,625	0	106,136
Transfers In	310,000	329,402	189,227	0	0	11,845	0	840,474
Transfers Out	(94,400)	(3,206)	0	0	(10,808)	(15,519)	0	(123,933)
Total Other Financing Sources/(Uses)	215,600	326,196	189,227	0	79,703	11,951	0	822,677
Net Change in Fund Balance	(317,554)	315,048	191,320	310,318	126,127	(33,584)	37	591,712
Fund Balances/(Deficit) - July 1, 2009	643,672	(555,433)	142,699	(33,268)	25,211	(11,336)	13,784	225,329
Fund Balances/(Deficit) - June 30, 2010	\$ 326,118	\$ (240,385)	\$ 334,019	\$ 277,050	\$ 151,338	\$ (44,920)	\$ 13,821	\$ 817,041

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CITY OF BURLINGTON, VERMONT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2010

City Capital Projects

	Southern Connector Fund	South End & Downtown Transit Centers Fund	Fuel Depot Fund	Street Improve- ment Projects Fund	Riverside Ave. & North Street Projects Fund	Heating Upgrades Fund	Burlington- Winooski Bridge Fund
ASSETS							
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Investments	0	0	0	0	0	0	0
Due from Other Funds	0	0	23,852	0	1,931	0	0
Due from Component Unit	0	0	0	0	0	0	0
Receivables	674,147	13,508	312,744	2,627,146	23,069	0	21,576
Total Assets	\$ 674,147	\$ 13,508	\$ 336,596	\$ 2,627,146	\$ 25,000	\$ 0	\$ 21,576
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable	\$ 58,054	\$ 4,773	\$ 312,640	\$ 452,097	\$ 25,000	\$ 0	\$ 19,922
Accrued Liabilities	0	0	0	0	0	0	0
Due to Other Funds	535,765	8,735	0	2,174,026	0	0	1,654
Deferred Revenue	674,147	10,285	312,744	2,396,899	23,069	0	19,922
Total Liabilities	1,267,966	23,793	625,384	5,023,022	48,069	0	41,498
Fund Balance/(Deficit):							
Reserved for Restricted Purposes	0	0	0	0	0	0	0
Unreserved	(593,819)	(10,285)	(288,788)	(2,395,876)	(23,069)	0	(19,922)
Total Fund Balance/(Deficit)	(593,819)	(10,285)	(288,788)	(2,395,876)	(23,069)	0	(19,922)
Total Liabilities and Fund Balance	\$ 674,147	\$ 13,508	\$ 336,596	\$ 2,627,146	\$ 25,000	\$ 0	\$ 21,576

							School Capital Projects
Barge Canal Pond Fund	Moran Plant Fund	Stormwater Upgrade Fund	Other Capital Projects Fund	2008/2009 Master Lease Purchase Fund	Lakeview and College St. Garages & Westlake Projects Fund	School Bond Capital Projects Fund	Total
\$ 156,406	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 156,406
0	0	0	0	0	2,159	0	2,159
0	0	0	16,860	0	0	0	42,643
0	0	0	0	0	660,325	0	660,325
0	75,405	0	377,786	0	0	0	4,125,381
<u>\$ 156,406</u>	<u>\$ 75,405</u>	<u>\$ 0</u>	<u>\$ 394,646</u>	<u>\$ 0</u>	<u>\$ 662,484</u>	<u>\$ 0</u>	<u>\$ 4,986,914</u>
\$ 341	\$ 146,253	\$ 32,234	\$ 48,192	\$ 0	\$ 48,960	\$ 1,062,675	\$ 2,211,141
0	88,824	0	0	0	0	0	88,824
39,725	288,403	256,604	329,594	0	622,398	354,822	4,611,726
116,340	71,000	0	320,735	0	0	0	3,945,141
<u>156,406</u>	<u>594,480</u>	<u>288,838</u>	<u>698,521</u>	<u>0</u>	<u>671,358</u>	<u>1,417,497</u>	<u>10,856,832</u>
0	0	0	16,860	0	0	0	16,860
0	(519,075)	(288,838)	(320,735)	0	(8,874)	(1,417,497)	(5,886,778)
0	(519,075)	(288,838)	(303,875)	0	(8,874)	(1,417,497)	(5,869,918)
<u>\$ 156,406</u>	<u>\$ 75,405</u>	<u>\$ 0</u>	<u>\$ 394,646</u>	<u>\$ 0</u>	<u>\$ 662,484</u>	<u>\$ 0</u>	<u>\$ 4,986,914</u>

