

CITY OF BURLINGTON, VERMONT

AUDIT REPORT

JUNE 30, 2004

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Sullivan, Powers & Co.
CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

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

James H. Powers, CPA
Fred Duplessis, CPA
Kathy Blackburn, CPA
Richard J. Brigham, CPA
Chad A. Hewitt, CPA

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, 2004, which collectively comprise the City of Burlington, Vermont's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Burlington, Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Department, which represents forty-one (41%) and sixty-four percent (64%), respectively, of the assets and revenues of the Enterprise Funds. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric Department, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Burlington, Vermont, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and School General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Sullivan, Powers & Company

December 30, 2004
Montpelier, Vermont
Vt Lic. #92-000180

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, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the beginning of this report.

Financial Highlights

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

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$153,796,239 (total net assets). Of this amount, \$19,671,590 (unrestricted net assets) may be used by the various funds of the City to meet its ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$11,164,258 during this fiscal period. Governmental activities increased by \$ 9,618,040 and Business-type activities increased by \$1,546,218.
- The total net assets of a component unit of the City, the Burlington Community Development Corporation amounted to \$1,112,398, a decrease of \$508,543 for the year. This was due to the Corporation buying out a tenant's lease in preparation for the sale of their building at 131 Battery Street.

Fund Financial Statements (refer to Exhibit C and Footnote III J.)

- As of the close of the fiscal year ending June 30, 2004, the City's governmental funds reported combined ending fund balances of \$1,362,853.
- The reserved portion of the governmental fund balance includes \$543,151 for inventories and prepaid expenditures and \$2,525,256 set aside for other restricted purposes.
- Management has designated \$2,030,704 of the fund balance for three purposes. \$606,570 has been designated for development of the Industrial Park near the Airport, \$220,000 has been designated for reappraisal costs, and \$1,204,134 has been designated in the School Fund for education purposes.
- The undesignated fund balance of the General Fund component of the governmental funds had a positive ending fund balance of \$250,086, an increase of \$193,727 from the previous fiscal year.
- The undesignated fund balance of the other governmental funds reported as a group amounted to a shortfall of (\$3,841,984), a decrease of \$531,651. This was due primarily to the timing of the receipt of state grants, federal grants, tax increments, and reimbursements for capital projects and development projects. Simply put, revenues for grants funds received 60 days or more after the end of the fiscal year are deferred and counted in the period they are received as required by GASB Statement #33.

Overview of the Financial Statements

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

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the finances of the City of Burlington, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Burlington's assets and liabilities with the difference between the two reported as *net assets*. Over time, increase or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Government-Wide Financial Analysis

CITY OF BURLINGTON NET ASSETS (Refer to Exhibit A)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 18,196,178	\$ 21,056,875	\$ 87,620,533	\$ 94,594,776	\$ 105,816,711	\$ 115,651,651
Capital assets	85,191,383	74,852,877	171,548,166	159,901,593	256,739,549	234,754,470
Total Assets	103,387,561	95,909,752	259,168,699	254,496,369	362,556,260	350,406,121
Long-term liabilities outstanding	44,377,104	47,353,016	146,250,295	141,762,071	190,627,399	189,115,087
Other liabilities	9,820,113	8,984,432	8,312,509	9,674,621	18,132,622	18,659,053
Total Liabilities	54,197,217	56,337,448	154,562,804	151,436,692	208,760,021	207,774,140
Net Assets						
Investment in capital assets, net of related debt	47,508,110	36,027,231	65,840,434	54,717,391	113,348,544	90,744,622
Restricted	4,880,488	5,490,436	15,895,617	15,697,100	20,776,105	21,187,536
Unrestricted	(3,198,254)	(1,945,363)	22,869,844	32,645,186	19,671,590	30,699,823
Total Net Assets	\$ 49,190,344	\$ 39,572,304	\$ 104,605,895	\$ 103,059,677	\$ 153,796,239	\$ 142,631,981

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 \$153,796,239 at the close of fiscal year 2004. This is an increase of \$2,529,679 over the amount reported at June 30, 2003.

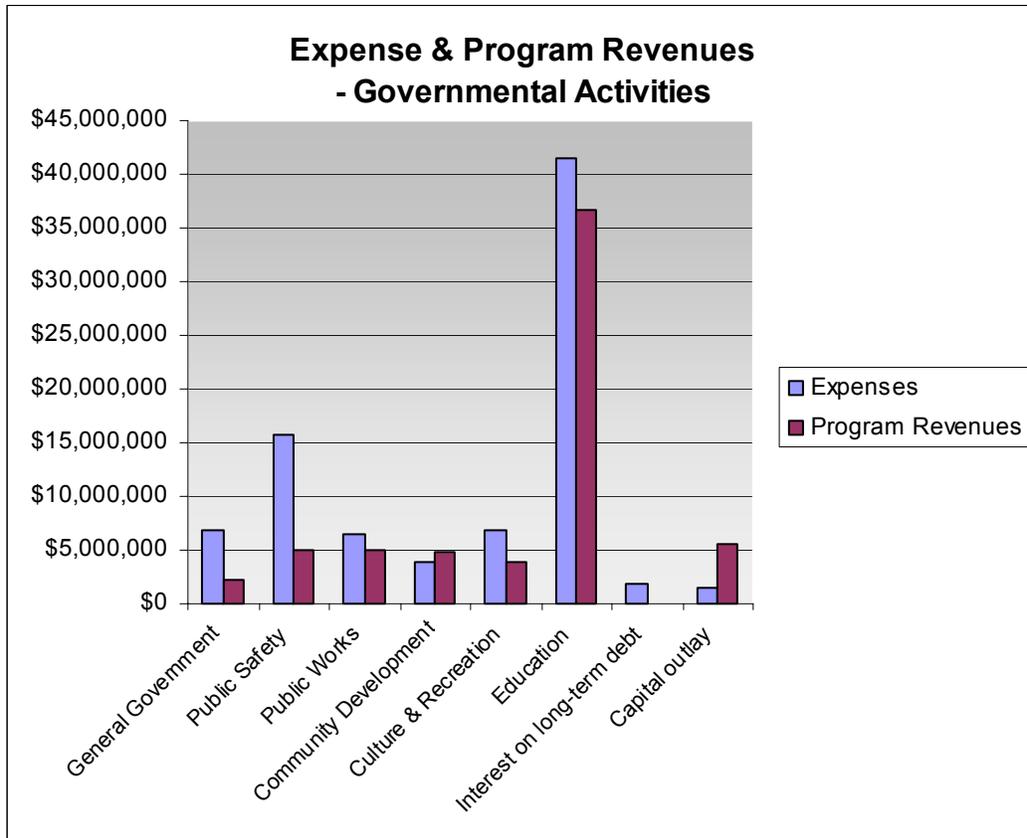
The largest portion of the City's net assets (74% or \$113,348,544) reflects its investments in capital assets (e.g., land buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. This is an increase of \$23,064,439 over the previous fiscal year. The City 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 (14% or \$20,776,105) represents resources that are subject to external restriction as to how they may be used. This is a decrease of \$9,870,476 from FY 2003. The remaining balance of unrestricted net assets (13% or \$19,671,590) is to be used to meet the government's ongoing obligations to citizens and creditors. Included in unrestricted net assets are amounts that management has designated for particular purposes, such as capital reserve funds, reserves for encumbrances, and reserves for expenditures in subsequent fiscal years. The unrestricted net assets declined by \$10,664,284 this year, with most of the decline in the Electric Utility portion of the business type activities.

At the end of fiscal year 2004, the City is able to report positive balances in two of the three categories of net assets for the government as a whole, and for all of its separate business-type activities. The governmental activities area reports a positive balance of \$47,508,110 of investments in capital assets, net of related debt and a positive balance \$4,880,488 in net assets that are subject to external restriction. However, there is a negative balance of (\$3,198,254) in the governmental activities unrestricted net assets section. This is primarily due to the reporting of liabilities formerly reported in the general long-term debt account group such as insurance reserves, compensated absences, landfill post-closure costs, and early retirement costs in the City's School Department. In the governmental activities section, investments in capital assets increased by \$11,941,396 from \$35,566,714, restricted net assets decreased by \$10,068,993 from \$14,949,481 and unrestricted net assets decreased by \$888,942 from (\$2,309,312) from the ending balance of FY 2003.

The negative unrestricted net assets from Governmental Activities includes, \$980,093 for the School Funds, \$8,363 for the Church Street Marketplace Fund, \$112,483 for the new DPW facility, \$119,539 for the two Heating Upgrade Projects, \$889,125 for the Telecom Project, \$202,931 for the Firehouse Center, \$66,832 for the Westlake Development, \$471,380 for the Moran Project, \$3,391 for the General Fund, and \$344,117 for the Transportation Facility Fund. The total unrestricted net assets deficit increased by \$622,347 due to the restatement of some interfund loans that were previously reported as debt.

Governmental Activities. Governmental activities increased the City's net assets by \$9,618,040 or 24.3% during the current fiscal year to \$49,190,344 over the ending amount of \$39,572,304 in FY 2003. 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.



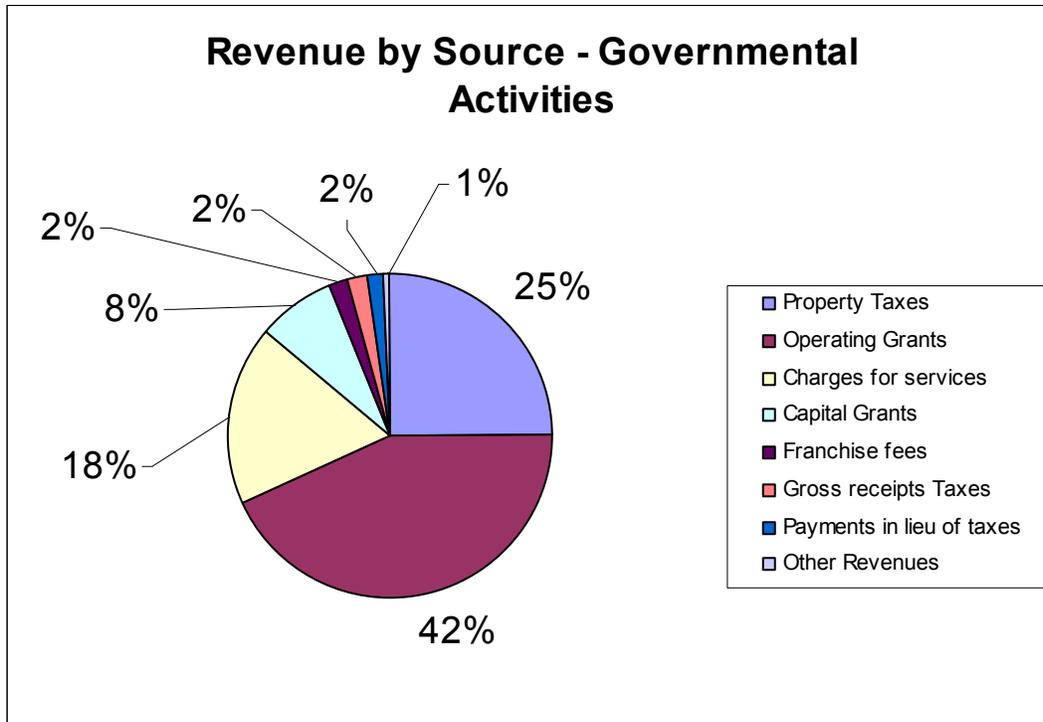
The above graph illustrates the expenses associated with the various functions of governmental activities and the revenues that are directly associated with or generated by these functions. The expenses of these functions are also funded with general revenues, such as property taxes, gross receipts taxes,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

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

CITY OF BURLINGTON, VERMONT CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues						
Charges for services	\$ 16,544,368	\$ 13,707,887	\$ 61,596,376	\$ 61,512,626	\$ 78,140,744	\$ 75,220,513
Operating Grants and Contributions	39,436,570	40,567,938	126,789	427,233	39,563,359	40,995,171
Capital Grants and Contributions	7,072,097	4,098,549	4,652,230	4,769,893	11,724,327	8,868,442
General revenues						
Property Taxes	22,888,063	21,440,315	-	-	22,888,063	21,440,315
Rooms and Meals Taxes	1,874,300	1,355,279	-	-	1,874,300	1,355,279
Payments in lieu of taxes	1,459,189	1,481,522	-	-	1,459,189	1,481,522
Street Franchise fees	1,692,757	1,434,108	-	-	1,692,757	1,434,108
Development Impact Fees	83,199	73,061	-	-	83,199	73,061
Interest & Penalties on delinquent taxes	270,581	290,878	-	-	270,581	290,878
Addition to Permanent Funds	37,368	13,065	-	-	37,368	13,065
Restricted Contributions	-	-	-	-	-	-
Unrestricted Investment Earnings	37,481	509,575	504,370	645,660	541,851	1,155,235
Other Revenues	128,006	61,025	130,472	1,053,435	258,478	1,114,460
Gain (loss) on Sale of Capital Assets/ Associated Companies	-	32,000	68,630	66,476	68,630	98,476
Total Revenues	91,523,979	85,065,202	67,078,867	68,475,323	158,602,846	153,540,525
Expenses						
Governmental Activities						
General Government	6,879,347	9,813,081	-	-	6,879,347	9,813,081
Public Safety	15,777,673	12,119,563	-	-	15,777,673	12,119,563
Public Works	6,435,329	7,328,226	-	-	6,435,329	7,328,226
Community Development	3,961,961	5,340,787	-	-	3,961,961	5,340,787
Culture and Recreation	6,872,724	6,094,800	-	-	6,872,724	6,094,800
Education	41,473,649	39,385,227	-	-	41,473,649	39,385,227
Interest on long-term debt	1,807,337	1,881,561	-	-	1,807,337	1,881,561
Capital Outlay	1,492,587	-	-	-	1,492,587	-
Business Type Activities						
Electric Utility	-	-	39,964,164	41,458,796	39,964,164	41,458,796
Airport	-	-	11,622,861	10,800,791	11,622,861	10,800,791
Water	-	-	4,408,160	4,040,413	4,408,160	4,040,413
Wastewater	-	-	4,831,740	4,683,346	4,831,740	4,683,346
School Enterprise	-	-	1,911,056	1,636,627	1,911,056	1,636,627
Total Expenses	84,700,607	81,963,245	62,737,981	62,619,973	147,438,588	144,583,218
Changes in net assets before transfers	6,823,372	3,101,957	4,340,886	5,855,350	11,164,258	8,957,307
Transfers	2,794,668	2,647,443	(2,794,668)	(2,647,443)	-	-
Change in net assets	9,618,040	5,749,400	1,546,218	3,207,907	11,164,258	8,957,307
Net Assets - Beginning of Year	39,572,304	33,822,904	103,059,677	99,851,770	142,631,981	133,674,674
Net Assets - End of Year	\$ 49,190,344	\$ 39,572,304	\$ 104,605,895	\$ 103,059,677	\$ 153,796,239	\$ 142,631,981

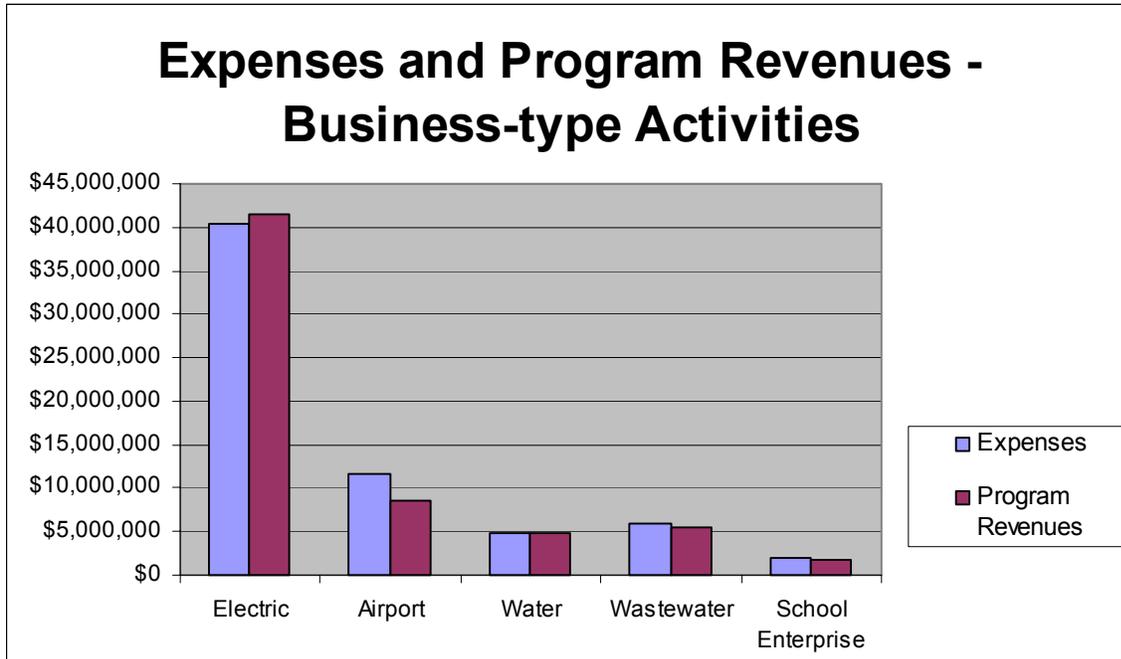
The table below shows the percentages of revenue by each type of revenue of governmental activities. The largest sources are property taxes (25% of total), operating grants (42%), and charges for services (18%).



Business-type activities. Business-type activities also increased the net assets of the City this year in the amount of \$1,546,218 from \$103,059,677 to \$104,605,895. Key elements of this change are as follows:

- Operating Income for all Business-type activities amounted to \$4,810,407. This contrasts with an operating income amount of \$3,806,436 in FY 2003. The major operating revenue source is charges for services at \$61,596,376, which basically remained constant this year (\$61,512,626 in prior fiscal year). Operating Expenses were reduced to \$56,785,969, a 1.6% decrease from the previous year which lead to an increase in the operating income level. Operating costs of the Burlington Electric Utility made up a major portion of the decrease due to a modest reduction in the cost of purchased power. However, the Airport and Wastewater Utility experienced an increase in personnel and benefit costs in the areas of increased security costs and workers compensation.
- Included in the operating expenses is depreciation as amortization in the amount of \$9,112,203 for all business-type activities.
- There was a positive change in net assets for the Burlington Electric Utility, Airport, and Water Resources. However, the Wastewater and School Enterprise Fund experienced small decreases this year. The changes in net assets by fund follows below:

<u>Fund</u>	<u>Change in Net Assets</u>
Electric Utility	\$ 128,473
Airport	1,784,881
Water Resources	74,341
Wastewater	(365,328)
School Enterprise Funds	(76,149)
Total	\$ <u>1,546,218</u>



Program revenues for business-type activities amounted to \$66,261,285 for the year. Almost all (93%) of the program revenues for business-type activities come from charges for services. The remainder of the program revenues consists of operating grants and capital grants for Airport and Water projects.

Financial Analysis of the Government's Funds

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

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

- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,362,853, a decrease of \$1,175,880 or 46.3% over the previous fiscal year. The City has designated \$2,030,704 of the fund balance for three purposes. \$606,570 has been designated for development of the Industrial Park near the Airport, \$220,000 has been designated for reappraisal costs, and \$1,204,134 has been designated in the School Fund for education purposes. The reserved portion of the governmental fund balance includes \$543,151 for inventories and prepaid expenditures and \$2,525,256 set aside for other restricted purposes such as capital and grant-funded projects. The undesignated, unreserved fund balance of all governmental funds amounts to a shortfall of (\$3,184,434). The General Fund balance component had a positive undesignated fund balance of \$250,086, an increase of 344% from the previous fiscal year. This is .64% of expenditures, which leaves the City with limited flexibility to deal with contingencies. The undesignated balance in the school fund was (\$144,360), and that of the other governmental funds reported as a group amounted to (\$3,841,984). As stated previously in the Financial Highlights, this was due primarily to the timing of the receipt of state grants, federal grants, tax increments, and reimbursements for capital projects and development projects. Simply put, revenues for grants funds received 60 days or more after the end of the fiscal year are deferred and counted in the period they are received as required by GASB Statement #33.

The fund balance of the City's general fund was \$1,989,722, an increase of \$676,026 or 51.5% during this reporting period. Some of the key factors concerning this fund follow below:

- Several revenue categories performed well during the year. FY 2004 revenues were generally consistent with the amounts anticipated in the budget. Due to the strong local economy, there were several revenue sources that were particularly sound this year. These were permit fees collected by Planning and Zoning (about \$850,000 above anticipated), franchise fees (\$293,000 over), recording fees (\$110,000 over) and rooms & meals taxes (\$219,500 above anticipated).
- Citywide, workers compensation costs rose to \$1,403,430 or by \$15,000 over the previous fiscal year. However, this was \$255,000 more than the amount budgeted for the year.
- The City successfully addressed some chronic long-term budgetary problems this year. The first area is the expenditures of the City Attorney's Office which exceeded budget by only \$20,000. This is down from a \$107,000 problem in 2003. The primary reason again this year was the increased costs incurred in settling zoning issues. The second area that was successfully addressed was in the Fire Department. Its operating budget was nearly balanced this year with the additions of funds from the property tax increase to cover overtime costs and extra duty pay.

The School's Total Fund balance for all Governmental Funds increased this year to \$1,442,794 from \$969,136 in the prior year. This was due primarily to an increase in the amount of Payments in Lieu of Taxes over the amount anticipated of \$119,569 and the receipt of \$463,862 of intergovernmental revenues over budget. Spending was kept below the boundaries of the budget.

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

Net assets for the Electric Utility fund amounted to \$43,991,073, those for the Airport fund amounted to \$40,054,288, those for the Water Resources fund amounted to \$7,786,242, those for Wastewater fund amounted to \$12,285,871, and those for the School Enterprise Funds amounted to \$488,421. Net assets of the Wastewater fund decreased by \$365,328 due to a decrease in sales, and an increase in the cost of sludge disposal. Net assets of the School Enterprise fund decreased by \$76,149 due to increased utility and material costs. However, the unrestricted assets of the Electric Utility, Airport, and Water Resources Funds increased by \$128,473, \$1,784,881, and \$74,341 respectively. 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

As allowed by City Charter, the City adopts budget resolutions during the year to amend its budget. The major changes consisted of revising expenditure amounts for prior year carryovers, modifying revenue and expenditures for grants received not known during the budget process, and for minor changes to operating budgets that resulted in increased charges for services.

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

Revenues: This year, there were several revenue sources driven by the local economy, that that exceeded the amounts anticipated in the budget. The most significant of these were Permit & Development fees collected by Planning & Zoning which exceeded expectations by \$850,003. Other strong performers in this area were gross receipts taxes (\$219,646 over anticipated), recording fees (\$109,784 above anticipated), and building permits (\$77,261 above anticipated). Other strong revenues this year were franchise fees (\$292,757 over anticipated) and ambulance fees (\$192,118) over anticipated. There were several revenues that did not end the year as projected. These include benefits reimbursements from other funds which fell short by \$269,458. Also, estimated payments from the University of Vermont and Fletcher Allen Health Care fell short by \$79,999 and \$88,122 respectively..

Expenditures:

Expenditures for most categories generally fell within the limits established in the approved City budget. Operating expenditures in the General Fund favorably amounted to \$319,324 less than budget. Several areas that, in previous fiscal years, had exceeded budget came in at or near the budgeted amount as the City successfully addressed some chronic long-term budgetary problems this year. The first area is the expenditures in the City Attorney's Office which exceeded budget by only \$20,000. This is down from a \$107,000 problem in 2003. The primary driver was the legal costs associated with the settlement of zoning issues. The second area that was successfully addressed was in the Fire Department. Its budget was balanced this year with the additions of funds from the property tax increase to cover overtime costs and extra duty pay and by the careful management of its expenditures.

Again this year, the largest challenge facing the City budget was the rise in worker's compensation costs. Citywide, workers compensation costs rose to \$1,403,430 or by \$15,000 over the previous fiscal year. However, this was \$255,000 more than the amount budgeted for the year. To further understand the significance of this increase, in 1998, worker's compensation costs amounted to \$400,431 citywide. Costs have risen 250% over this time period. The costs were analyzed to determine which departments had the highest usage. This year, claims were very significant in the Burlington Electric Department as well as in the DPW Water Division. An allocation of costs was made to those departments having higher than expected usage. The good news is that employee health benefit costs city-wide amounted to \$4,295,000, or \$566,000 under the anticipated amount. This more than offset the over expenditure in workers compensation. The Parks & Recreation Department exceeded its expenditure budget by \$63,807, which was only partially offset by increased revenues.

Fiduciary Funds.

The net assets of the Retirement Fund increased by \$9,646,665 during the year due mainly to an increase in value of the investments in the pension portfolio to \$95,098,737. This is still down significantly from its peak year-end value of \$116,125,927 at June 30, 2000. At June 30, 2003, the actuarial value of accrued liabilities in the system exceeded the actuarial value of assets by \$7,521,765 which represents an unfunded liability in the system. Please refer to the audit footnotes in the Financial Statement for additional information regarding this issue. The actuarial values for the period ending June 30, 2004 will be available in mid-February, 2005.

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, 2004, amounted to \$113,348,544 (net of accumulated depreciation and related debt). 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 \$47,508,110, an increase of \$11,941,406 over the FY 2003 level. The capital assets of the City's business-type activities increased by \$11,123,043 to a net of \$65,840,434.

Major capital events during the current fiscal year included the following:

- Implementation of the North Street Development plan, which includes repaving of the public infrastructure. Work began this year with \$1,428,003 expended during this fiscal year.
- The purchase of four fire fighting vehicles, funded by the proceeds of a general obligation bond, in the amount of \$2,069,894.
- Completion of phases 2 & 3 of the renovation of the Firehouse Center in the amount of \$607,779. This was funded by a capital contribution of \$125,000 from the City's annual general obligation bond borrowing and from grant funds and donations to the Firehouse Capital campaign.
- Replacement of two major vehicles by the Department of Public Works which includes the purchase of a street sweeper (\$127,090) and a Recycling Truck (\$117,106). These were purchased using the proceeds of master lease agreement.
- The extension of limited access to the City Hall block of the Church Street Marketplace, including brick work, tree planting, and landscaping. This project will be finished in FY 2005 with \$1,235,830 having been spent to date.
- Construction of a Bike Path along the North Connector Road (route 127), including a bridge across the Winooski River, amounting to \$3,154,443 funded with Federal, State and local funds.
- General Street and sidewalk repaving and reconstruction, including curbs, catch basins and median upgrades in the amount of \$1,093,750 funded primarily with the dedicated Street property tax.

- Preliminary work on the second and third phases of the City's telecommunications project, with a capitalized cost of \$429,078.
- Design and planning for construction of the Southern Connector highway at a cost of \$760,674.

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

	Governmental Activities		Busines-type activities		Totals	
	2004	2003	2004	2003	2004	2003
Land	\$ 16,629,726	\$ 16,629,726	\$ 13,783,051	\$ 12,172,690	\$ 30,412,777	\$ 28,802,416
Construction in Progress	6,293,483	3,722,097	5,523,261	3,167,993	11,816,744	6,890,090
Antiques and Works of Art	52,000	52,000	-	-	52,000	52,000
Land Improvements	938,643	125,000	29,733,813	29,490,216	30,672,456	29,615,216
Buildings and Building Improvements	53,155,454	50,443,530	53,518,066	41,874,524	106,673,520	92,318,054
Vehicles, Machinery, Equipment and Furniture	17,294,410	15,633,241	16,669,428	16,291,958	33,963,838	31,925,199
Book Collections	2,908,338	2,908,338	-	-	2,908,338	2,908,338
Roads, Curbs, and Sidewalks *	10,126,768	5,878,575	-	-	10,126,768	5,878,575
Distributions and Collections Systems	-	-	172,683,830	169,451,785	172,683,830	169,451,785
Total Assets	\$ 107,398,822	\$ 95,392,507	\$ 291,911,449	\$ 272,449,166	\$ 399,310,271	\$ 367,841,673

* Roads, Curbs, and Sidewalks reflect the activity of the 2002 - 2004 reporting periods only. The City will incorporate the activity from past fiscal periods in its future financial statements.

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

Long-term debt. At the end of the current year, the City of Burlington had total bonds, notes, and capital leases payable of \$204,445,244. Of this, \$38,641,716 applies to governmental activities and \$165,803,528 (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		Busines-type activities		Totals	
	2004	2003	2004	2003	2004	2003
General Obligation Bonds	\$ 18,003,166	\$ 19,335,700	\$ 4,046,833	\$ 5,639,300	\$ 22,049,999	\$ 24,975,000
Revenue Bonds	-	-	160,919,488	157,067,456	160,919,488	157,067,456
Bond/Revenue Anticipation & Notes Payable	15,562,815	16,177,242	600,000	-	16,162,815	16,177,242
Obligations Under Capital Leases	5,075,735	5,389,115	237,207	149,415	5,312,942	5,538,530
Totals	\$ 38,641,716	\$ 40,902,057	\$ 165,803,528	\$ 162,856,171	\$ 204,445,244	\$ 203,758,228

The City's total bonds, notes, and capital leases increased by \$687,017 during the year. General obligation bonds outstanding had a net decrease of \$2,925,001 to 22,049,999 as repayments exceeded the new amount issued. A new General Obligation bond for \$750,000 was issued in October 2003 to finance the City's general capital improvements and small working capital needs. The predominant use of these funds was to fund a portion of the reappraisal project, a contribution to the construction of the Firehouse Center, paying the City's portion of the pedestrian and bicycle bridge over the Winooski River, payment for a project to rewrite the City's Zoning ordinances, and improvements to public buildings. Moody's Investor Services provides a bond rating each time a bond issue is offered to the investing public. The City's Aa3 rating was reconfirmed in July, 2004.

The outstanding amount of revenue bonds increased due to the issue of a \$10,000,000 revenue bond for the Electric Department in April, 2004 for the purpose of making capital improvements to its buildings and equipment.

Annually, the City issues a master lease that combines the needs of the various departments into one borrowing. This year's lease amounted to \$515,221 and funded some heavy equipment for public works, a water meter radio transmitter system, some equipment for the City telecommunications project, and several smaller items.

The balances due for the various revenue bonds at June 30, 2004 (exclusive of unamortized discounts, premiums, and deferred losses on refunding) were as follows:

Electric Department	\$ 76,660,000
Water Resources	9,925,000
Wastewater Department	24,084,488
Airport	<u>50,250,000</u>
Total Revenue Bonds	<u>\$160,919,488</u>

The City issued \$8,000,000 in tax anticipation notes during the year, all of which were paid in full by June 30, 2004. There was a \$700,000 Wastewater revenue anticipation note issued and paid back during the year, as well as a \$600,000 note issued on June 30, 2004 which is due on June 30, 2005. The City repaid \$278,800 in bond anticipation notes on July 30, 2003 issued to pay for costs associated with the replacement of docks at Waterfront Park. These notes were repaid from proceeds of a general obligation capital bond issued in October 2003.

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

Economic Factors and Next Year's Budgets and Rates

Listed below are some of the factors that were factored in formulating the budget for fiscal year 2005:

- The estimate of the Municipal grand list value for the City increased to \$1,872,160,738. This amounted to an increase of \$8,978,912 or 0.5% from the final grand list of the previous fiscal year.
- A property tax increase of 4 cents was proposed and passed by the voters in March, 2004 and was used to support the costs of providing services of the Police, Fire, Library, DPW and Parks Departments.
- Wages and Benefits are the major driver of the City's overall FY 05 Budget – an increase of over \$800,000. Wages, regular and overtime, in safety services are a leading contributor to growth in the personnel budget, reflecting the City's recent expansion in fire and police departments and continued commitment to competitive wages.
- Employee Benefit costs are increasing by 8.0%, or by nearly \$525,000 city-wide.
- The Employee Retirement plan suffered a significant loss of the market value of its assets over a three-year period.

2005 City Budget

The City of Burlington approved a general fund budget for fiscal year 2004 in the amount of \$43,996,220. This represents an increase of 8.6% over the previous fiscal year. Again this year, there is an increase in the dedicated tax for the employee pension fund. This amounts to a two cent increase in this rate raising about \$400,000. These additional taxes were necessary due to the loss in market value of pension investments due to overall economic conditions in the country. Benefit levels are also being examined with the objective of maintaining as strong a benefit as can reasonably be afforded.

In this budget, the grand list growth is again projected to be about ½ % and will fund some of the increase in the benefits and employer costs. The budget includes a four cent dedicated tax increase in various municipal tax rates to yield \$744,000 in additional funds.

Rates for the Water and Wastewater Utilities were increased for the first time since 1994 at the rates of 5.5% and 7.6% respectively. The Electric Department rates were increased by 7.1% on January 1, 2004 to cover the increased costs of purchased power and overhead. Airport charges for landing fees, terminal rent, and parking were reviewed and increased during this fiscal year.

Requests for Information

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, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Burlington Community Development Corporation
ASSETS				
Cash and Cash Equivalents	\$ 4,802,849	\$ 9,042,566	\$ 13,845,415	\$ (456,015)
Investments	2,024,461	20,000	2,044,461	0
Receivables (Net of Allowance for Uncollectibles):				
Taxes Receivable	1,642,519	0	1,642,519	0
Other Receivables	5,995,214	8,418,366	14,413,580	26,664
Notes and Loans Receivable	2,433,363	1,930,140	4,363,503	1,490,229
Accrued Interest Receivable	2,764	6,830	9,594	8,683
Estimated Unbilled Revenues	0	2,403,330	2,403,330	0
Inventories	371,481	3,225,155	3,596,636	0
Other Current Assets	730,494	471,709	1,202,203	0
Due from Other Governments	726,373	0	726,373	0
Interfund Loans Receivable/Payable	(660,643)	660,643	0	0
Restricted Assets:				
Investments	0	35,886,162	35,886,162	0
Investments in Associated Companies	0	405,184	405,184	0
Other Long-Term Assets, Net of Accumulated Amortization	127,303	25,150,448	25,277,751	0
Capital Assets				
Land	16,629,726	13,783,051	30,412,777	662,604
Construction in Progress	6,293,483	5,523,261	11,816,744	0
Antiques and Works of Art	52,000	0	52,000	0
Other Capital Assets, (Net of Accumulated Depreciation)	<u>62,216,174</u>	<u>152,241,854</u>	<u>214,458,028</u>	<u>1,960,177</u>
Total Assets	<u>103,387,561</u>	<u>259,168,699</u>	<u>362,556,260</u>	<u>3,692,342</u>
LIABILITIES				
Accounts Payable	7,397,139	4,149,043	11,546,182	5,135
Accrued Payroll and Benefits Payable	779,436	778,612	1,558,048	0
Due to Fiduciary Funds	3,681	6,714	10,395	0
Accrued Interest Payable	205,289	1,243,420	1,448,709	8,683
Deferred Revenue	1,434,568	0	1,434,568	0
Payable from Restricted Assets	0	2,134,720	2,134,720	0
Noncurrent Liabilities:				
Due within One Year	5,285,643	9,171,464	14,457,107	103,259
Due in More than One Year	<u>39,091,461</u>	<u>137,078,831</u>	<u>176,170,292</u>	<u>2,462,867</u>
Total Liabilities	<u>54,197,217</u>	<u>154,562,804</u>	<u>208,760,021</u>	<u>2,579,944</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	47,508,110	65,840,434	113,348,544	1,546,884
Restricted for:				
Traffic	626,282	0	626,282	0
Community Development/Housing Trust	3,240,730	0	3,240,730	0
Perpetual Care	896,161	0	896,161	0
Debt Service/Renewal and Replacements	0	15,895,617	15,895,617	0
Other Purposes	117,315	0	117,315	0
Unrestricted/(Deficit):	<u>(3,198,254)</u>	<u>22,869,844</u>	<u>19,671,590</u>	<u>(434,486)</u>
Total Net Assets	<u>\$ 49,190,344</u>	<u>\$ 104,605,895</u>	<u>\$ 153,796,239</u>	<u>\$ 1,112,398</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, 2004