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

City Capital Projects							
	Southern Connector Fund	South End & Downtown Transit Centers Fund	Fuel Depot Fund	Street Improve- ment Projects Fund	Riverside Ave. & North Street Projects Fund	Heating Upgrades Fund	Burlington - Winooski Bridge Fund
Revenues:							
Intergovernmental Revenue	\$ 682,920	\$ 3,522	\$ 12,207	\$ 833,433	\$ 0	\$ 0	\$ 86,163
Other Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>54,598</u>	<u>382,309</u>	<u>0</u>	<u>0</u>
Total Revenues	<u>682,920</u>	<u>3,522</u>	<u>12,207</u>	<u>888,031</u>	<u>382,309</u>	<u>0</u>	<u>86,163</u>
Expenditures:							
Construction/Purchases	0	0	0	1,557,140	0	0	0
Engineering and Administrative Fees	421,385	8,044	129	0	0	0	1,655
Sub-Grant Expenses	0	0	312,640	0	0	0	19,922
Debt Service:							
Interest	0	0	0	0	0	552	0
Bond Issue Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>421,385</u>	<u>8,044</u>	<u>312,769</u>	<u>1,557,140</u>	<u>0</u>	<u>552</u>	<u>21,577</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>261,535</u>	<u>(4,522)</u>	<u>(300,562)</u>	<u>(669,109)</u>	<u>382,309</u>	<u>(552)</u>	<u>64,586</u>
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	<u>10,526</u>	<u>0</u>	<u>8,415</u>	<u>274,635</u>	<u>0</u>	<u>20,420</u>	<u>0</u>
Total Other Financing Sources	<u>10,526</u>	<u>0</u>	<u>8,415</u>	<u>274,635</u>	<u>0</u>	<u>20,420</u>	<u>0</u>
Net Changes in Fund Balance	272,061	(4,522)	(292,147)	(394,474)	382,309	19,868	64,586
Fund Balance/(Deficit) - July 1, 2009	<u>(865,880)</u>	<u>(5,763)</u>	<u>3,359</u>	<u>(2,001,402)</u>	<u>(405,378)</u>	<u>(19,868)</u>	<u>(84,508)</u>
Fund Balance/(Deficit) - June 30, 2010	<u>\$ (593,819)</u>	<u>\$ (10,285)</u>	<u>\$ (288,788)</u>	<u>\$ (2,395,876)</u>	<u>\$ (23,069)</u>	<u>\$ 0</u>	<u>\$ (19,922)</u>

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							School Capital Projects
Barge Canal Pond Fund	Moran Plant Fund	Stormwater Upgrade Fund	Other Capital Projects Fund	2008/2009 Master Lease Purchase Fund	Lakeview and College St. Garages & Westlake Projects Fund	School Bond Capital Projects Fund	Total
\$ 23,327	\$ 0	\$ 0	\$ 57,051	\$ 0	\$ 0	\$ 0	\$ 1,698,623
<u>0</u>	<u>100,219</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>40,226</u>	<u>0</u>	<u>577,352</u>
<u>23,327</u>	<u>100,219</u>	<u>0</u>	<u>57,051</u>	<u>0</u>	<u>40,226</u>	<u>0</u>	<u>2,275,975</u>
0	0	127,330	4,798	0	0	2,042,237	3,731,505
23,327	619,294	236,383	258,418	0	38,544	1,126,443	2,733,622
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>332,562</u>
0	0	0	0	0	0	0	552
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>44,624</u>	<u>44,624</u>
<u>23,327</u>	<u>619,294</u>	<u>363,713</u>	<u>263,216</u>	<u>0</u>	<u>38,544</u>	<u>3,213,304</u>	<u>6,842,865</u>
<u>0</u>	<u>(519,075)</u>	<u>(363,713)</u>	<u>(206,165)</u>	<u>0</u>	<u>1,682</u>	<u>(3,213,304)</u>	<u>(4,566,890)</u>
0	0	74,875	0	522,626	0	2,000,000	2,597,501
0	0	0	0	0	0	14,672	14,672
<u>0</u>	<u>0</u>	<u>0</u>	<u>53,271</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>367,267</u>
<u>0</u>	<u>0</u>	<u>74,875</u>	<u>53,271</u>	<u>522,626</u>	<u>0</u>	<u>2,014,672</u>	<u>2,979,440</u>
0	(519,075)	(288,838)	(152,894)	522,626	1,682	(1,198,632)	(1,587,450)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(150,981)</u>	<u>(522,626)</u>	<u>(10,556)</u>	<u>(218,865)</u>	<u>(4,282,468)</u>
<u>\$ 0</u>	<u>\$ (519,075)</u>	<u>\$ (288,838)</u>	<u>\$ (303,875)</u>	<u>\$ 0</u>	<u>\$ (8,874)</u>	<u>\$ (1,417,497)</u>	<u>\$ (5,869,918)</u>

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF NET ASSETS
 OTHER PROPRIETARY FUNDS
 JUNE 30, 2010

	Water Fund	School Food Service Enterprise Fund	School Other Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash	\$ 660	\$ 0	\$ 0	\$ 660
Restricted Investments	1,299,625	0	0	1,299,625
Receivables (Net of Allowance for Uncollectible Accounts)	480,815	241,178	0	721,993
Due from Other Funds	0	750,876	19,816	770,692
Unbilled Receivables	323,169	0	0	323,169
Inventory	226,145	5,274	0	231,419
Other Current Assets	2,699	0	0	2,699
Total Current Assets	2,333,113	997,328	19,816	3,350,257
Noncurrent Assets:				
Restricted Investments	110,005	0	0	110,005
Deferred Charges	39,201	0	0	39,201
Capital Assets				
Land	51,250	0	0	51,250
Vehicles, Machinery and Equipment	1,324,508	360,737	0	1,685,245
Transmission and Distribution Plant	34,256,592	0	0	34,256,592
Less Accumulated Depreciation	(22,650,376)	(266,103)	0	(22,916,479)
Total Noncurrent Assets	13,131,180	94,634	0	13,225,814
Total Assets	\$ 15,464,293	\$ 1,091,962	\$ 19,816	\$ 16,576,071
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 48,963	\$ 298	\$ 38	\$ 49,299
Accrued Payroll and Benefits	50,511	0	0	50,511
Due to Other Funds	632,067	0	0	632,067
Deferred Revenue	42,424	0	0	42,424
Revenue Anticipation Note	1,000,000	0	0	1,000,000
Payable From Restricted Assets:				
Accrued Interest Payable	94,625	0	0	94,625
Revenue Bonds Payable - Current Portion	1,205,000	0	0	1,205,000
Capital Leases Payable - Current Portion	57,747	0	0	57,747
Total Current Liabilities	3,131,337	298	38	3,131,673
Noncurrent Liabilities:				
Accrued Compensated Absences Payable	132,972	0	0	132,972
Post Employment Benefits	26,639	0	0	26,639
Revenue Bonds Payable	2,497,101	0	0	2,497,101
Capital Leases Payable	140,547	0	0	140,547
Total Noncurrent Liabilities	2,797,259	0	0	2,797,259
Total Liabilities	5,928,596	298	38	5,928,932
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	9,120,780	94,634	0	9,215,414
Restricted	1,315,005	0	0	1,315,005
Unrestricted/(Deficit)	(900,088)	997,030	19,778	116,720
Total Net Assets	9,535,697	1,091,664	19,778	10,647,139
Total Liabilities and Net Assets	\$ 15,464,293	\$ 1,091,962	\$ 19,816	\$ 16,576,071