	Net (Expense) Revenue and Changes in Net Assets							Component Unit
	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	\$ 6,879,347	\$ 1,928,657	\$ 334,410	\$ 0	\$ (4,616,280)	\$ 0	\$ (4,616,280)	\$ 0
Public Safety	15,777,673	4,199,593	405,923	451,425	(10,720,732)	0	(10,720,732)	0
Public Works	6,435,329	4,662,014	412,267	2,225	(1,358,823)	0	(1,358,823)	0
Community Development	3,961,961	69,128	3,319,344	1,402,253	828,764	0	828,764	0
Culture and Recreation	6,872,724	3,123,709	558,491	116,323	(3,074,201)	0	(3,074,201)	0
Education	41,473,649	2,183,180	34,406,135	0	(4,884,334)	0	(4,884,334)	0
Interest on Long-Term Debt	1,807,337	0	0	0	(1,807,337)	0	(1,807,337)	0
Capital Outlay	1,492,587	378,087	0	5,099,871	3,985,371	0	3,985,371	0
Total Governmental Activities	84,700,607	16,544,368	39,436,570	7,072,097	(21,647,572)	0	(21,647,572)	0
Business-Type Activities:								
Electric	39,964,164	41,040,003	0	0	0	1,075,839	1,075,839	0
Airport	11,622,861	8,479,206	126,789	4,602,230	0	1,585,364	1,585,364	0
Water	4,408,160	4,759,237	0	50,000	0	401,077	401,077	0
Wastewater	4,831,740	5,483,023	0	0	0	651,283	651,283	0
School	1,911,056	1,834,907	0	0	0	(76,149)	(76,149)	0
Total Business-Type Activities	62,737,981	61,596,376	126,789	4,652,230	0	3,637,414	3,637,414	0
Total Primary Government	147,438,588	78,140,744	39,563,359	11,724,327	(21,647,572)	3,637,414	(18,010,158)	0
Component Unit:								
Burlington Community Development Corporation	763,859	166,969	87,839	0	0	0	0	(509,051)
General Revenues:								
Property Taxes					22,888,063	0	22,888,063	0
Gross Receipts Taxes					1,874,300	0	1,874,300	0
Payment in Lieu of Taxes					1,459,189	0	1,459,189	0
Franchise Fees					1,692,757	0	1,692,757	0
Impact Fees					83,199	0	83,199	0
Interest and Penalties on Delinquent Taxes					270,581	0	270,581	0
Addition to Permanent Funds					37,368	0	37,368	0
Unrestricted Investment Earnings					37,481	504,370	541,851	508
Other Revenues					128,006	199,102	327,108	0
Transfers					2,794,668	(2,794,668)	0	0
Total General Revenues and Transfers					31,265,612	(2,091,196)	29,174,416	508
Change in Net Assets					9,618,040	1,546,218	11,164,258	(508,543)
Net Assets, July 1, 2003					39,572,304	103,059,677	142,631,981	1,620,941
Net Assets, June 30, 2004					\$ 49,190,344	\$ 104,605,895	\$ 153,796,239	\$ 1,112,398

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

CITY OF BURLINGTON, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 299,677	\$ 5,766,896	\$ (1,263,724)	\$ 4,802,849
Investments	1,773,597	43,110	207,754	2,024,461
Receivables (Net of Allowance for Uncollectibles)				
Taxes Receivable	1,642,519	0	0	1,642,519
Other Receivables	1,056,111	304,457	4,634,646	5,995,214
Notes Receivable	0	0	2,433,363	2,433,363
Accrued Interest Receivable	0	0	2,764	2,764
Due from Other Governments	726,373	0	0	726,373
Inventories	224,843	0	146,638	371,481
Other Current Assets	657,504	70,546	2,444	730,494
 Total Assets	 \$ 6,380,624	 \$ 6,185,009	 \$ 6,163,885	 \$ 18,729,518
<u>LIABILITIES</u>				
Liabilities:				
Accounts Payable	1,284,204	4,131,576	1,981,359	7,397,139
Accrued Payroll and Benefits Payable	692,380	0	87,056	779,436
Due to Other Funds	127	0	3,554	3,681
Interfund Loans Payable	0	0	660,643	660,643
Deferred Revenue	2,036,191	610,639	5,500,936	8,147,766
Insurance Reserves - Funded	378,000	0	0	378,000
 Total Liabilities	 4,390,902	 4,742,215	 8,233,548	 17,366,665
Fund Balances/(Deficit):				
Reserved for				
Inventories and Prepaid				
Expenditures	323,523	70,546	149,082	543,151
Other Purposes	589,543	312,474	1,623,239	2,525,256
Unreserved, Reported In				
General Fund	1,076,656	0	0	1,076,656
Special Revenue Funds	0	1,059,774	(657,550)	402,224
Capital Project Funds	0	0	(3,184,434)	(3,184,434)
 Total Fund Balances/(Deficit)	 1,989,722	 1,442,794	 (2,069,663)	 1,362,853
 Total Liabilities and Fund Balances	 \$ 6,380,624	 \$ 6,185,009	 \$ 6,163,885	

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. 85,191,383

Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds. 6,713,198

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. (44,077,090)

Net Assets of Governmental Activities \$ 49,190,344

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, 2004

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 20,917,219	\$ 3,885,163	\$ 0	\$ 24,802,382
Payments in Lieu of Taxes	2,243,500	1,539,569	0	3,783,069
Intergovernmental Revenues	2,749,756	35,074,604	9,887,990	47,712,350
Charges for Services	6,592,897	1,487,028	5,379,386	13,459,311
Fines and Forfeits	1,282,120	0	0	1,282,120
Licenses and Permits	4,905,916	0	567,086	5,473,002
Investment Income	0	32,571	27,396	59,967
Other Revenue	914,397	696,152	691,104	2,301,653
	<u>39,605,805</u>	<u>42,715,087</u>	<u>16,552,962</u>	<u>98,873,854</u>
EXPENDITURES:				
General Government	11,194,904	0	4,297	11,199,201
Safety Services	13,236,526	0	0	13,236,526
Public Works	1,516,002	0	5,720,271	7,236,273
Community Development	0	0	5,721,519	5,721,519
Culture & Recreation	5,349,582	0	0	5,349,582
Education	0	41,430,324	0	41,430,324
Capital Outlay	4,211,333	0	8,799,169	13,010,502
Debt Service -				
Principal Retirement	2,297,672	510,494	104,995	2,913,161
Interest Charges	1,148,542	300,611	161,974	1,611,127
Bond Issue Costs	23,707	0	0	23,707
	<u>38,978,268</u>	<u>42,241,429</u>	<u>20,512,225</u>	<u>101,731,922</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>627,537</u>	<u>473,658</u>	<u>(3,959,263)</u>	<u>(2,858,068)</u>
OTHER FINANCING SOURCES/(USES):				
Transfers In	180,616	208,052	1,245,355	1,634,023
Transfers Out	(1,215,355)	(208,052)	(210,616)	(1,634,023)
Sales of Capital Assets	46,710	0	0	46,710
Long-Term Debt Issued	1,027,548	0	598,960	1,626,508
Net Premium/(Discount) on Debt	8,970	0	0	8,970
	<u>48,489</u>	<u>0</u>	<u>1,633,699</u>	<u>1,682,188</u>
Net Change in Fund Balances	676,026	473,658	(2,325,564)	(1,175,880)
Fund Balances, July 1, 2003	<u>1,313,696</u>	<u>969,136</u>	<u>255,901</u>	<u>2,538,733</u>
Fund Balances/(Deficit), June 30, 2004	<u>\$ 1,989,722</u>	<u>\$ 1,442,794</u>	<u>\$ (2,069,663)</u>	<u>\$ 1,362,853</u>

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, 2004

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)	\$ (1,175,880)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	10,528,951
<p>In the Statement of Activities, the loss on the disposition/sale of capital assets is reported whereas in the Governmental Funds, the disposition of capital assets is not reflected and the sale 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</p>	(190,444)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	(1,583,152)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount, including the capitalization cost amortization of bond premiums, bond discounts and deferred changes is the net effect of these differences in the treatment of long-term debt and related items.</p>	2,269,844
<p>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.</p>	<u>(231,279)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 9,618,040</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, 2004

	General Fund				School "General Fund"		
	Budget		Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
	Original	Final					
Revenues:							
Taxes and Special Assessments	\$ 20,616,340	\$ 20,616,340	\$ 20,917,219	\$ 300,879	\$ 3,874,791	\$ 3,885,163	\$ 10,372
Payments in Lieu of Taxes	1,503,410	1,503,410	1,539,567	36,157	1,420,000	1,539,569	119,569
Permits and Licenses	3,416,180	3,456,960	4,905,916	1,448,956	0	0	0
Intergovernmental Revenues	1,141,360	1,366,350	1,082,223	(284,127)	25,400,290	25,864,152	463,862
Charges for Services	5,259,920	5,349,140	5,428,991	79,851	669,238	634,502	(34,736)
Fines and Forfeits	1,248,000	1,250,000	1,282,120	32,120	0	0	0
Investment Income	0	0	0	0	59,705	32,571	(27,134)
Miscellaneous Revenues	2,335,280	3,697,140	3,237,992	(459,148)	0	0	0
Total Revenues	35,520,490	37,239,340	38,394,028	1,154,688	31,424,024	31,955,957	531,933
Expenditures:							
Current:							
General Administration	13,283,600	12,823,390	12,227,896	595,494	0	0	0
Safety Services	12,050,340	13,665,350	13,476,160	189,190	0	0	0
Public Works	2,017,910	2,090,090	2,056,775	33,315	0	0	0
Cultural and Recreation	5,010,750	5,302,830	5,388,998	(86,168)	0	0	0
Education	0	0	0	0	31,579,024	31,501,298	77,726
Debt Service	2,150,000	2,150,000	2,257,617	(107,617)	0	0	0
Capital Outlay	2,542,430	3,026,270	3,546,778	(520,508)	0	0	0
Total Expenditures	37,055,030	39,057,930	38,954,224	103,706	31,579,024	31,501,298	77,726
Excess/(Deficiency) of Revenues Over Expenditures	<u>(1,534,540)</u>	<u>(1,818,590)</u>	<u>(560,196)</u>	<u>1,258,394</u>	<u>(155,000)</u>	<u>454,659</u>	<u>609,659</u>
Other Financing Sources/(Uses):							0
Proceeds of Long-Term Debt	750,000	750,000	1,027,548	277,548	0	0	0
Operating Transfers In	4,220,730	4,220,730	4,129,936	(90,794)	0	0	0
Operating Transfers Out	<u>(3,436,190)</u>	<u>(3,439,390)</u>	<u>(3,921,262)</u>	<u>(481,872)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources/(Uses)	1,534,540	1,531,340	1,236,222	(295,118)	0	0	0
Net Change in Fund Balances	\$ 0	\$ (287,250)	\$ 676,026	\$ 963,276	\$ (155,000)	\$ 454,659	\$ 609,659

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

CITY OF BURLINGTON, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

	Electric Utility	Airport	Water Resources	Wastewater	Non-Major Fund School Enterprise	Total
ASSETS						
Current Assets						
Cash	\$ 2,301,676	\$ 5,945,475	\$ 417,306	\$ 66,846	\$ 311,263	\$ 9,042,566
Investments	0	20,000	0	0	0	20,000
Other Receivables (Net of Allowance for Uncollectible Accounts)	3,473,594	4,015,931	421,771	466,453	40,617	8,418,366
Notes Receivable - Current	156,795	0	0	0	0	156,795
Interfund Loans	660,643	0	0	0	0	660,643
Accrued Interest Receivable	0	6,242	588	0	0	6,830
Estimated Unbilled Revenues	1,438,683	239,607	351,090	373,950	0	2,403,330
Inventories	2,847,494	135,632	120,343	111,559	10,127	3,225,155
Other Current Assets	469,332	0	1,708	669	0	471,709
Total Current Assets	11,348,217	10,362,887	1,312,806	1,019,477	362,007	24,405,394
Noncurrent Assets						
Restricted Cash and Investments	25,055,294	9,521,638	1,309,230	0	0	35,886,162
Notes Receivable - Long Term	1,773,345	0	0	0	0	1,773,345
Investment in Associated Company	405,184	0	0	0	0	405,184
Other Long Term-Assets, Net of Accumulated Amortization	23,179,207	1,808,820	157,512	4,909	0	25,150,448
Capital Assets						
Land	653,072	12,230,777	51,250	847,952	0	13,783,051
Construction in Progress	192,704	5,184,977	0	145,580	0	5,523,261
Land Improvements	0	29,733,813	0	0	0	29,733,813
Buildings and Building Improvements	0	53,518,066	0	0	0	53,518,066
Vehicles, Machinery and Equipment	0	3,773,552	1,065,318	11,584,509	246,049	16,669,428
Production, General and Other Plant	55,883,170	0	0	0	0	55,883,170
Transmission and Distribution Plant	40,963,132	0	33,160,429	42,677,099	0	116,800,660
Less Accumulated Depreciation	(51,992,307)	(32,178,322)	(19,000,738)	(17,109,194)	(82,722)	(120,363,283)
Total Noncurrent Assets	96,112,801	83,593,321	16,743,001	38,150,855	163,327	234,763,305
Total Assets	107,461,018	93,956,208	18,055,807	39,170,332	525,334	259,168,699
LIABILITIES						
Current Liabilities						
Accounts Payable	2,496,102	1,476,949	59,319	79,760	36,913	4,149,043
Accrued Payroll and Benefits Payable	686,836	39,919	33,077	18,780	0	778,612
Accrued Interest Payable	0	1,230,749	68	12,603	0	1,243,420
Due to Other Funds	0	0	4,295	2,419	0	6,714
Payable from Restricted Assets - Accrued Interest Payable	1,895,490	0	239,230	0	0	2,134,720
Revenue Anticipation Note Payable	0	0	0	600,000	0	600,000
General Obligation Bonds						
Payable - Current Portion	367,300	250,000	11,000	970,000	0	1,598,300
Revenue Bonds Payable - Current Portion	4,655,000	1,140,000	910,000	204,581	0	6,909,581
Capital Leases Payable - Current Portion	4,070	0	38,735	20,778	0	63,583
Total Current Liabilities	10,104,798	4,137,617	1,295,724	1,908,921	36,913	17,483,973
Noncurrent Liabilities						
General Obligation Bonds Payable	1,130,939	250,000	9,000	1,000,531	0	2,390,470
Revenue Bonds Payable	51,380,354	49,392,698	8,680,927	23,879,907	0	133,333,886
Capital Leases Payable	5,375	0	128,092	40,157	0	173,624
Accrued Compensated Absences Payable	733,109	121,605	155,822	54,945	0	1,065,481
Other Noncurrent Liabilities	84,719	0	0	0	0	84,719
Deferred Credit	30,651	0	0	0	0	30,651
Total Noncurrent Liabilities	53,365,147	49,764,303	8,973,841	24,975,540	0	137,078,831
Total Liabilities	63,469,945	53,901,920	10,269,565	26,884,461	36,913	154,562,804
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	17,396,954	30,589,235	5,656,017	12,034,901	163,327	65,840,434
Restricted - Debt Service/Renewal and Replacements	13,923,313	902,304	1,070,000	0	0	15,895,617
Unrestricted	12,670,806	8,562,749	1,060,225	250,970	325,094	22,869,844
Total Net Assets	43,991,073	40,054,288	7,786,242	12,285,871	488,421	104,605,895
Total Liabilities and Net Assets	\$ 107,461,018	\$ 93,956,208	\$ 18,055,807	\$ 39,170,332	\$ 525,334	\$ 259,168,699

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

CITY OF BURLINGTON, VERMONT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Non-Major Fund					
	Electric Utility	Airport	Water Resources	Wastewater	School Enterprise	Total
OPERATING REVENUES:						
Charges for Services	\$ 37,619,073	\$ 8,472,144	\$ 4,663,246	\$ 5,483,023	\$ 1,834,907	\$ 58,072,393
Miscellaneous	3,420,930	7,062	95,991	0	0	3,523,983
Total Operating Revenues	<u>41,040,003</u>	<u>8,479,206</u>	<u>4,759,237</u>	<u>5,483,023</u>	<u>1,834,907</u>	<u>61,596,376</u>
OPERATING EXPENSES:						
Operating, Maintenance, and General and Administrative Expenses	31,163,923	5,503,396	3,165,297	3,182,993	1,863,689	44,879,298
Depreciation and Amortization	3,499,630	3,366,808	699,799	1,498,399	47,367	9,112,003
Payments in Lieu of Taxes	1,436,889	0	312,482	1,045,297	0	2,794,668
Total Operating Expenses	<u>36,100,442</u>	<u>8,870,204</u>	<u>4,177,578</u>	<u>5,726,689</u>	<u>1,911,056</u>	<u>56,785,969</u>
Operating Income /(Loss)	<u>4,939,561</u>	<u>(390,998)</u>	<u>581,659</u>	<u>(243,666)</u>	<u>(76,149)</u>	<u>4,810,407</u>
NONOPERATING REVENUES (EXPENSES):						
Other Income/(Expense) - Net	97,252	33,220	0	0	0	130,472
Dividends from Associated Companies	68,630	0	0	0	0	68,630
Grant Income	0	126,789	0	0	0	126,789
Passenger Facility Charges	0	2,248,630	0	0	0	2,248,630
Investment Income	323,641	166,297	7,987	6,445	0	504,370
Interest Expense	(3,780,858)	(2,521,595)	(523,110)	(145,438)	0	(6,971,001)
Amortization of Bond Issue Costs	(1,519,753)	(98,990)	(19,954)	(4,910)	0	(1,643,607)
Grant Expense	0	(132,072)	0	0	0	(132,072)
Total Nonoperating Revenues (Expenses)	<u>(4,811,088)</u>	<u>(177,721)</u>	<u>(535,077)</u>	<u>(143,903)</u>	<u>0</u>	<u>(5,667,789)</u>
Income (Loss) Before Contributions and Transfers	<u>128,473</u>	<u>(568,719)</u>	<u>46,582</u>	<u>(387,569)</u>	<u>(76,149)</u>	<u>(857,382)</u>
Capital Contributions	0	2,353,600	50,000	0	0	2,403,600
Transfers In/(Out)	0	0	(22,241)	22,241	0	0
Change in Net Assets	128,473	1,784,881	74,341	(365,328)	(76,149)	1,546,218
Total Net Assets, July 1, 2003	<u>43,862,600</u>	<u>38,269,407</u>	<u>7,711,901</u>	<u>12,651,199</u>	<u>564,570</u>	<u>103,059,677</u>
Total Net Assets, June 30, 2004	<u>\$ 43,991,073</u>	<u>\$ 40,054,288</u>	<u>\$ 7,786,242</u>	<u>\$ 12,285,871</u>	<u>\$ 488,421</u>	<u>\$ 104,605,895</u>

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, 2004

					Non-Major Fund	
	Electric Utility	Airport	Water Resources	Wastewater	School Enterprise	Total
Cash Flows From Operating Activities:						
Receipts from Customers and Users	\$ 34,904,405	\$ 9,188,715	\$ 4,615,419	\$ 1,293,807	\$ 1,931,452	\$ 51,933,798
Receipts for Interfund Services	2,916,148	0	167,009	0	0	3,083,157
Other Receipts	3,721,289	0	0	0	0	3,721,289
Payments to Suppliers	(28,651,637)	(3,023,022)	(1,483,807)	0	(1,062,507)	(34,220,973)
Payment in Lieu of Taxes	(1,436,889)	0	(312,482)	0	0	(1,749,371)
Payments for Wages and Benefits	(3,242,402)	(1,639,788)	(1,465,028)	0	(756,263)	(7,103,481)
Payments for Interfund Services	0	(890,230)	(332,637)	0	0	(1,222,867)
Net Cash Provided by Operating Activities	8,210,914	3,635,675	1,188,474	1,293,807	112,682	14,441,552
Cash Flows From Noncapital Financing Activities:						
Operating Grant Income	0	126,789	0	0	0	126,789
Operating Grant Expenses	0	(132,072)	0	0	0	(132,072)
Other Income/Deductions, Net	0	32,594	0	0	0	32,594
Transfer from/(to) Other Funds	0	0	(22,241)	22,241	0	0
Interest Paid on Miscellaneous Items	0	0	0	(13,962)	0	(13,962)
Net Cash Provided/(Used) by Noncapital Financing Activities	0	27,311	(22,241)	8,279	0	13,349
Cash Flows From Capital and Related Financing Activities:						
Proceeds from Bonds, Notes & Leases Payable	10,122,334	0	157,592	611,214	0	10,891,140
Proceeds from Sale of Capital Assets	66,265	626	0	0	0	66,891
Acquisition and Construction of Capital Assets	(3,487,460)	(16,355,426)	(390,434)	(47,733)	(34,372)	(20,315,425)
Capital Contributions	0	2,353,600	50,000	0	0	2,403,600
Passenger Facility Charges	0	2,049,239	0	0	0	2,049,239
Net Cost Associated with Bond Refinancing	(325,597)	0	0	0	0	(325,597)
Principal Paid on:						
General Obligation Bonds	(346,467)	(265,000)	(11,000)	(970,000)	0	(1,592,467)
Revenue Bonds	(4,080,000)	(1,080,000)	(870,000)	(129,182)	0	(6,159,182)
Capital Lease Obligations	(3,876)	0	(20,629)	(45,295)	0	(69,800)
Interest Paid on:						
General Obligation Bonds	(81,954)	(18,975)	(1,037)	(112,480)	0	(214,446)
Revenue Bonds	(3,703,217)	(2,031,660)	(498,034)	0	0	(6,232,911)
Capital Lease Obligations	0	0	(962)	(3,136)	0	(4,098)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(1,839,972)	(15,347,596)	(1,584,504)	(696,612)	(34,372)	(19,503,056)
Cash Flows From Investing Activities:						
Net (Additions)/Reductions to Restricted Cash and Invest:	(9,538,624)	14,685,975	(37,055)	0	0	5,110,296
Sale/(Purchase) of Investments	2,802,817	(5,000)	0	0	0	2,797,817
Reduction of Investment in Associated Companies	22,392	0	0	0	0	22,392
Other Income/Deductions, Net	97,251	0	0	0	0	97,251
Receipt of Interest & Dividends	445,000	142,560	7,952	3,909	0	599,421
Net Cash Provided/(Used) by Investing Activities	(6,171,164)	14,823,535	(29,103)	3,909	0	8,627,177
Net Increase/(Decrease) in Cash	199,778	3,138,925	(447,374)	609,383	78,310	3,579,022
Cash - July 1, 2003	2,101,898	2,806,550	864,680	(542,537)	232,953	5,463,544
Cash - June 30, 2004	\$ 2,301,676	\$ 5,945,475	\$ 417,306	\$ 66,846	\$ 311,263	\$ 9,042,566

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, 2004

	Electric Utility	Airport	Water Resources	Wastewater	Non-Major Fund School Enterprise	Total
Adjustments to Reconcile Operating Income to Net Cash						
Provided by Operating Activities:						
Operating Income/(Loss)	\$ 4,939,561	\$ (390,998)	\$ 581,659	\$ (243,666)	\$ (76,149)	\$ 4,810,407
Depreciation and Amortization	4,454,495	3,366,808	699,799	1,498,399	47,367	10,066,868
Loss on Disposition of Capital Assets	0	0	0	10,658	0	10,658
(Increase)/Decrease in Other Receivables	206,778	824,610	(19,817)	(2,413)	96,545	1,105,703
(Increase)/Decrease in Unbilled Revenues	(124,341)	130,251	(6,992)	6,750	0	5,668
(Increase)/Decrease in Inventory	(40,558)	(3,415)	12,133	(2,637)	11,328	(23,149)
Increase/(Decrease) in Accounts Payable	45,222	(311,251)	(111,242)	13,552	33,591	(330,128)
Increase/(Decrease) in Other Operating Assets/Liabilities	(1,270,243)	19,670	32,934	13,164	0	(1,204,475)
Net Cash Provided by Operating Activities	\$ 8,210,914	\$ 3,635,675	\$ 1,188,474	\$ 1,293,807	\$ 112,682	\$ 14,441,552

Non-Cash Financing Activities:

The Electric Department Entered into a Capital Lease for Equipment in the Amount of \$23,230.

The Airport Department Sold/Disposed of Fully Depreciated Machinery and Equipment Costing \$48,715 for \$626.

The Water Department Disposed of Fully Depreciated Vehicles and Equipment Costing \$160,345.

The Wastewater Department Disposed of Vehicles, Machinery, and Equipment with a Cost of \$272,904 and an Accumulated Depreciation of \$262,246.

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

CITY OF BURLINGTON, VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Pension Trust Fund	Private Purpose Trust funds	Agency Fund - Student Activities
<u>ASSETS</u>			
Cash	\$ (70,264)	\$ 30,684	\$ 241,515
Investments	95,092,789	172,572	0
Accrued Interest Receivable	460,334	59	0
Due from Other Funds	<u>10,395</u>	<u>0</u>	<u>0</u>
Total Assets	<u>95,493,254</u>	<u>203,315</u>	<u>241,515</u>
<u>LIABILITIES</u>			
Accounts Payable	96,271	0	0
Accrued Liabilities	289,411	0	0
Compensated Absences	8,835	0	0
Due to Student Organizations	<u>0</u>	<u>0</u>	<u>241,515</u>
Total Liabilities	<u>394,517</u>	<u>0</u>	<u>241,515</u>
<u>NET ASSETS</u>			
Held in Trust For:			
Employees' Pension Benefits	95,098,737	0	0
Individuals and Organizations	<u>0</u>	<u>203,315</u>	<u>0</u>
Total Net Assets	<u>\$ 95,098,737</u>	<u>\$ 203,315</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, 2004

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Funds</u>
<u>ADDITIONS:</u>		
Contributions:		
Employer - Pension	\$ 2,810,108	\$ 0
Employer - FICA	2,054,784	0
Plan Members	623,476	0
	<u>5,488,368</u>	<u>0</u>
Total Contributions		
Investment Earnings:		
Interest and Dividends	2,260,472	2,066
Net Increase in the Fair Value of Investments	9,847,382	0
	<u>12,107,854</u>	<u>2,066</u>
Total Investment Earnings		
Less Investment Expense	<u>(587,997)</u>	<u>0</u>
Net Investment Earnings		
	<u>11,519,857</u>	<u>2,066</u>
Total Additions		
	<u>17,008,225</u>	<u>2,066</u>
<u>DEDUCTIONS:</u>		
Benefits - Pension	5,006,920	0
Benefits - FICA	2,054,784	0
Benefits - Post Employment Health	55,717	0
Refunds of Contributions	58,319	0
Administrative Expenses	185,820	0
Other	0	2,034
	<u>7,361,560</u>	<u>2,034</u>
Total Deductions		
Change In Net Assets	9,646,665	32
Net Assets - July 1, 2003	<u>85,452,072</u>	<u>203,283</u>
Net Assets- June 30, 2004	\$ <u><u>95,098,737</u></u>	\$ <u><u>203,315</u></u>

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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, safety, public works, human services, utilities and education.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports on the following major governmental funds:

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

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

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

Water Resources – This fund accounts for the operations of the Department of Public Works - Water Division.

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

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Additionally, the City reports the following fund types:

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

Pension Trust Fund – This fund accounts for monies contributed by the City and its employees and the income on investments expended for the pensions of retired City employees. This fund is supported by a dedicated tax rate from the General Fund and charges to non General Fund Funds based on payroll. This Fund also pays for the FICA costs for the City’s employer’s share of FICA.

Agency Fund – This fund accounts for monies maintained for various student groups at the Burlington High School.

C. Measurement Focus

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

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

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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, 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.

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

The Electric Department is also subject as to rates, accounting and other matters, to the regulatory authority of the State of Vermont Public Service Board and the Federal Energy Regulatory Commission. In accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulations", the Electric Department records certain assets and liabilities in accordance with the economic effects of the rate making process.

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

E. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, Liabilities and Equity

1. Cash

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

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

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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

Accounts receivable 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.

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (for the current portion of the interfund loans) or “advances to/from other funds” (for the non-current portion of interfund loans. All other outstanding balances between funds are reported as “due to/from other funds.”

The City is responsible for assessing and collecting its own property taxes, as well as state property taxes for the School. 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, 2004, taxes became due and payable on August 12, 2003, November 12, 2003, March 12, 2004 and June 12, 2004. 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 2003-2004 are as follows:

The amount of taxes the City may levy is subject to charter limitations. These limits and the rates assessed for 2003-2004 are as follows:

<u>Category</u>	<u>Charter Limits</u>	<u>Rate per \$100 of Assessed Value</u>
General City	\$0.3838	\$.3838
Police/Fire	0.1242	.1242
Highways (charter-prescribed minimum)	0.0242	.0262
Parks (charter-prescribed minimum)	0.0100	.0200
County Tax	Actual	.0100
General Long-Term Debt Retirement & Interest	Actual	.1164
Retirement Contribution	Actual	.1603
Chittenden County Transportation Authority	Actual	.0536
Streets-Special	0.0771	.0771
Housing Trust Fund	0.0100	.0100
Library Tax	0.0050	<u>.0050</u>
City Total		.9866
 Schools	 Actual	 <u>1.7609</u>
 Total Tax Rate		 <u>\$2.7475</u>

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

<u>Tax Category</u>	<u>Amount</u>
School Department Taxes:	
Appraised Valuation	
Real Estate	1,660,855,200
Less: Tax Increment Exemption	(29,204,396)
Less: Veteran's Exemption	(1,455,200)
Personal Property – Cable	<u>2,156,300</u>
 Total Appraised Valuation	 <u><u>1,632,351,904</u></u>
 Property Tax Revenue	
Basis (1% of Valuation)	16,323,519
Tax Rate	<u>1.7609</u>
Property Taxes Assessed	<u>28,744,085</u>
Plus: Grand List Adjustments and Reconciling Items	<u>(136,668)</u>
Total School Taxes Assessed	<u><u>28,607,417</u></u>
 City Taxes:	
Appraised Valuation	
Real Estate	1,660,855,200
Plus: 120% Classification	73,694,202
Less: Veteran's Exemption	<u>(1,455,200)</u>
Total Appraised Valuation	<u><u>1,733,094,202</u></u>
Real Property Tax Revenue	
Basis (1% of Valuation)	17,330,942
Tax Rate	<u>.9866</u>
Real Property Taxes Assessed	<u>17,098,707</u>
Less: Grand List Adjustments and Reconciling Items	<u>(76,572)</u>
Total City Real Taxes Assessed	<u><u>17,022,135</u></u>

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Personal Property Appraised Valuation	
Cable	2,156,300
Other Personal Property	127,992,100
Plus: 120% Classification	25,598,420
Total Appraised Valuation	155,746,820
Personal Property Tax Revenue	
Basis (1% of Valuation)	1,557,468
Tax Rate	.9866
Personal Property Taxes Assessed	1,536,598
Plus: Grand List Adjustments and Reconciling Items	(61,923)
Total City Personal Property Taxes Assessed	1,474,675

Summary:

Total Property Taxes Assessed	
School	28,607,417
City Real	17,022,135
City Personal	1,474,675
Total Property Taxes Assessed	47,104,227
Less: Current Year Collections	46,452,590
Delinquent Taxes	651,637
Percentage of current tax collections to total levies	98.61%

The City had to send \$28,991,497 in tax revenues to the School District and State of Vermont for education purposes based on the State’s funding formula.

The City also assessed a \$.12 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 \$248,605 in taxes and collected \$247,906.

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. These loans amounted to \$12,993,122 less an allowance for doubtful loans of \$9,252,478 and loan discounts of \$1,307,281 in the Governmental Activities.

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The Electric Departments has Notes Receivable totaling \$1,930,140 which are due from the Winooski One Partnership for engineering, New England Central Rail to assist in financing rail improvements and other entities for demand side management projects.

Burlington Community Development Corporation has loaned funds to the Burlington Community Land Trust. The balance of the loans at June 30, 2004 is \$1,490,229 and will be repaid at the same terms as the offsetting notes payable.

4. Inventories and Prepaid Items

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 and materials. Inventories in the Governmental Funds consist of expendable supplies held for consumption. Reported inventories 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 through they are a component of net current assets.

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

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.

6. Capital Assets

Capital assets, excluding infrastructure acquired before July 1, 2001, are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. As allowed by GASB, the City will retroactively record infrastructure acquired from 1980 to 2001 in their 2006 financial statements. 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.

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The Electric Department has recorded its ownership in jointly owned facilities as capital assets. The associated operating costs allocated to the Electric Department are classified in their respective expense categories. The Electric Department's ownership interest in each of the jointly-owned facilities is as follows: McNeil Station - 50.00%; Highgate Converter Station - 7.70%.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight line method of calculating depreciation. The Electric Department depreciates the McNeil & Highgate Converter Stations using the sinking fund method. Under this method, yearly depreciation is equal to the recovery through rates of the principal payment related to the debt issued for the construction of the stations. The excess of straight-line depreciation over the sinking fund method is \$790,620 for the year and is deferred to future years to be recovered through rates. The total deferred depreciation at June 30, 2004 was \$12,143,127.

The City's capitalization policy consider two factors. The unit has an estimated useful life greater than one year and the unit comes to 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
Roads, Curbs and Sidewalks	250,000	10-40 Years
Distribution and Collection Systems	10,000	25-100 Years

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

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

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7. Compensated Absences

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

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 \$134,000. Actual payments will take place through the year 2012.

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

9. Liabilities to be Paid from Restricted Assets

The balance in these liabilities represent accrued interest payable on the Revenue Bonds. The restricted assets will 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 and notes payable, and capital leases payable. Long-term liabilities also include other obligations such as insurance reserves, compensated absences and postemployment benefits. Long-term liabilities are reported in the government-wide and proprietary fund financial statements. Governmental fund type financial statements do not include any unfunded long-term liabilities as those funds use the current financial resources measurement focus.

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11. Fund Equity

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

12. Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded. To the extent that transactions represent lending/borrowing arrangements between funds, these are referred to as Interfund loans receivable/payable.

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

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

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

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

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

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A. Governmental Funds Balance Sheet and the Statement of Net Assets

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

	Balance Sheet	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Elimination of Interfund Balances	Statement of Net Assets
ASSETS						
Cash and Cash Equivalents	\$ 4,802,849	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,802,849
Investments	2,024,461	0	0	0	0	2,024,461
Receivables						
Taxes Receivable	1,642,519	0	0	0	0	1,642,519
Accounts Receivable	5,995,214	0	0	0	0	5,995,214
Notes Receivable	2,433,363	0	0	0	0	2,433,363
Accrued Interest Receivable	2,764	0	0	0	0	2,764
Due From Other Governments	726,373	0	0	0	0	726,373
Interfund Loan Payable	0	0	0	0	(660,643)	(660,643)
Inventories	371,481	0	0	0	0	371,481
Other Current Assets	730,494	0	0	0	0	730,494
Other Long-Term Assets	0	0	0	127,303	0	127,303
Capital Assets	0	0	85,191,383	0	0	85,191,383
Total Assets	18,729,518	0	85,191,383	127,303	(660,643)	103,387,561
LIABILITIES						
Accounts Payable	7,397,139	0	0	0	0	7,397,139
Accrued Payroll and Benefits Payable	779,436	0	0	0	0	779,436
Accrued Compensated Absences Payable	0	3,873,269	0	0	0	3,873,269
Accrued Interest Payable	0	205,289	0	0	0	205,289
Due to Other Funds	3,681	0	0	0	0	3,681
Interfund Loan Payable	660,643	0	0	0	(660,643)	0
Deferred Revenue	8,147,766	(6,713,198)	0	0	0	1,434,568
Insurance Reserves	378,000	1,216,000	0	0	0	1,594,000
Noncurrent Liabilities	0	216,103	0	38,693,732	0	38,909,835
Total Liabilities	17,366,665	(1,202,537)	0	38,693,732	(660,643)	54,197,217
NET ASSETS						
Invested in Capital Assets	0	0	85,191,383	(37,683,273)	0	47,508,110
Other	1,362,853	1,202,537	0	(883,156)	0	1,682,234
Total Net Assets	\$ 1,362,853	\$ 1,202,537	\$ 85,191,383	\$ (38,566,429)	\$ 0	\$ 49,190,344

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

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

	Statement of Revenue, Expenditures and Changes in Fund Balances	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Reclassifications and Elimination of Interfund Activity	Statement of Activities
REVENUES						
Taxes	\$ 24,802,382	\$ (40,019)	\$ 0	\$ 0	\$ 0	24,762,363
PILOT	3,783,069	0	0	0	(2,323,880)	1,459,189
Intergovernmental Revenues	47,712,350	(1,622,401)	0	0	(470,788)	45,619,161
Charges for Services	13,459,311	44,739	(9,000)	0	(2,949,155)	10,545,895
Fines and Forfeits	1,282,120	34,529	0	0	0	1,316,649
Licenses and Permits	5,473,002	0	0	0	0	5,473,002
Investment Income	59,967	0	0	1,436	(23,922)	37,481
Other Revenues	2,301,653	0	0	0	8,586	2,310,239
Other Sources:						
Proceeds of Debt and Lease Financing	1,626,508	0	0	(1,626,508)	0	0
Bond Premium	8,970	0	0	(8,970)	0	0
Proceeds of Asset Sales	46,710	0	(46,710)	0	0	0
Transfers from Other Funds	1,634,023	0	0	0	1,160,645	2,794,668
Total Revenues	102,190,065	(1,583,152)	(55,710)	(1,634,042)	(4,598,514)	94,318,647
EXPENDITURES						
General Government	11,199,201	(183,794)	620,370	(59,685)	(4,696,745)	6,879,347
Safety Services	13,236,526	23,953	139,084	(160,718)	2,538,828	15,777,673
Public Works	7,236,273	2,202	1,362,924	(255,767)	(1,910,303)	6,435,329
Community Development	5,721,519	299,109	(2,055,213)	(3,251)	(203)	3,961,961
Culture and Recreation	5,349,582	14,060	691,930	(217,900)	1,035,052	6,872,724
Education	41,430,324	106,926	(10,988)	(52,613)	0	41,473,649
Capital Expenditures	13,010,502	0	(11,142,324)	(217,084)	(158,507)	1,492,587
Debt Service:						
Principal	2,913,161	0	0	(2,913,161)	0	0
Interest	1,611,127	(31,177)	0	0	227,387	1,807,337
Bond Issue Costs	23,707	0	0	(23,707)	0	0
Other Uses:						
Transfers to Other Funds	1,634,023	0	0	0	(1,634,023)	0
Total Expenditures	103,365,945	231,279	(10,394,217)	(3,903,886)	(4,598,514)	84,700,607
Net Change for the Year	\$ (1,175,880)	\$ (1,814,431)	\$ 10,338,507	\$ 2,269,844	\$ 0	\$ 9,618,040

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

1. Departments, and departments with commission approval, prepare through the labor/management process, detailed recommendations to the Mayor on the budget. Prior to June 15, the Mayor, with the assistance of the other members of the Board of Finance, prepares and submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimated revenues.
2. Prior to July 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 elected to budget expenditures in excess of revenues by \$287,250 in order to utilize the prior year's surplus. This is reflected as a current year 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, 2004.
6. The School elected to budget expenditures in excess of revenues by \$155,000 in order to utilize the prior year's surplus. This is reflected as current year deficiency of revenue over expenditures in Exhibit F for the School General Fund.