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CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 OTHER PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Water Fund	School Food Service Enterprise Fund	School Other Enterprise Funds	Total
OPERATING REVENUES:				
Charges for Services	\$ 5,107,081	\$ 2,364,257	\$ 85,928	\$ 7,557,266
Miscellaneous	109,757	0	0	109,757
Total Operating Revenues	5,216,838	2,364,257	85,928	7,667,023
OPERATING EXPENSES:				
Operating, Maintenance, and General and Administrative Expenses	3,664,012	2,193,727	81,617	5,939,356
Depreciation	532,350	21,397	0	553,747
Payments in Lieu of Taxes	403,195	0	0	403,195
Total Operating Expenses	4,599,557	2,215,124	81,617	6,896,298
Operating Income	617,281	149,133	4,311	770,725
NONOPERATING REVENUES (EXPENSES):				
Investment Income	2	0	0	2
Interest Expense	(263,710)	0	0	(263,710)
Loss on Disposal of Equipment	(1,785)	0	0	(1,785)
Amortization of Debt Issue Costs	(19,601)	0	0	(19,601)
Total Nonoperating Revenues (Expenses)	(285,094)	0	0	(285,094)
Income Before Transfers	332,187	149,133	4,311	485,631
Transfer In	0	50,000	0	50,000
Change in Net Assets	332,187	199,133	4,311	535,631
Net Assets - July 1, 2009	9,203,510	892,531	15,467	10,111,508
Net Assets - June 30, 2010	<u>\$ 9,535,697</u>	<u>\$ 1,091,664</u>	<u>\$ 19,778</u>	<u>\$ 10,647,139</u>

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CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF CASH FLOWS
 OTHER PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Water Fund	School Food Service Enterprise Fund	School Other Enterprise Funds	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 4,993,186	\$ 2,313,908	\$ 85,928	\$ 7,393,022
Receipts for Interfund Services	185,639	0	0	185,639
Payments to Suppliers	(1,319,752)	(1,201,441)	(81,668)	(2,602,861)
Payments for Wages and Benefits	(1,612,434)	(989,457)	0	(2,601,891)
Payments for Interfund Services	(693,813)	0	0	(693,813)
Payments in Lieu of Taxes	(403,195)	0	0	(403,195)
Net Cash Provided by Operating Activities	1,149,631	123,010	4,260	1,276,901
Cash Flows From Noncapital Financing Activities:				
Increase in Due (from)/To Other Funds	(454,106)	(148,485)	(4,260)	(606,851)
Transfer In	0	50,000	0	50,000
Net Proceeds of Revenue Anticipation Note	1,000,000	0	0	1,000,000
Interest Paid on Revenue Anticipation Note	(17,436)	0	0	(17,436)
Interest Paid on Cash Deficit to General Fund	(7,575)	0	0	(7,575)
Cash Provided/(Used) by Noncapital Financing Activities	520,883	(98,485)	(4,260)	418,138
Cash Flows From Capital and Related Financing Activities:				
Proceeds of Capital Lease	128,806	0	0	128,806
Acquisition and Construction of Capital Assets	(299,615)	(24,525)	0	(324,140)
Principal Paid on:				
Revenue Bonds	(1,145,000)	0	0	(1,145,000)
Capital Lease Obligations	(97,115)	0	0	(97,115)
Interest Paid on:				
Revenue Bonds	(217,303)	0	0	(217,303)
Capital Lease Obligations	(8,000)	0	0	(8,000)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(1,638,227)	(24,525)	0	(1,662,752)
Cash Flows From Investing Activities:				
Net (Additions)/Reductions to Restricted Cash and Investments	(31,947)	0	0	(31,947)
Net Cash Provided/(Used) by Investing Activities	(31,947)	0	0	(31,947)
Net Increase in Cash	340	0	0	340
Cash - July 1, 2009	320	0	0	320
Cash - June 30, 2010	<u>\$ 660</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 660</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	\$ 617,281	\$ 149,133	\$ 4,311	\$ 770,725
Depreciation	532,350	21,397	0	553,747
(Increase)/Decrease in Receivables	(3,681)	(50,349)	0	(54,030)
(Increase)/Decrease in Unbilled Revenues	5,638	0	0	5,638
(Increase)/Decrease in Inventory	(8,539)	2,955	0	(5,584)
Increase/(Decrease) in Accounts Payable	5,610	(126)	(51)	5,433
Increase/(Decrease) in Accrued Payroll And Benefits	22,897	0	0	22,897
Increase/(Decrease) in Deferred Revenue	(39,970)	0	0	(39,970)
Increase/(Decrease) in Other Operating Assets/Liabilities	18,045	0	0	18,045
Net Cash Provided by Operating Activities	<u>\$ 1,149,631</u>	<u>\$ 123,010</u>	<u>\$ 4,260</u>	<u>\$ 1,276,901</u>