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

B. Budgetary/GAAP Reconciliation

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

Changes in Fund Balances – Budgetary Basis – Exhibit F	\$ 454,659
Excess of Revenues Over Expenditures in Other School Special Revenue Funds	<u>18,999</u>
Change in Fund Balances – GAAP Basis – Exhibit D	<u>\$ 473,658</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

C. Restatement of Net Assets/Fund Balances

The Government-Wide and Fund Financial Statement beginning net assets have been restated as follows:

Government-Wide Financial Statements

	<u>Governmental Activities</u>
Net Assets – June 30, 2003 – As Previously Reported	\$48,206,883
Less: Understatement of Allowance for Doubtful Loans and Loan Discounts	(9,459,045)
Plus: Understatement of Property, Plant and Equipment	460,517
Plus: Overstatement of Deferred Revenue	<u>363,949</u>
Net Assets – June 30, 2003 – As Restated	<u>\$39,572,304</u>

The effect of these restatements on the June 30, 2003 financial statements is that assets were overstated by \$8,998,528 and liabilities were overstated by \$363,949. The effect on the June 30, 2003 Statement of Activities has not been determined.

Fund Financial Statements

	<u>General Fund</u>	<u>School Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances – June 30, 2003 – As Previously Reported	\$1,313,696	\$605,187	\$ 878,248	\$2,797,131
Overstatement of Deferred Revenue	0	363,949	0	363,949
Understatement of Interfund Loans	<u>0</u>	<u>0</u>	(622,347)	<u>(622,347)</u>
Fund Balances – June 30, 2003 – As Restated	<u>\$1,313,696</u>	<u>\$969,136</u>	<u>\$ 255,901</u>	<u>\$2,538,733</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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The effect of the Deferred Revenue restatement on the June 30, 2003 financial statements is that liabilities were overstated and fund balance understated by \$363,949. The effect on the June 30, 2003 Other Governmental Fund financial statements for the understatement of interfund loans is that liabilities were understated and fund balance was overstated by \$622,347. The effect on the June 30, 2003 Statement of Revenues, Expenditures and Changes in Fund Balances has not been determined.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's investments are categorized below to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered or for which the securities are held in the City's name. Category 2 includes uninsured and unregistered investments for which securities are held by a counter-party's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a counter-party, or by its trust department or agent, but not in the City's name.

An analysis of the City's investments by category at June 30, 2004 is as follows:

<u>Investment Type</u>	<u>Category</u>			<u>Fair Value</u>
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	
U.S. Government Securities	\$24,247,020	\$ 0	\$ 0	\$24,247,020
Corporate Bonds	15,721,433	0	0	15,721,433
Common Stocks	68,138,866	0	0	68,138,866
Venture Capital Investments	0	226	0	226
Loans	20,000	0	0	20,000
Cash Equivalents that are invested in Mortgaged backed securities and U.S. Government Obligations	24,013,785	0	408,718	24,422,503
Certificates of Deposit	<u>645,936</u>	<u>0</u>	<u>0</u>	<u>645,936</u>
Total Investments				<u>\$133,195,984</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

An analysis of the City's deposits is as follows:

<u>Deposit Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured – FDIC/NCUA	\$ 980,164	\$ 977,061
Uninsured, Uncollateralized – Secured by Treasury Note Repurchase Agreements Held in the Bank’s Name	12,065,400	13,141,321
Uninsured, Collateralized by Vermont G.O. Bonds Held by the bank for the Benefit of the City	598,445	598,445
Uninsured, Uncollateralized	933,862	935,767
Cash on Hand	<u>115,415</u>	<u>N/A</u>
Total Deposits	<u>\$14,693,286</u>	<u>\$15,652,594</u>

Deposits with banks is comprised of the following:

Cash	14,047,350
Certificates of Deposit	<u>645,936</u>
Total	<u>14,693,286</u>

The difference between the carrying amount 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. \$243,941 of the uninsured, uncollateralized cash could be offset by debt at the same bank.

A portion of Burlington Community Development Corporation’s cash, in the amount of \$(512,461), is included with the City’s pooled cash that is uninsured, uncollateralized – secured by treasury note repurchase agreements held in the bank’s name. The remaining \$56,446 was fully insured by FDIC. There were no reconciling items.

B. Restricted Cash, Investments and Other Assets

The Water Resources, Airport and Electric Utility Departments have issued revenue bonds and imposed connection fees for the construction of various projects. In accordance with the respective bond resolution, certain restricted funds must be established to be used for debt service reserves and renewal and replacement. 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.

CITY OF BURLINGTON, VERMONT
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A summary of the restricted cash, investments, and other assets is as follows:

<u>Category</u>	<u>Electric Utility</u>	<u>Airport</u>	<u>Water Resources</u>	<u>Total</u>
Debt Service Reserve Funds	\$ 8,298,720	\$ 902,304	\$ 1,149,230	\$ 10,350,254
Renewal & Replacement Funds	867,068	0	160,000	1,027,068
Construction Funds	9,236,492	8,618,576	0	17,855,068
Debt Service Funds	6,554,923	758	0	6,555,681
Accrued Interest Receivable	<u>98,091</u>	<u>0</u>	<u>0</u>	<u>98,091</u>
 Total	 <u>\$25,055,294</u>	 <u>\$9,521,638</u>	 <u>\$1,309,230</u>	 <u>\$35,886,162</u>

C. Receivables

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Taxes Receivable	\$ 2,200,519	\$ 0	\$ 2,200,519
User Charges Receivable	0	5,357,169	5,357,169
Allowance for Doubtful Taxes/Fees	(558,000)	(267,729)	(825,729)
Police, Fire and Ambulance Fees Receivable	1,246,436	0	1,246,436
Allowance for Doubtful Accounts - Police, Fire and Ambulance	(664,000)	0	(664,000)
Public Works Receivables	112,117	0	112,117
Recreation Fees Receivable	112,099	0	112,099
Traffic Fees Receivable	30,882	0	30,882
Marketplace Fees Receivable	26,062	0	26,062
Project Reimbursements Receivable	925,770	0	925,770
Grants Receivable	3,956,389	3,328,926	7,285,315
Other Receivables	249,459	0	249,459
Notes and Loans Receivable	12,993,122	1,930,140	14,923,262
Loan Discounts	(1,307,281)	0	(1,307,281)
Allowance for Doubtful Loans	(9,252,478)	0	(9,252,478)
Accrued Interest Receivable Loans	4,280,681	0	4,280,681
Allowance for Doubtful Accrued Interest	(4,277,917)	0	(4,277,917)
Accrued Interest Receivable - Banks	<u>0</u>	<u>6,830</u>	<u>6,830</u>
 Total	 <u>\$ 10,073,860</u>	 <u>\$ 10,355,336</u>	 <u>\$ 20,429,196</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

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

Taxes receivable consisted of the following at June 30, 2004:

<u>Year Ended</u>	<u>Balance 06/30/03</u>	<u>Additions</u>	<u>Adjustments/ Abatements</u>	<u>Collections</u>	<u>Balance 6/30/04</u>
1985-1990	35,430	0	257	0	35,173
1991	13,070	0	0	0	13,070
1992	9,064	0	0	0	9,064
1993	12,548	0	0	606	11,942
1994	12,630	0	0	0	12,630
1995	21,440	0	0	436	21,004
1996	24,982	0	0	98	24,884
1997	29,904	0	0	525	29,379
1998	39,851	0	0	5,937	33,914
1999	48,888	0	0	9,738	39,150
2000	65,295	0	0	21,224	44,071
2001	134,925	0	0	63,913	71,012
2002	199,852	0	0	70,142	129,710
2003	683,876	0	0	439,123	244,753
2004	0	792,182	0	140,545	651,637
Total	1,331,755	792,182	257	752,287	1,371,393

Also included in taxes receivable are \$264,348 in gross receipts taxes, \$562,297 of delinquent tax penalties and interest and \$2,481 of Downtown Improvement District Taxes.

D. INVESTMENTS IN ASSOCIATED COMPANIES

The Electric Department follows the cost method of accounting its 4.52% ownership interest in Vermont Electric Power Company, Inc. ("VELCO"); and its 7.464% ownership interest in Vermont Electric Transmission Company ("VETCO"), which is a subsidiary 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.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

E. Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 16,629,726	\$ 0	\$ 0	\$ 16,629,726
Construction in Progress	3,722,097	3,867,657	1,296,271	6,293,483
Antiques and Works of Art	52,000	0	0	52,000
Total Capital Assets, Not Being Depreciated	20,403,823	3,867,657	1,296,271	22,975,209
Capital Assets, Being Depreciated:				
Land Improvements	125,000	813,643	0	938,643
Buildings and Building Improvements	50,443,530	2,711,924	0	53,155,454
Vehicles, Machinery, Equipment and Furniture	15,633,241	3,487,804	1,826,635	17,294,410
Book Collections	2,908,338	0	0	2,908,338
Roads, Curbs and Sidewalks	5,878,575	4,248,193	0	10,126,768
Totals	74,988,684	11,261,564	1,826,635	84,423,613
Less accumulated depreciation for:				
Land improvements	125,000	0	0	125,000
Buildings and Building Improvements	10,577,413	691,627	0	11,269,040
Vehicles, Machinery, Equipment and Furniture	7,816,357	1,845,528	1,636,191	8,025,694
Book Collections	1,789,326	460,638	0	2,249,964
Roads, Curbs and Sidewalks	231,534	306,207	0	537,741
Totals	20,539,630	3,304,000	1,636,191	22,207,439
Total Capital Assets, Being Depreciated	54,449,054	7,957,564	190,444	62,216,174
Governmental Activity Capital Assets, Net	\$ 74,852,877	\$ 11,825,221	\$ 1,486,715	\$ 85,191,383
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 12,172,690	\$ 1,610,361	\$ 0	\$ 13,783,051
Construction in Progress	3,167,993	8,243,776	5,888,508	5,523,261
Total Capital Assets, Not Being Depreciated	15,340,683	9,854,137	5,888,508	19,306,312
Capital Assets, Being Depreciated:				
Land Improvements	29,490,216	243,597	0	29,733,813
Buildings and Building Improvements	41,874,524	11,643,542	0	53,518,066
Vehicles, Machinery, Equipment and Furniture	16,291,958	746,725	369,255	16,669,428
Distribution and Collection Systems	169,451,785	3,715,932	483,887	172,683,830
Totals	257,108,483	16,349,796	853,142	272,605,137
Less Accumulated Depreciation for:				
Land Improvements	14,690,305	1,325,097	0	16,015,402
Buildings and Building Improvements	12,412,033	1,786,740	0	14,198,773
Vehicles, Machinery, Equipment and Furniture	7,790,459	835,934	369,255	8,257,138
Distribution and Collection Systems	77,654,776	4,659,638	422,444	81,891,970
Totals	112,547,573	8,607,409	791,699	120,363,283
Total Capital Assets, Being Depreciated	144,560,910	7,742,387	61,443	152,241,854
Business-Type Activity Capital Assets, Net	\$ 159,901,593	\$ 17,596,524	\$ 5,949,951	\$ 171,548,166

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

E. Capital Assets (continued)

At June 30, 2004, \$7,405,915 and \$240,348 in assets were acquired through outstanding capital leases for governmental and business type activities, respectively. These assets are included in vehicles, machinery, equipment and furniture. The amortization on these assets is included with depreciation.

Depreciation was charged to programs as follows:

Governmental Activities:

General Government	\$ 197,661
Safety Services	649,766
Public Works	838,376
Community Development	21,306
Culture and Recreation	636,488
Education	<u>960,403</u>

Total Depreciation Expense – Governmental Activities	<u>\$3,304,000</u>
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Business – Type Activities:

Electric	\$3,065,036
Airport	3,296,808
Water	699,799
Wastewater	1,498,399
School	<u>47,367</u>

Total Depreciation Expense – Business – Type Activities	<u>\$8,607,409</u>
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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, 2004 are as follows:

<u>Station</u>	<u>Percentage</u>
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>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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E. Capital Assets (continued)

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, 2003 are as follows:

<u>Station</u>	<u>Percentage</u>
Central Vermont Public Service Corporation	47.35%
Green Mountain Power Corporation	34.77%
Vermont Public Power Supply Authority	9.36%
Burlington Electric Department	7.70%
Others	<u>.82%</u>
Total	<u>100%</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.

A summary of the McNeil Generating Station financial statements as of and for the year ended June 30, 2004 and the Highgate Converter as of and for the year ended December 31, 2003 are as follows:

<u>Category</u>	<u>McNeil Generating Station</u>	<u>Highgate Converter</u>
Total Assets	<u>77,454,040</u>	<u>29,717,149</u>
Liabilities	565,267	235,852
Owners' Equity	<u>76,888,773</u>	<u>29,481,297</u>
Total Liabilities and Owners' Equity	<u>77,454,040</u>	<u>29,717,149</u>
Contributions by Joint Owners	15,829,858	1,134,500
Station Operating Expenses	<u>15,250,910</u>	<u>1,042,406</u>
Increase in Owners' Equity	578,948	92,094
Owners' Equity Beginning of year	<u>76,309,825</u>	<u>29,389,203</u>
Owners' Equity end of year	<u>76,888,773</u>	<u>29,481,297</u>

CITY OF BURLINGTON, VERMONT
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E. Capital Assets (continued)

Burlington Community Development Corporation owns two buildings. One is at the Burlington Airport with a cost \$650,000 and accumulated depreciation of \$118,648. The other building is at 131 Battery Street in Burlington, Vermont with a cost of \$863,498 and accumulated depreciation of \$65,497. It also owns the land where the old police station building was located and where the Onion River Food Co-op is now located. The land cost \$662,604 and the land improvements at this site cost \$342,548 with accumulated depreciation of \$11,418. The Corporation also has leasehold improvements at this site totaling \$305,810 with accumulated depreciation of \$6,116. The net carrying value of the Corporation's properties are \$2,622,781. The buildings are being depreciated over seventy-five (75) years, the land improvements over sixty (60) years and the leasehold improvements over one-hundred (100) years utilizing the straight line method.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Component Unit				
Capital Assets, Not Being Depreciated:				
Land	\$ 662,604	\$ 0	\$ 0	\$ 662,604
Capital Assets, Being Depreciated:				
Buildings	1,513,498	0	0	1,513,498
Land Improvements	342,548	0	0	342,548
Leasehold Improvements	<u>305,810</u>	<u>0</u>	<u>0</u>	<u>305,810</u>
Totals	<u>2,161,856</u>	<u>0</u>	<u>0</u>	<u>2,161,856</u>
Less accumulated depreciation for:				
Leasehold Improvements	3,058	3,058	0	6,116
Buildings	165,040	19,105	0	184,145
Land Improvements	<u>5,934</u>	<u>5,484</u>	<u>0</u>	<u>11,418</u>
Totals	<u>174,032</u>	<u>27,647</u>	<u>0</u>	<u>201,679</u>
Total Capital Assets, Being Depreciated	<u>1,987,824</u>	<u>(27,647)</u>	<u>0</u>	<u>1,960,177</u>
Component Unit Capital Assets, Net	<u>\$ 2,650,428</u>	<u>\$ (27,647)</u>	<u>\$ 0</u>	<u>\$ 2,622,781</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

F. Interfund Balances and Activity

The composition of interfund balances at June 30, 2004, is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	0	127
Special Revenue Funds		
Traffic Fund	0	3,554
Enterprise Funds		
Water Resources	0	4,295
Wastewater	0	2,419
Fiduciary Funds		
Pension Trust Fund	<u>10,395</u>	<u>0</u>
Total	<u>\$10,395</u>	<u>\$10,395</u>

Interfund transfers for the year ended June 30, 2004, were as follows:

<u>Transfer From</u>	<u>Amount</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	\$(248,605)	Traffic Fund	\$248,605	Fund Free Parking
General Fund	(40,000)	Traffic Fund	40,000	Meter Replacement
General Fund	(81,412)	CEDO Fund	81,412	Subsidy
General Fund	(187,783)	Housing Trust Fund	187,783	Tax Transfer
General Fund	(11,500)	Marketplace Fund	11,500	Subsidy
General Fund	(18,241)	Southern Connector Fund	18,241	Fund Capital Outlay
General Fund	(27,673)	Tele-Communications Fund	27,673	Infrastructure
General Fund	(229,729)	STP Bike Path Fund	229,729	Fund Capital Outlay
General Fund	(19,926)	Riverside Ave. Project Fund	19,926	Fund Capital Outlay
General Fund	(57,836)	Moran Fund	57,836	Fund Interfund Loan
General Fund	(890)	N. Winooski Streetscape Fund	890	Fund Capital Outlay
General Fund	(149,742)	Firehouse Center Fund	149,742	Fund Capital Outlay
General Fund	(39,416)	Library Heating Upgrade	39,416	Fund Interfund Loans
General Fund	(102,602)	DPW Fund	102,602	Fund Capital Outlay
School General Fund	(208,052)	Other School Grant Special Revenue Funds	208,052	Subsidy
Traffic Fund	(30,000)	CEDO Fund	30,000	Subsidy
Traffic Fund	(64,400)	General Fund	64,400	Subsidy
CEDO Fund	(40,391)	General Fund	40,391	Remainder of Section 108 Loan Proceeds
Fire Capital	(66,588)	General Fund	66,588	Fund Capital Outlay
Cemetery Fund	(9,164)	General Fund	9,164	Fund Cemetery Operations
Loomis Library Fund	<u>(73)</u>	General Fund	<u>73</u>	Fund Library Operations
Total	<u>\$(1,634,023)</u>		<u>\$1,634,023</u>	

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There are four (4) Interfund Loans Receivable/Payable that are owed to the Burlington Electric Department. The Moran Fund owes \$471,380 for the purchase of the Moran Building and the Heating Upgrade Fund owes \$119,539 on two loans for electrical upgrades to the heating systems at the Library and Leddy Park Arena. The Telecommunication Project Fund owes \$69,724 for preliminary start-up costs. The total interfund loans are \$660,643.

G. Other Long-Term Assets

The governmental activities other long-term assets, net of accumulated amortization, consist of deferred bond issuance costs of \$127,303 as of June 30, 2004.

The Enterprise Funds' other long-term assets, net of accumulated amortization, consist of the following as of June 30, 2004.

<u>Category</u>	<u>Electric Dept</u>	<u>Airport</u>	<u>Water Resources</u>	<u>Waste-Water</u>	<u>Total</u>
Deferred Bond Issuance Costs	\$1,491,607	\$1,773,820	\$157,512	\$4,909	\$ 3,427,848
Goodwill	0	35,000	0	0	35,000
Deferred Depreciation Expense	12,143,127	0	0	0	12,143,127
Unamortized Demand Side Mgt(DSM)	3,631,035	0	0	0	3,631,035
Other Unamortized Charges	5,083,734	0	0	0	5,083,734
Non-Utility Property	775,600	0	0	0	775,600
Other Long-term Assets	54,104	0	0	0	54,104
Total	<u>\$23,179,207</u>	<u>\$ 1,808,820</u>	<u>\$157,512</u>	<u>\$ 4,909</u>	<u>\$25,150,448</u>

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

In March 1990, the voters of the City of Burlington approved an \$11,300,000 bond issue to fund Demand Side Management (DSM) programs. In October 1992, the Electric Department issued revenue bonds of \$40,900,000 of which \$11,300,000 was designated to finance the costs of these programs. The costs of these programs have been deferred. Consistent with rate making treatment, the Electric Department is amortizing these costs using the sinking fund method over the life of the long-term bonds and the related debt service. Other Unamortized charges at June 30, 2004 are as follows:

<u>Category</u>	<u>Amount</u>
Loss on Transfer of Moran Station	\$ 3,231,685
Loss of Sale of Millstone III	102,904
Costs Associated with Chase Hydro	1,749,145
Total	<u>\$5,083,734</u>

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The Moran Station was deactivated in 1986. The un-depreciated 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 1989, the Electric Department transferred its .0435% ownership interest in Millstone III, a nuclear generating unit, to the Connecticut Municipal Electric Cooperative for \$900,000. This sale resulted in a loss of \$3,493,000, which was deferred and is being amortized over the life of the outstanding bonds which were issued to finance the Electric Department's interest in the project.

In December 1991, the Electric Department entered into an agreement with Winooski One Partnership ("WIP"), a Vermont General Partnership, whereby WIP will construct and maintain Chace Hydro, a hydroelectric generating station built on Electric Department-owned land on the Winooski River. The costs associated with Chace Hydro will be amortized over the life of the outstanding bonds which were issued to finance the Electric Department's interest in the project and as income is received from WIP.

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. The engineering costs deferred are \$54,104 for 2004.

H. Deferred Revenue

Deferred Revenue in the General Fund consists of \$1,040,347 of delinquent property taxes, \$84,654 of gross receipt taxes and penalty and interest on those taxes, \$586,823 in Grant Revenue and \$213,822 of Fire, Ambulance and Police Fees not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities. It also includes \$106,151 of prepaid recreation revenue and permit fees for fiscal year 2005 and \$4,394 of unspent grant monies. Total Deferred Revenue in the General Fund is \$2,036,191.

Deferred Revenue in the School Fund consists of \$610,639 in grant revenue. \$522,173 of this grant revenue was received in advance of expenditures and \$88,466 of grant revenue was not collected within 60 days after year end as these would not be available to liquidate current liabilities.

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Deferred Revenue in the Special Revenue Funds consist of \$3,774,480 of Grants and Loans Receivable in the CEDO Fund. The Deferred Revenue from the grants consists of \$90,930 of Grant Revenue for the CEDO Fund received in advance of expenditures and \$1,250,187 of Grant Revenue not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities. The revenue from the loans of \$2,433,363 will be recognized as the loans are repaid to the City. It also consists of \$7,935 in prepaid traffic fees in the Traffic Commission Fund and \$19,620 of prepaid vendor assessments and \$25,522 of delinquent assessments in the Church Street Marketplace Fund not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total Deferred Revenue in the Special Revenue Funds is \$3,827,557.

Deferred Revenue in the Capital Project Funds consists of \$1,673,379 of Grant Revenue. \$620,085 of this Grant Revenue was received in advance of expenditures and \$1,053,294 was Grant Receivables not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities.

I. Long-term Liabilities

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

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

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

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

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

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

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Changes in all long-term liabilities (including bonds, notes, capital leases, insurance reserves, compensated absences, postemployment benefits, and landfill postclosure costs) during the year were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 19,335,700	\$ 750,000	\$ 2,082,534	\$ 18,003,166	\$ 2,371,700
Other Debt	16,177,242	495,000	1,109,427	15,562,815	847,815
Obligations Under Capital Leases	5,389,114	660,308	973,687	5,075,735	895,887
Insurance Reserves	1,759,000	0	165,000	1,594,000	937,000
City Compensated Absences	1,710,017	87,445	0	1,797,462	0
School Compensated Absences	2,078,907	0	3,100	2,075,807	171,427
Landfill Post-Closure	160,000	0	26,000	134,000	31,756
School - Early Retirement Contracts	76,205	27,988	22,090	82,103	30,058
	<u>46,686,185</u>	<u>2,020,741</u>	<u>4,381,838</u>	44,325,088	<u>\$ 5,285,643</u>
Total Governmental Activities Long-term Liabilities				52,016	
Add Unamortized Premium				<u>52,016</u>	
Total				<u>44,377,104</u>	
Business-type Activities					
General Obligation Bonds Payable	5,639,300	0	1,592,467	4,046,833	1,598,300
Revenue Bonds	157,067,456	10,011,214	6,159,182	160,919,488	6,909,581
Other Debt	0	600,000	0	600,000	600,000
Obligations Under Capital Leases	149,415	157,592	69,800	237,207	63,583
Other Electric Department Long-Term Debt	147,146	0	31,776	115,370	0
Compensated Absences	1,000,381	65,100	0	1,065,481	0
	<u>\$ 164,003,698</u>	<u>\$ 10,833,906</u>	<u>\$ 7,853,225</u>	166,984,379	<u>\$ 9,171,464</u>
Total Business-type Activities Long-Term Liabilities				2,391,104	
Add Unamortized Premium				(170,573)	
Subtract Unamortized Discount				(22,954,615)	
Subtract Deferred Loss on Refunding				<u>(22,954,615)</u>	
Total				<u>\$ 146,250,295</u>	

- The beginning balance of the Governmental Activities Bond Anticipation and Notes Payable has been restated by \$622,347 to reclassify amounts owed to the Burlington Electric Department as Interfund loans.
- Compensated Absences and Early Retirement Benefits are paid by the applicable fund where the employee is charged. Insurance Reserves are generally liquidated by the General Fund. Landfill Post-Closure Liabilities have been liquidated by the Wastewater Fund.

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JUNE 30, 2004

	Issue Date	Interest Rate %	Maturity Date	Original Issue	Outstanding June 30, 2003	Principal Reduction	Outstanding June 30, 2004	
General Obligation Debt (Tax Levy Supported)								
General City								
67	Fire Truck Bond 1995	4.00-5.00	05/01/2005	500,000	120,000	60,000	60,000	
69	G.O. 1996 Series A Refunding Bonds	3.80-5.40	12/01/2009	5,695,000	3,700,000	520,000	3,180,000	
75	General Improvements 1996 Series C	5.00	12/01/2016	250,000	10,000	10,000	0	
80	General Improvements 1997 Series A	4.00-4.80	12/01/2007	500,000	280,000	50,000	230,000	
81	General Improvements 1997 Series B	4.00-4.80	12/01/2007	750,000	420,000	75,000	345,000	
83	Marketplace II 1998 Refunding Bonds	3.90-4.10	12/01/2005	217,000	31,000	11,000	20,000	
87	Urban Renewal 1998 Refunding Bonds	4.25-4.55	12/01/2011	835,000	610,000	55,000	555,000	
90	G.O. 1998 Series B Refunding Bonds	4.25-4.55	12/01/2011	174,167	127,500	11,667	115,833	
91	General Improvements 1998 Series A	4.20-4.30	12/01/2008	750,000	490,000	75,000	415,000	
93	Bike Path II 1999 Refunding Bonds	3.25-3.80	05/01/2006	750,000	170,000	50,000	120,000	
100	General Improvements 1999 Series B	4.25-4.80	12/01/2009	750,000	560,000	70,000	490,000	
105	General Improvements 2000 Series A	4.25-4.75	12/01/2010	750,000	630,000	65,000	565,000	
107	General Improvements 2001 Series A	3.00-4.00	11/01/2011	750,000	690,000	65,000	625,000	
108	North/South Connector 2001 Refunding Bonds	3.00-3.10	11/01/2006	1,035,000	835,000	185,000	650,000	
109	Waterfront Imp. 2001 Refunding Bonds	3.00	11/01/2006	1,090,000	875,000	210,000	665,000	
115	General Improvements 2002 City Portion	3.00-4.00	09/01/2012	750,000	750,000	65,000	685,000	
118	Fire Equipment Bond 2003A	3.50-4.00	11/01/2018	2,500,000	2,500,000	0	2,500,000	
129	General Improvements 2003 Series B	2.00-3.75	11/1/2013	750,000	0	0	750,000	
	Subtotal			18,796,167	12,798,500	1,577,667	11,970,833	
71	G.O. School 1996 Series A Refunding Bonds	3.80-5.40	12/01/2009	2,120,000	1,415,000	200,000	1,215,000	
74	G.O. School 1996 Series B Bonds	5.25-5.60	12/01/2016	3,250,000	2,645,000	130,000	2,515,000	
84	G.O. School II 1998 Series B Refunding Bonds	3.90-4.10	12/01/2005	260,400	37,200	13,200	24,000	
88	G.O. School 1998 Series C Refunding Bonds	4.25-4.55	12/01/2011	696,667	510,000	46,667	463,333	
112	G.O. School 2002 Series Refunding Bonds	2.50-4.00	09/01/2013	1,070,000	1,070,000	85,000	985,000	
114	G.O. School 2002A Series Bonds	3.00-4.375	03/01/2018	860,000	860,000	30,000	830,000	
	Subtotal			8,257,067	6,537,200	504,867	6,032,333	
Certificates of Participation								
94	Downtown Parking - Certificate of Participation	4.30-4.80	12/01/2018	5,500,000	4,655,000	340,000	4,315,000	
95	Waterfront Refunding - Certificate of Participation	4.30-4.80	12/01/2018	1,390,000	1,200,000	50,000	1,150,000	
103	Capital Projects - Certificate of Participation	5.375-5.75	12/01/2020	4,100,000	3,850,000	135,000	3,715,000	
116	Police Facility - Certificate of Participation Refunding	3.00-4.25	05/01/2015	2,075,000	1,935,000	130,000	1,805,000	
	Subtotal			13,065,000	11,640,000	655,000	10,985,000	
Other Notes Payable								
34	School Energy Note - EPA	0.00	12/30/2004	98,554	8,442	5,627	2,815	
97	Winooski Main Street Lot Mortgage	5.00	05/15/2008	260,000	195,000	13,000	182,000	
96	Pease Grain Lot & Central Garage Mortgage	7.20	05/15/2008	840,000	630,000	42,000	588,000	
98	HUD Section 108 - US Guaranteed Notes 1999	5.40-6.20	08/01/2017	1,930,000	1,625,000	115,000	1,510,000	
128	HUD Section 108 - US Guaranteed Notes 2003	1.32-1.36	10/31/2017	2,295,000	1,800,000	0	2,295,000	
	Subtotal			5,423,554	4,258,442	175,627	4,577,815	
Tax and Bond Anticipation & Other Notes Payable								
	Tax Anticipation Note - General Fund	7/1/2003	1.95	8/15/2003	5,000,000	0	3,000,000	0
	Tax Anticipation Note - General Fund	12/30/2003	2.24	3/15/2003	5,000,000	0	5,000,000	0
	Bond Anticipation Note - General Fund	6/30/2003	1.74	7/30/2003	0	278,800	278,800	0
	Subtotal			10,000,000	278,800	8,278,800	0	
	Add Unamortized Premium				44,482	1,436	52,016	
	Total Governmental Activities			55,541,788	35,557,424	11,190,525	33,617,997	

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	Issue Date	Interest Rate %	Maturity Date	Original Issue	Outstanding June 30, 2003	Principal Reduction	Outstanding June 30, 2004	
Revenue Supported								
Enterprise Funds:								
Revenue Anticipation Notes Payable-Enterprise:								
	Wastewater Revenue Anticipation Notes	6/30/2004	2.57	06/30/2005	600,000	0	0	600,000
	Wastewater Revenue Anticipation Notes	7/2/2003	2.00	06/30/2004	700,000	0	700,000	0
	Subtotal				1,300,000	0	700,000	600,000
Airport Commission:								
111	Airport 2001 Refunding Bonds	10/01/01	3.00	11/01/2005	1,015,000	765,000	265,000	500,000
					1,015,000	765,000	265,000	500,000
	Add Unamortized Premium				0	2,945	0	1,963
	Subtract Deferred Loss on Refunding				0	(10,810)		(7,207)
	Subtotal				1,015,000	757,135	265,000	494,756
Electric Department:								
23	Nuclear Units #3	06/01/79	5.75	05/01/2008	1,200,000	250,000	50,000	200,000
66	Electric 1995 Capital	06/01/95	4.00-5.50	05/01/2010	250,000	145,000	15,000	130,000
70	Electric 1996 Series A Refunding Bonds	06/15/96	3.80-5.40	12/01/2009	555,000	350,000	50,000	300,000
73	Electric 1996 Capital Series B	06/15/96	5.25-5.60	12/01/2016	250,000	190,000	10,000	180,000
76	Electric 1996 Capital Series C	07/01/96	5.00-6.00	12/01/2016	250,000	220,000	5,000	215,000
86	Electric 1998 Series B Refunding Bonds	08/03/98	3.90-4.10	12/01/2005	390,600	55,800	19,800	36,000
89	Electric 1998 Series C Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	174,167	127,500	11,667	115,833
110	Electric 2001 Capital Refunding Bonds	10/01/01	3.00-3.10	11/01/2006	570,000	425,000	170,000	255,000
113	Electric 2002 GO Refunding Bonds	07/30/02	2.50-3.50	09/01/2008	120,000	120,000	15,000	105,000
	Subtotal				3,759,767	1,883,300	346,467	1,536,833
	Add Unamortized Premium				0	4,899	1,479	3,420
	Subtract Deferred Loss on Refunding				0	(62,578)	(20,564)	(42,014)
	Subtotal				3,759,767	1,825,621	327,382	1,498,239
Water Resources:								
85	Water 1998 Series B Refunding Bonds	08/03/98	3.90-4.10	12/01/2005	217,000	31,000	11,000	20,000
	Subtotal				217,000	31,000	11,000	20,000
	Subtract Deferred Loss on Refunding				0	(3,716)	(1,239)	(2,477)
	Subtotal				217,000	27,284	9,761	17,523
92	Wastewater 1999 Series A Refunding Bonds	02/16/99	3.25-3.80	05/01/2006	6,490,000	2,960,000	970,000	1,990,000
	Subtotal				6,490,000	2,960,000	970,000	1,990,000
	Add Unamortized Premium				0	5,071	2,535	2,536
	Subtract Deferred Loss on Refunding				0	(44,008)	(22,004)	(22,004)
	Subtotal				6,490,000	2,921,063	950,531	1,970,532
	Total Revenue Supported				12,781,767	5,531,103	2,252,674	4,581,050
	Total General Obligation Debt				68,323,555	41,088,527	13,443,199	38,199,047

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		Issue Date	Interest Rate %	Maturity Date	Original Issue	Outstanding June 30, 2003	Principal Reduction	Outstanding June 30, 2004
Revenue Debt								
Electric Department:								
77	Revenue Bonds 1996 Series A	04/01/96	3.80-6.38	12/01/2012	54,475,000	38,750,000	3,015,000	35,735,000
126	Revenue Bonds 2001 Series A	12/01/01	2.30-4.60	07/01/2014	11,115,000	11,115,000	400,000	10,715,000
127	Revenue Bonds 2002 Series A	04/01/02	5.00-5.375	07/01/2014	20,875,000	20,875,000	665,000	20,210,000
130	Revenue Bonds 2004 Series A	04/15/04	4.27	07/01/2024	10,000,000	0	0	10,000,000
	Subtotal				96,465,000	70,740,000	4,080,000	76,660,000
	Add Unamortized Premium				0	2,008,546	135,900	1,994,981
	Subtract Unamortized Discount				0	(74,188)	(3,877)	(70,311)
	Subtract Deferred Loss on Refunding				0	(23,961,172)	(1,411,856)	(22,549,316)
	Subtotal				96,465,000	48,713,186	2,800,167	56,035,354
Water Resources:								
82	Revenue Bonds 1997 Series A	07/10/97	4.10-5.00	12/01/2012	13,925,000	10,795,000	870,000	9,925,000
	Subtotal				13,925,000	10,795,000	870,000	9,925,000
	Subtract Deferred Loss on Refunding				0	(373,046)	(41,449)	(331,597)
	Subtotal				13,925,000	10,421,954	828,551	9,593,403
Wastewater:								
102	Revenue Bonds 1990 Series 1	12/06/90	0.00	12/01/2010	5,378,105	5,162,985	80,672	5,082,313
101	Revenue Bonds 1991 Series 1	02/12/92	0.00	12/01/2014	19,403,807	18,984,985	48,510	18,936,475
108	Revenue Bonds 2001 Series	07/01/00	0.00	Unknown	65,700	54,486	0	65,700
	Subtotal				24,847,612	24,202,456	129,182	24,084,488
Airport:								
78	Revenue Bonds 1997 Series A	05/01/97	3.85-5.60	07/01/2017	12,380,000	10,420,000	470,000	9,950,000
79	Revenue Bonds 1997 Series B	05/01/97	4.00-5.75	07/01/2017	7,450,000	6,290,000	280,000	6,010,000
104	Revenue Bonds, 2000 Series A	05/17/00	4.80-6.20	07/01/2020	10,435,000	9,820,000	330,000	9,490,000
119	Revenue Bonds, 2003 Series A, Series B	06/11/03	2.00-5.00	07/01/2028	24,800,000	24,800,000	0	24,800,000
	Subtotal				55,065,000	51,330,000	1,080,000	50,250,000
	Add Unamortized Premium					414,589	26,385	388,204
	Subtract Unamortized Discount				0	(149,159)	(48,897)	(100,262)
	Subtotal				55,065,000	51,595,430	1,057,488	50,537,942
	Total Revenue Debt				190,302,612	134,933,026	4,815,388	140,251,187
	Total General Obligation and Revenue Debt				258,626,167	176,021,553	18,258,587	178,450,234

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Maturities are expected as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2005	3,219,515	1,472,107	9,107,881	6,865,165
2006	3,371,466	1,334,551	9,217,024	6,570,549
2007	3,376,666	1,193,216	9,130,733	6,131,913
2008	3,635,834	973,992	9,645,477	4,414,529
2009	2,735,000	884,470	10,150,219	3,910,475
2010-2014	9,607,500	2,968,597	74,794,287	18,574,046
2015-2019	6,740,000	1,105,838	24,380,000	8,768,481
2020-2024	880,000	60,812	10,845,700	3,357,375
2025-2029	0	0	8,295,000	1,002,625
Total	<u>33,565,981</u>	<u>9,993,583</u>	<u>165,566,321</u>	<u>59,595,158</u>

The City is the lessee of various equipment under capital leases expiring in various years through 2017. Future minimum payments under the capital leases consisted of the following as of June 30, 2004.