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CITY OF BURLINGTON, VERMONT
 COMBINING BALANCE SHEET
 PERMANENT FUNDS
 JUNE 30, 2010

	<u>Cemetery Fund</u>	<u>Loomis Library Fund</u>	<u>Lolita Deming Estate Fund</u>	<u>School Land Rent Fund</u>	<u>WEZF 93 FM DARE Fund</u>	<u>Total</u>
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 11,177	\$ 3,541	\$ 0	\$ 14,718
Investments	100,000	0	0	8,422	0	108,422
Due from Other Funds	965,640	10,948	0	0	2,226	978,814
Accrued Interest Receivable	412	0	0	0	0	412
TOTAL ASSETS	<u>\$ 1,066,052</u>	<u>\$ 10,948</u>	<u>\$ 11,177</u>	<u>\$ 11,963</u>	<u>\$ 2,226</u>	<u>\$ 1,102,366</u>
<u>LIABILITIES AND FUND BALANCE</u>						
LIABILITIES:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FUND BALANCE:						
Reserved for Endowments	1,066,052	10,948	3,066	1,603	1,000	1,082,669
Reserved for Restricted Purposes	0	0	8,111	10,360	1,226	19,697
Total Fund Balance	<u>1,066,052</u>	<u>10,948</u>	<u>11,177</u>	<u>11,963</u>	<u>2,226</u>	<u>1,102,366</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,066,052</u>	<u>\$ 10,948</u>	<u>\$ 11,177</u>	<u>\$ 11,963</u>	<u>\$ 2,226</u>	<u>\$ 1,102,366</u>

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CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Cemetery Fund	Loomis Library Fund	Lolita Deming Estate Fund	School Land Rent Fund	WEZF 93 FM DARE Fund	Total
REVENUES:						
Investment Income	\$ 20,328	\$ 29	\$ 24	\$ 43	\$ 6	\$ 20,430
Sale of Endowments	25,145	0	0	0	0	25,145
Total Revenues	<u>45,473</u>	<u>29</u>	<u>24</u>	<u>43</u>	<u>6</u>	<u>45,575</u>
EXPENDITURES:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>45,473</u>	<u>29</u>	<u>24</u>	<u>43</u>	<u>6</u>	<u>45,575</u>
OTHER FINANCING SOURCES/(USES):						
Transfers to Cemetery Department	(20,328)	0	0	0	0	(20,328)
Transfers to Library Department	0	(29)	0	0	0	(29)
Total Other Financing Sources/(Uses)	<u>(20,328)</u>	<u>(29)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(20,357)</u>
Net Change in Fund Balances	25,145	0	24	43	6	25,218
Fund Balances, July 1, 2009	<u>1,040,907</u>	<u>10,948</u>	<u>11,153</u>	<u>11,920</u>	<u>2,220</u>	<u>1,077,148</u>
Fund Balances, June 30, 2010	<u>\$ 1,066,052</u>	<u>\$ 10,948</u>	<u>\$ 11,177</u>	<u>\$ 11,963</u>	<u>\$ 2,226</u>	<u>\$ 1,102,366</u>