Year Ended June 30,	Governmental Activities	Business-Type Activities
2005	\$1,104,082	\$ 70,956
2006	930,387	61,448
2007	903,401	54,316
2008	771,609	34,200
2009	438,106	34,200
2010-2014	1,306,081	0
2015-2018	<u>783,649</u>	<u>0</u>
Subtotal	6,237,315	255,120
Less-Amount representing interest	<u>(1,161,580)</u>	<u>(17,913)</u>
Total	<u>\$5,075,735</u>	<u>\$237,207</u>

Interest rates vary from 1.99% to 5.29%.

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Revenue Bonds have been issued pursuant to the General Bond Resolution and are collateralized by a pledge of revenues. Pursuant to the General Bond Resolution, revenues (as defined) means all rates, fees, charges or other income and includes rentals, proceeds of insurance or condemnation or other disposition of assets, proceeds of bonds or notes and earnings from the investment of revenues. On an annual basis, revenues must be sufficient after deducting operating expenses (as defined) to meet minimum debt service coverage requirements (as defined). If minimum debt service coverage requirements are not met, the City must take timely corrective action. For the year ended June 30, 2004, revenues (as defined) exceeded debt service requirements.

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

Burlington Community Development Corporation has two notes payable with BankNorth, N.A. on the buildings it owns at the Airport and at 131 Battery Street totaling \$1,075,897 which are secured by mortgages. The loans are for ten years and have variable interest rates currently at 5.25% to 6.11%.

The Corporation also has four (4) notes payable with Chittenden Investment Services, Inc. with a balance of \$1,490,229 which are offset by notes receivable from the Burlington Community Land Trust and will be repaid as the notes receivable are collected. Interest rates are between 5% and 6%.

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Future maturities of the notes payable for Burlington Community Development Corporation are anticipated to be as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 103,259	\$139,557
2006	109,043	133,773
2007	115,155	127,661
2008	121,274	121,542
2009	128,407	114,408
2010-2014	698,602	457,134
2015-2019	613,563	280,477
2020-2024	566,926	102,252
2025-2029	<u>109,897</u>	<u>10,148</u>
Total	<u>2,566,126</u>	<u>1,486,952</u>

Burlington Community Development Corporation secured a line of credit for \$750,000 on October 31, 2003. As of June 30, 2004, BCDC had not borrowed against this line of credit. The line of credit was closed on November 1, 2004, with no amounts ever being borrowed against this line of credit.

CITY OF BURLINGTON, VERMONT
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J. Restricted and Designated Fund Balances/Net Assets

The City's General Fund Balance as of June 30, 2004 was \$1,989,722. The City's General Fund designated fund balance was reduced by the \$1,040,347 revenue deferral for uncollected property taxes, penalties and interest. The expending of funds for the designated expenditures is contingent upon the receipt of these monies.

The reserved and designated fund balance of the General Fund as of June 30, 2004 consisted of the following:

GENERAL FUND

Restricted

Inventory & Prepaid Expenses	\$ 323,523
Parking Fund by Charter	23,000
Health Insurance Reserve *	180,824
Library Books & Small Grants	52,252
Public Records Restoration Grants	86,520
Vt Public Library Funds (Freeman Foundation Grant)	30,151
Planning Grant	7,450
Police Equitable Sharing Funds	<u>209,346</u>
Total Restricted	<u>\$ 913,066</u>

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

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Designated Tax Items

Debt Service & Tax Rate Items	\$	63,592
Insurance Reserve		101,988
Parks – Greenbelt Dedicated Taxes		34,850
Cemetery Capital		7,861
Central City Computer		145,544
South End Transit Center Reserve – TIF		135,364
Lakeview Garage Maintenance Reserve - TIF		139,870
Subtotal Designated Items		629,069
Less: Uncollected Taxes, Penalties, and Interest		(1,040,347)
 Total Designated Tax Items		 0

Designated - Other

Airport Industrial Park		606,570
Designated for Reappraisal in 2005		220,000
 Total Designated - Other	\$	 826,570

The reserved fund balance of \$383,020 in the School Department Fund consists of \$70,546 reserved for prepaid expenses and \$312,474 reserved for other school programs by agreements or outside grants. The unreserved fund balance of \$1,059,774 consists of a designated fund balance of the School's general fund of \$1,204,134 less deficits in other school funds of \$144,360 which will be funded as grant receivable are collected in fiscal year 2005.

The reserved fund balances of \$609,763 in the Special Revenue Funds are reserved for Traffic Fund expenditures by City Charter in the amount of \$477,362, reserved for the Housing Trust Fund in the amount of \$120,527 by City Charter and reserved for the Mary E. Wadell Fund in the amount of \$11,874 by trust agreement. The Traffic Fund also has a balance reserved for inventory and prepaid expenses of \$148,920.

The negative fund balance of \$657,550 in the Special Revenue Funds consists of \$623,665 in the CEDO Fund which will be funded as grant receivables are collected in Fiscal Year 2005 and \$33,885 in the Church Street Marketplace Fund which will be funded next year with increased revenue collection efforts and decreased expenses.

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The reserved fund balances of \$117,315 in the Capital Project Funds consist of \$84,727 for the Fire Vehicle Bond Fund and \$32,588 for School Capital Projects. These are reserved Debt Proceeds. The Southern Connector Fund also has a balance reserved for prepaid expenses of \$162.

The negative fund balances of \$3,184,434 in the Capital Projects Funds consist of \$218,450 for the Southern Connector, \$889,125 for the Telecommunications Project, \$344,117 for the Transportation Facility, \$254,182 for the Bike Path, \$119,539 for the Heating Upgrades, \$112,483 for the DPW New Facility, \$42 for the North Winooski Streetscape, \$241,435 for the North Street Project, \$441,503 for the Firehouse Center, \$66,832 for the Westlake Project, \$25,346 for the Fuel Depot Project and \$471,380 for the Moran Project. The Telecommunications Project deficit will be funded by proceeds of long-term debt. The DPW New Facility, Heating Upgrades and Moran Projects will be funded annually by transfers from the General Fund. All other funds with deficits will be funded as Grant Receivables are collected in Fiscal Year 2005 or from a transfer from the General Fund.

The reserved fund balances of \$896,161 in the Permanent Funds are reserved by trust agreements and restricted donations.

The City also has eight Private Purpose Trust Funds that are restricted by trust agreements and donations totaling \$203,315.

K. Operating Leases

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

Year ending June 30	Electric	Airport
2005	\$17,843	\$ 5,640
2006	8,330	5,640
2007	6,294	0
2008	5,755	0
2009	<u>1,919</u>	<u>0</u>
Total	<u>\$40,141</u>	<u>\$11,280</u>

CITY OF BURLINGTON, VERMONT
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V. OTHER INFORMATION

A .COMMITMENTS & CONTINGENCIES

ELECTRIC DEPARTMENT

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

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

McNeil Generating Station and Gas Turbine	26.3%
Northeast Utilities	15.6%
NYPA	3.8%
NYSEG	10.5%
VEPPI	5.1%
Duke Energy Trading	35.3%
Other	<u>3.4%</u>
 Total	 <u>100.00%</u>

The Department purchases a significant portion of its electricity requirements pursuant to long-term contracts in the above-mentioned generating units. These contracts require the Department to make payments to cover its proportionate share of the capital and operating costs of these generating units. These payments are significant and are recovered currently through rates. Payments under long-term power supply contracts were \$13,420,757 for the year ended June 30, 2004.

CITY OF BURLINGTON, VERMONT
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2. The joint owners of the McNeil Station have entered into a contract with New England Central Railway for the transportation of wood chips to the McNeil Station. The contract expires in December, 2006, and under terms of the contract, a minimum payment of \$320,000 is required to be made in the fiscal year ending June 30, 2005. During 2004, the Department paid \$516,160 under this contract.
3. The joint owners of the McNeil Station have also entered into a contract for the operation of a wood chip receiving yard in Swanton, Vermont. The contract expires in December, 2006. Under the terms of that contract, a minimum payment of \$184,500 is required to be made by the Department in Fiscal Year 2005. During 2004, the Department paid \$295,726 under this contract.
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 Department believes that the likelihood of any liability material to the financial position of the Department is remote.
5. During fiscal year 1997, the Department initiated a Voluntary Buyout Program ("VBP") for all eligible employees. Under the terms of the VBP, all employees with three or more years of service as of June 30, 1997 were eligible to participate. A total of 24 employees opted for the VBP and have separated from the Department. Under generally accepted accounting principles, the Department was required to accrue all costs associated with the VBP to the extent such costs were known and measurable. At June 30, 2004, the Department has a remaining liability of \$100,379, which will be reduced as cash payments are made to participants through fiscal year 2010.

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6. As part of the Department's various Demand Side Management (DSM) programs, the Department's electric customers are able to finance the costs of various energy efficiency improvements made to their home or business through a loan program with a local bank. Customers repay the loan directly to the bank. In the event of default by a customer, the Department, as guarantor, pays the bank the remaining balance and assumes the responsibility of collecting the unpaid balance from the customer. The total exposure to the Department for all DSM loans outstanding as the bank as of June 30, 2004 was \$52,181.

7. Regulatory Matters

On November 18, 2003, the Department filed a rate case with the PSB. The request for an increase of 7.19% for electric service was rendered on and after January 2, 2004. The Department has included this rate increase as a tariff adjustment on customer bills beginning with the billing cycles that occurred on and after January 3, 2004. On September 8, 2004, the PSB approved the rate case in the full amount of 7.19%. The total amount billed to the tariff adjustment as of June 30, 2004 was \$1,108,162.

OTHER FUNDS

CONTINGENT LIABILITY

The City has recently received notice from the State of Vermont Environmental Enforcement Division ("EED") of its intent to bring an enforcement action against the City for alleged unlawful discharges to state waters at the Burlington International Airport. The City is presently working with the EED in an attempt to reach a negotiated settlement of these matters. It appears that the City acted responsibly in reporting the discharge and taking remedial action in response. It also appears that third parties are responsible for some of the alleged violations. The applicable statutes provides for penalties of up to \$100,000 for each continuing violation. However, the City's actions taken to date will be considered mitigating factors in the assessment of the appropriate penalty. It is too early to tell how large a fine the EED will seek to impose upon the City. The City intends to minimize its exposure by continuing to work with the EED to arrive at an acceptable settlement.

LAKE CHAMPLAIN BARGE CANAL

The City faces possible liability as a potentially responsible party ("PRP") with respect to the cleanup of a certain hazardous waste site known as the Lake Champlain Barge Canal.

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NORTH/SOUTH CONNECTOR PROJECT

The City has undertaken a major project which includes the land purchase and construction of connector highways on the north and south boundaries of the City. The City's portion of the estimated cost has been set at \$2,740,000 which is being financed by a general obligation bond issue dated December 1, 1986. The Northern Connector was completed and has been in service for many years. However, the Southern Connector has been delayed until the Lake Champlain Barge Canal issue is resolved. An alternate route has been selected and the State has designated the City as design and project manager. The first stage of conceptual design of the highway was recently presented to the public. Design and re-evaluation will conclude in the spring of 2005 and construction is slated to begin in the fall of 2005 barring any unforeseen delays.

CHITTENDEN SOLID WASTE DISTRICT

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

CONSTRUCTION COMMITMENTS

The Airport has commitments for ongoing Airport Improvement Projects as well as the completion of construction in progress funded from the restricted assets. Airport Improvement Projects in progress include runway construction and improvement, land acquisitions, south end development, and for the replacement of snow removal equipment.

DEVELOPMENT OF THE LAND AT THE CORNER OF CHERRY & BATTERY STREETS

On May 19, 2003, the City entered into a development agreement with Westlake 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 this land and is responsible for the construction of a parking garage containing 200 public spaces, known as the Westlake Garage. The City will also finance and construct an additional deck for 139 parking spaces on the existing Lakeview Garage. This construction is due to take place in the spring of 2005. The City has begun the process of securing funding in the form of \$8,545,000 of certificates of participation to be issued in April, 2005 to provide funding for the construction. The developer will also contribute \$600,000 to pay for the parking. The repayment of these certificates of participation will come from additional property taxes that will accrue to the City within its tax increment-financing district. Westlake's responsibilities include the construction of a hotel on this site and residential condominiums on the undeveloped land adjacent to the Lakeview Parking Garage.

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TRANSPORTATION CENTER

The Mayor and City Council stopped the development of the Transportation Center in July 2003 due to public concern about the location of the project. The Mayor then convened an ad hoc task force with representatives of the Chittenden County Metropolitan Planning Organization, The Chittenden County Transportation Authority, the Vtrans, 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 evaluates five locations for the transportation center. City Council has reviewed these alternatives and expects to act further in fiscal year 2006.

The engineering and design costs for the Transportation Center were paid for with Federal Transportation Authority 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.

TELECOMMUNICATIONS PROJECT

In March, 1996 and November, 2000 voters gave approval to the City to provide an alternate telecommunications network and related services within the City. In 2003, the City secured a capital lease in the amount of \$2,600,000 to establish a fiber optic network to provide services for and communications between City and School buildings. This fiber network was constructed to serve as the backbone for further expansion of the telecommunications project. In May, 2004, City Council authorized the Chief Administrative Officer to solicit financing opportunities for expansion of the project to include the delivery of voice, data and cable television services throughout the City. The City received six proposals for financing and in November, 2004, additional financing in the amount of \$10,193,707 was secured from Koch Financial of Scottsdale, Arizona. In addition to this, the remaining balance of the original \$2,600,000 now due (\$2,406,263) was also refinanced. Planning for this expansion is ongoing and construction of the network and purchase of the related equipment is scheduled to begin in the summer of 2005.

CITY OF BURLINGTON, VERMONT
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MORAN PROJECT

The Moran Generating Plant is located on Lake Champlain and has been vacant since it's decommissioning in 1986 by the Burlington Electric Department. The building was then turned over the City and, in 1992, the Public Service Board directed the City to repay Burlington Electric \$674,000 for this building, which is in poor condition. As of June 30, 2004, the outstanding balance owed to BED on this note was \$471,380.

The Moran Plant has been targeted for redevelopment since the mid 1980s. A plan has emerged to renovate the Moran Plant as the new home for the YMCA and the Lake Champlain Community Sailing Center to provide Burlington with new year-round recreation facilities. In that light, the voters will be presented with an advisory referendum in March regarding redevelopment of the Moran Plant by the greater Burlington YMCA. If passed, the City will enter into an agreement which will allow them to locate on the site of the Moran plant if determined to be feasible by the City Council.

B. INSURANCE RESERVES

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

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

On July 1, 1992, the City entered into an agreement with The Vermont League of Cities and Towns Property and Casualty 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 the City. The administrator is responsible for approval, processing, and payment of claims, after which, they bill the City for reimbursement.

CITY OF BURLINGTON, VERMONT
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The agreement with VLCT calls for contribution for the loss fund to be billed at 29.4% of paid losses up to a maximum of \$312,500 for 1992 and \$706,175 for 1993, at 25% of paid losses up to a maximum of \$757,500 for 1994, at 20% of paid losses up to a maximum of \$800,000 for 1995, at 18% of paid losses up to a maximum of \$792,000 for 1996, at 14.86% of paid losses up to a maximum of \$579,570 for 1997, at 18.6% of paid losses up to a maximum of \$725,276 for 1998, at 19.01% of paid losses up to a maximum of \$760,589 for 1999, at 20.47% of paid losses up to a maximum of \$818,947 for 2000, at 21.82% of paid losses up to a maximum of \$1,069,181 for 2001, at 21.28% of paid losses up to a maximum of \$1,138,659 for 2002, at 16.44% of paid losses up to a maximum of \$1,145,589 for 2003, and at 13.86% of paid losses up to a maximum of \$1,067,143 for 2004. The City is also contingently liable for up to \$60,000 in swing rate adjustments in fund year 1992.

The liability recorded at June 30, 2004 is based on the ultimate liability as determined by VLCT's actuaries. VLCT establishes claims liabilities 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.

Health insurance 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 \$100,000 for the 2004 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.

CITY OF BURLINGTON, VERMONT
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Dental insurance 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	Gross Payroll by W/C category and experience
Health & Dental	Premiums estimated by the third party administrator
Liability & Property	Gross Payroll

At June 30, 2004, the City has recorded a liability of \$698,711 included in accounts payable which represents reported health, dental, property, liability and worker's compensation claims incurred on or before June 30, 2004, but were not paid by the City as of that date. A reserve of \$1,594,000 is included for claims incurred but not reported. This consists of \$1,195,000 for property, liability and workers' compensation claims, \$378,000 for health claims and \$21,000 for dental claims. \$378,000 of this reserve is carried in the General Fund as it is funded by a working fund deposit. This amount was determined by the third party administrators as described above for property, liability and workers' compensation and based on subsequent claims with a completion factor for health and dental.

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

The City has elected to pay actual unemployment claims instead of enrolling in an unemployment insurance program. No liabilities have been accrued as the City is not able to make an estimate as to any future costs. The City and School paid \$78,455 and \$49,489 respectively, in unemployment claims during fiscal year 2004.

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C. BONDS/LONG-TERM DEBT ISSUED

1. On July 2, 2003, the City issued a revenue anticipation note with Banknorth, Vermont for \$700,000 for the Wastewater Fund to finance current operations. The note was paid June 29, 2004. On June 29, 2004, the City issued another revenue anticipation note for the Wastewater Fund for \$600,000 that will be due June 30, 2005.
2. On October 15, 2003, the City issued \$750,000 General Obligations Bonds for the purpose of financing various capital improvements and for working capital.
3. On December 10, 2003, the City issued \$495,000 U.S. Government notes for the purpose of financing certain capital projects.
4. On July 31, 2003, the City received \$278,800 of capital lease proceeds from Banknorth, Vermont for the purpose of repaying a bond anticipation note taken out on June 30, 2003 to purchase a dock system for the Waterfront Park.
5. On April 29, 2004, the Electric Department issued \$10,000,000 in new revenue bonds with an average of 4.271% to fund various capital projects.
6. The City received \$11,214 from the State of Vermont Special Environmental Revolving Fund for the purpose of financing various Wastewater Plant upgrades.

D. 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. The City also rents office space from BCDC. BCDC is included as a component unit of the City.

The Retirement Fund utilizes Chittenden Investment Services as the custodian of their retirement assets. The investment representative for Chittenden Investment Services is also the Chairman of the Retirement Board. The amount paid for custodial fees on the investment accounts to Chittenden Investment Services for the year ending June 30, 2004 was \$54,415.