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CITY OF BURLINGTON, VERMONT
 COMBINING BALANCE SHEET
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2010

	<u>Louisa Howard Fund</u>	<u>Walter Carpenter Fund</u>	Raymond <u>Tracy Estate Fund</u>	<u>Scholarship Trust Fund</u>	<u>Reed Estate Fund</u>	<u>Fireman's Relief Fund</u>	<u>Christmas Gift Fund</u>	<u>Total</u>
<u>ASSETS</u>								
Cash	\$ 27,925	\$ 7,416	\$ 0	\$ 0	\$ 0	\$ 625	\$ 1,610	\$ 37,576
Investments	<u>0</u>	<u>0</u>	<u>19,434</u>	<u>143,640</u>	<u>4,588</u>	<u>0</u>	<u>0</u>	<u>167,662</u>
Total Assets	<u>\$ 27,925</u>	<u>\$ 7,416</u>	<u>\$ 19,434</u>	<u>\$ 143,640</u>	<u>\$ 4,588</u>	<u>\$ 625</u>	<u>\$ 1,610</u>	<u>\$ 205,238</u>
<u>LIABILITIES AND NET ASSETS</u>								
LIABILITIES:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
NET ASSETS:								
Reserved for endowments	500	2,000	0	0	3,434	0	0	5,934
Reserved for restricted purposes	<u>27,425</u>	<u>5,416</u>	<u>19,434</u>	<u>143,640</u>	<u>1,154</u>	<u>625</u>	<u>1,610</u>	<u>199,304</u>
Total Net Assets	<u>27,925</u>	<u>7,416</u>	<u>19,434</u>	<u>143,640</u>	<u>4,588</u>	<u>625</u>	<u>1,610</u>	<u>205,238</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 27,925</u>	<u>\$ 7,416</u>	<u>\$ 19,434</u>	<u>\$ 143,640</u>	<u>\$ 4,588</u>	<u>\$ 625</u>	<u>\$ 1,610</u>	<u>\$ 205,238</u>

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CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	Louisa Howard Fund	Walter Carpenter Fund	Raymond Tracy Estate Fund	Scholarship Trust Fund	Reed Estate Fund	Fireman's Relief Fund	Christmas Gift Fund	Total
OPERATING REVENUES:								
Investment income	\$ 60	\$ 28	\$ 401	\$ 2,957	\$ 45	\$ 2	\$ 3	\$ 3,496
Total Operating Revenues	<u>60</u>	<u>28</u>	<u>401</u>	<u>2,957</u>	<u>45</u>	<u>2</u>	<u>3</u>	<u>3,496</u>
OPERATING EXPENSES:								
Education	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,380</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,380</u>
Total Operating Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,380</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,380</u>
Change in Net Assets	60	28	401	577	45	2	3	1,116
Net Assets - July 1, 2009	<u>27,865</u>	<u>7,388</u>	<u>19,033</u>	<u>143,063</u>	<u>4,543</u>	<u>623</u>	<u>1,607</u>	<u>204,122</u>
Net Assets - June 30, 2010	<u>\$ 27,925</u>	<u>\$ 7,416</u>	<u>\$ 19,434</u>	<u>\$ 143,640</u>	<u>\$ 4,588</u>	<u>\$ 625</u>	<u>\$ 1,610</u>	<u>\$ 205,238</u>

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