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The City of Burlington Art's Department head is also the Executive Director of the Burlington City Arts Foundation, Inc. The Foundation has been the main funding source for the Firehouse Center Capital Project. As of June 30, 2004, the Burlington City Arts Foundation, Inc. owed the City \$238,572 for capital expenditures on the Firehouse Center Project.

E. DEFINED BENEFIT PENSION PLANS/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, 2004 was \$7,099,274 and \$22,653,241 respectively. The City's total payroll, except for school teachers, was \$38,654,691.

Class A participants vest 20 percent after three years of creditable service, and 20 percent for each year thereafter until they are 100 percent vested after 7 years of creditable service. The normal benefit is payable commencing at age 55. Class A participants who retire at or after age 55 with 7 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2.75 percent of their average final compensation (AFC) during the highest three non-overlapping twelve-month periods times creditable service not in excess of 25 years plus .5 percent of the AFC times years of creditable service between 25 and 35 years, prior to age 60 and a yearly COLA based on CPI. Class A retirees could alternatively elect to choose an accrual rate of 3.25% and one half the yearly COLA, or an accrual rate of 3.8% and no COLA. 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 8.8 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 .

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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% and one half the yearly COLA, or an accrual rate of 2.2% and no COLA. Employees may retire prior to age 65 and receive reduced retirement benefits. Creditable service or an actuarial increase is used after age 65. The Class B participants make no contributions to the system.

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

Actuarially Determined Contribution Requirements and Contribution Made

It is the policy of the City of Burlington to fund, by actuarially determined periodic contributions, the normal cost of the Plan plus a provision for amortization of past service cost over a 10 year period from date of establishment. The contribution rate for normal cost is determined using the projected unit credit cost method with costs allocated based on earnings of plan members.

The system uses the level percentage of payroll method to amortize the unfunded liability over a 10 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	4 Percent

CITY OF BURLINGTON, VERMONT
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The total contribution to the system for 2004 of \$3,434,765 included \$2,461,840 made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 2002. All funds, excluding the General Fund, contributed \$940,851 (8.65% percent of current covered payroll). Class A employees contributed \$623,476 (8.8% percent of current covered payroll). The total system contributions include past service cost amortization of the unfunded past service cost (surplus) of \$(1,226,799).

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)
6/30/98	81,368,557	71,053,792	10,314,765	114.52%	21,325,110	48.37%
6/30/99	92,782,371	76,225,530	16,556,841	121.72%	22,938,963	72.18%
6/30/00	111,224,657	96,610,677	14,613,980	115.13%	23,914,477	61.11%
6/30/01	114,203,990	101,700,266	12,503,724	112.29%	24,730,357	50.56%
6/30/02	112,980,276	109,116,441	3,863,835	103.54%	26,050,313	14.83%
6/30/03	109,525,953	117,047,718	(7,521,765)	93.57%	27,776,329	(27.08)%

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SCHEDULE OF EMPLOYER CONTRIBUTION

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/99	752,481	752,481	100%
6/30/00	43,834	43,834	100%
6/30/01	274,878	274,878	100%
6/30/02	767,446	767,446	100%
6/30/03	1,079,911	1,079,911	100%
6/30/04	2,461,840	2,461,840	100%

SCHEDULE OF ANNUAL PENSION COST

Year Ended	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
6/30/02	767,446	100%	0
6/30/03	1,079,911	100%	0
6/30/04	2,461,840	100%	0

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 3.4 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 4.37% of all eligible covered salaries on-behalf of the School District. The Schools' total payroll was \$26,787,560, while its eligible covered payroll was \$19,174,389 resulting in an estimated \$837,921 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, 2004

DEFERRED COMPENSATION

The City also offers its employees two deferred compensation plans in accordance with Internal Revenue Code Section 457 through the International City Managers' Association's (ICMA) Retirement Corporation, and the Nationwide Retirement Solutions. The plans permit employees to defer a portion of their salary until future years. The City contributes to one City employee's deferred compensation account. The expense for the year ending June 30, 2004 was \$4,544. Deferred compensation is not available to employees until termination, retirement, or death. The City has no liability for losses under the plans, but does have the duty of due care that would be required of an ordinary prudent investor.

POST EMPLOYMENT HEALTH BENEFITS

The City also provides post-employment health benefits to all eligible 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, 2004 was \$55,717. Contributions prior to 1998 for current employees are being held in the Retirement Fund and shown as a liability. All other contributions after 1998 are being sent to and administered by Nationwide Retirement Solutions. As employees leave employment with the City, the Retirement Fund forwards the money to Nationwide Retirement Solutions. The Retirement Fund has guaranteed an earnings rate of 8% but assumes no other liability. The amount recorded as a liability in the Retirement Fund as of June 30, 2004 is \$287,470.

The School District provides post employment health benefits to retired educators with 15 years of service until they reach the age of 62 ½. The School has agreed to pay for a single member plan. There are currently twelve retired teachers receiving the benefit. The amount needed to fund post employment health benefits liability today is estimated to be \$63,913.

F. SALE OF 131 BATTERY STREET

The Directors of BCDC authorized the sale of the 131 Battery Street property at the June 23, 2003 meeting. In October 2003, BCDC received and accepted an offer of \$1,300,000 from a local clothing vendor to purchase the property. This is contingent on permitting and several other items. The date of the closing has not yet been determined.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

G. SUBSEQUENT EVENTS

1. On July 20, 2004, the City issued a tax anticipation note for \$2,000,000 with BankNorth, Vermont, however, it only drew \$1,000,000. This note was paid in full on August 13, 2004.
2. On July 27, 2004, the City issued a \$750,000 of General Obligation Bonds for the purpose of financing various capital improvements.
3. On July 28, 2004 the City issued \$3,410,000 of General Obligations Bonds for the purpose of refinancing other bonds and reduce future debt service maturities.
4. On November 23, 2004, the City received \$12,600,000 in capital lease proceeds for the purpose of financing additional telecommunications improvements. \$2,406,263 of these proceeds were used to refinance an outstanding capital lease for telecommunications projects.
5. On December 31, 2004 the City issued a tax anticipation note for \$6,000,000 with Banknorth, Vermont, however, only withdrew \$2,000,000.
6. FERCO Settlement - In March, 1994, the joint owners of the McNeil Station entered into a Demonstration Agreement (the Agreement) with the Future Energy Resources Corporation (FERCO) to develop and demonstrate a multi-fuel commercial gasifier at the McNeil Station. Based on the Agreement, FERCO was responsible for all direct and indirect costs of the gasifier and any funding received from the U.S. Department of Energy. Further, FERCO was responsible for reimbursing the McNeil Station for all costs incurred for construction and operation of the gasifier. In return, the McNeil Station was to receive future royalty rights related to the gasifier.

FERCO was also responsible for funding 130% of the estimated costs of dismantling the gasifier and restoring the site to its original condition upon completion of the demonstration through a Removal Bond. These costs were estimated to be \$270,000. As FERCO was unable to fund this amount, Zurn EPC (Zurn), the construction contractor for the project, obtained the Removal Bond through the American Insurance Company. The Removal Bond listed FERCO and the joint owners as beneficiaries based on terms, as defined, on the Change in Work Order No. 2 between FERCO and Zurn. In August of 1997, FERCO paid Zurn \$270,000 for the Removal Bond under the Deferred Payment Agreement entered into by the two parties.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

FERCO filed for bankruptcy on November 1, 2002 before successful demonstration of the gasifier could occur. Zurn claimed that its obligations under Change in Work Order No. 2 were relieved by FERCO and therefore Zurn was no longer responsible for payment of the Removal Bond or for the removal of the gasifier itself. As the cost of the removal of the gasifier was now estimated to be \$1.4 million, the joint owners brought legal action against FERCO, Zurn, and the American Insurance Company for payment of the Removal Bond.

In July, 2004, the joint owners entered into an agreement where FERCO, Zurn and the American Insurance Company were relieved of all current and future obligations related to the lawsuit for \$200,000. As the Department is a 50% owner of the McNeil Station, the Department's portion of the settlement was \$100,000 and the Department will be responsible for one half of the cost of removal of the gasifier when, and if, that occurs.

CITY OF BURLINGTON, VERMONT
 COMBINING BALANCE SHEET
 SCHOOL DEPARTMENT - ALL GOVERNMENTAL FUNDS
 JUNE 30, 2004

	<u>General Fund</u>	<u>Chapter I & II Grants</u>	<u>Other Grant Special Revenue Funds</u>	<u>Vocational Center</u>	<u>Other Special Revenue Funds</u>	<u>Total</u>
ASSETS						
Cash	\$ 4,190,645	\$ 233,128	\$ 830,098	\$ 188,356	\$ 324,669	\$ 5,766,896
Investments	0	0	43,110	0	0	43,110
Accounts Receivable	29,486	250	274,721	0	0	304,457
Prepays Expenses	<u>14,652</u>	<u>0</u>	<u>0</u>	<u>55,894</u>	<u>0</u>	<u>70,546</u>
Total Assets	<u>\$ 4,234,783</u>	<u>\$ 233,378</u>	<u>\$ 1,147,929</u>	<u>\$ 244,250</u>	<u>\$ 324,669</u>	<u>\$ 6,185,009</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 3,015,997	\$ 212,925	\$ 718,462	\$ 171,997	\$ 12,195	\$ 4,131,576
Deferred Revenue	0	20,453	517,933	72,253	0	610,639
Compensated Absences	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>3,015,997</u>	<u>233,378</u>	<u>1,236,395</u>	<u>244,250</u>	<u>12,195</u>	<u>4,742,215</u>
Fund Balances:						
Reserved for:						
Prepaid Expenses	14,652	0	0	55,894	0	70,546
Other Purposes	0	0	0	0	312,474	312,474
Unreserved:						
Designated	1,204,134	0	0	0	0	1,204,134
Undesignated	<u>0</u>	<u>0</u>	<u>(88,466)</u>	<u>(55,894)</u>	<u>0</u>	<u>(144,360)</u>
Total Fund Balances	<u>1,218,786</u>	<u>0</u>	<u>(88,466)</u>	<u>0</u>	<u>312,474</u>	<u>1,442,794</u>
Total Liabilities and Fund Balances	<u>\$ 4,234,783</u>	<u>\$ 233,378</u>	<u>\$ 1,147,929</u>	<u>\$ 244,250</u>	<u>\$ 324,669</u>	<u>\$ 6,185,009</u>

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

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 SCHOOL DEPARTMENT - ALL GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Chapter I & II Grants	Other Grant Special Revenue Funds	Vocational Center	Other Special Revenue Funds	Total
Revenues:						
Taxes	\$ 3,885,163	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,885,163
Payments in Lieu of Taxes	1,539,569	0	0	0	0	1,539,569
Intergovernmental	26,294,053	1,835,248	5,563,088	1,382,215	0	35,074,604
Charges for Services	201,973	0	739,900	545,155	0	1,487,028
Miscellaneous	269,141	0	0	0	427,011	696,152
Investment Income	32,571	0	0	0	0	32,571
Total Revenues	32,222,470	1,835,248	6,302,988	1,927,370	427,011	42,715,087
Expenditures:						
Education	30,780,081	1,835,248	6,440,566	1,910,238	464,191	41,430,324
Debt Service:						
Bond and Note Principal Retirement	483,233	0	0	12,966	14,295	510,494
Interest Charges	296,445	0	0	4,166	0	300,611
Total Expenditures	31,559,759	1,835,248	6,440,566	1,927,370	478,486	42,241,429
Excess of Revenue Over/(Under)						
Expenditures	662,711	0	(137,578)	0	(51,475)	473,658
Other Financing Sources/(Uses):						
Transfer In	0	0	208,052	0	0	208,052
Transfer Out	(208,052)	0	0	0	0	(208,052)
Total Other Financing Sources/(Uses)	(208,052)	0	208,052	0	0	0
Net Change in Assets	454,659	0	70,474	0	(51,475)	473,658
Fund Balances/(Deficit) - July 1, 2003	764,127	0	(158,940)	0	363,949	969,136
Fund Balances/(Deficit) - June 30, 2004	\$ 1,218,786	\$ 0	\$ (88,466)	\$ 0	312,474	\$ 1,442,794

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

CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
<u>ASSETS:</u>				
Cash	\$ 94,685	\$ (2,044,052)	\$ 685,643	\$ (1,263,724)
Investments	0		207,754	207,754
Accounts Receivable (Net of Allowance for Doubtful Accounts)	1,971,399	2,663,247	0	4,634,646
Loans Receivable	2,433,363	0	0	2,433,363
Accrued Interest Receivable	0	0	2,764	2,764
Inventories	146,638	0	0	146,638
Other Current Assets	2,282	162	0	2,444
	<u>4,648,367</u>	<u>619,357</u>	<u>896,161</u>	<u>6,163,885</u>
<u>LIABILITIES AND FUND BALANCES:</u>				
Liabilities:				
Accounts and Contracts Payable	629,067	1,352,292	0	1,981,359
Accrued Liabilities	87,056	0	0	87,056
Due to Other Funds	3,554	0	0	3,554
Interfund Loan Payable	0	660,643	0	660,643
Deferred Revenue	3,827,557	1,673,379	0	5,500,936
	<u>4,547,234</u>	<u>3,686,314</u>	<u>0</u>	<u>8,233,548</u>
Fund Balances:				
Reserved for:				
Inventory and Prepays	148,920	162	0	149,082
Reserved for Restricted Purposes	609,763	117,315	896,161	1,623,239
Unreserved:				
Undesignated	(657,550)	(3,184,434)	0	(3,841,984)
	<u>101,133</u>	<u>(3,066,957)</u>	<u>896,161</u>	<u>(2,069,663)</u>
Total Fund Balances	<u>101,133</u>	<u>(3,066,957)</u>	<u>896,161</u>	<u>(2,069,663)</u>
Total Liabilities and Fund Balances	<u>\$ 4,648,367</u>	<u>\$ 619,357</u>	<u>\$ 896,161</u>	<u>\$ 6,163,885</u>

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

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
REVENUES:				
Intergovernmental Revenues	\$ 5,438,960	\$ 4,449,030	\$ 0	\$ 9,887,990
Charges for Services	5,103,313	276,073	0	5,379,386
Licenses and Permits	567,086	0	0	567,086
Interest	5,946	12,101	9,349	27,396
Other Revenues	<u>551,722</u>	<u>102,014</u>	<u>37,368</u>	<u>691,104</u>
Total Revenues	<u>11,667,027</u>	<u>4,839,218</u>	<u>46,717</u>	<u>16,552,962</u>
EXPENDITURES:				
Current expenditures				
General Government	3,717	0	580	4,297
Public works	5,720,271	0	0	5,720,271
Community Development	5,721,519	0	0	5,721,519
Capital expenditures	0	8,799,169	0	8,799,169
Debt service expenditures				
Principal	104,995	0	0	104,995
Interest	<u>91,191</u>	<u>70,783</u>	<u>0</u>	<u>161,974</u>
Total Expenditures	<u>11,641,693</u>	<u>8,869,952</u>	<u>580</u>	<u>20,512,225</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>25,334</u>	<u>(4,030,734)</u>	<u>46,137</u>	<u>(3,959,263)</u>
OTHER FINANCING SOURCES/(USES):				
Proceeds of Long-term Debt	518,627	80,333	0	598,960
Transfers in	599,300	646,055	0	1,245,355
Transfers out	<u>(134,791)</u>	<u>(66,588)</u>	<u>(9,237)</u>	<u>(210,616)</u>
Total Other Financing Sources/(Uses)	<u>983,136</u>	<u>659,800</u>	<u>(9,237)</u>	<u>1,633,699</u>
Net Change in Fund Balances	1,008,470	(3,370,934)	36,900	(2,325,564)
Fund Balances/(Deficit) - July 1, 2003	<u>(907,337)</u>	<u>303,977</u>	<u>859,261</u>	<u>255,901</u>
Fund Balances/(Deficit) - June 30, 2004	<u>\$ 101,133</u>	<u>\$ (3,066,957)</u>	<u>\$ 896,161</u>	<u>\$ (2,069,663)</u>

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

CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET
CITY SPECIAL REVENUE FUNDS
JUNE 30, 2004

	<u>Traffic Commission Fund</u>	<u>Community and Economic Development Fund</u>	<u>Housing Trust Fund</u>	<u>Church Street Marketplace Fund</u>	<u>Mary E. Wadell Fund</u>	<u>Total</u>
<u>ASSETS:</u>						
Cash	\$ 544,987	\$ (620,659)	\$ 135,499	\$ 22,984	\$ 11,874	\$ 94,685
Accounts Receivable (Net of Allowance for Doubtful Accounts)	30,882	1,914,455	0	26,062	0	1,971,399
Loans Receivable	0	2,433,363	0	0	0	2,433,363
Inventories	146,638	0	0	0	0	146,638
Other Current Assets	<u>2,282</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,282</u>
Total Assets	<u>\$ 724,789</u>	<u>\$ 3,727,159</u>	<u>\$ 135,499</u>	<u>\$ 49,046</u>	<u>\$ 11,874</u>	<u>\$ 4,648,367</u>
<u>LIABILITIES AND FUND BALANCES:</u>						
Liabilities:						
Accounts and Contracts Payable	\$ 55,455	\$ 546,793	\$ 10,059	\$ 16,760	\$ 0	\$ 629,067
Accrued Liabilities	31,563	29,551	713	8,162	0	69,989
Other Liabilities	0	0	4,200	12,867	0	17,067
Due to Other Funds	3,554	0	0	0	0	3,554
Deferred Revenue	<u>7,935</u>	<u>3,774,480</u>	<u>0</u>	<u>45,142</u>	<u>0</u>	<u>3,827,557</u>
Total Liabilities	<u>98,507</u>	<u>4,350,824</u>	<u>14,972</u>	<u>82,931</u>	<u>0</u>	<u>4,547,234</u>
Fund Balances/(Deficit):						
Reserved for:						
Inventory and Prepaids	148,920	0	0	0	0	148,920
Reserved for Restricted Purposes	477,362	0	120,527	0	11,874	609,763
Unreserved - Undesignated	<u>0</u>	<u>(623,665)</u>	<u>0</u>	<u>(33,885)</u>	<u>0</u>	<u>(657,550)</u>
Total Fund Balances/(Deficit)	<u>626,282</u>	<u>(623,665)</u>	<u>120,527</u>	<u>(33,885)</u>	<u>11,874</u>	<u>101,133</u>
Total Liabilities and Fund Balances	<u>\$ 724,789</u>	<u>\$ 3,727,159</u>	<u>\$ 135,499</u>	<u>\$ 49,046</u>	<u>\$ 11,874</u>	<u>\$ 4,648,367</u>

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

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CITY SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

	Traffic Commission Fund	Community and Economic Development Fund	Housing Trust Fund	Church Street Marketplace Fund	Mary E. Wadell Fund	Total
Revenues:						
Intergovernmental	\$ 0	\$ 5,438,960	\$ 0	\$ 0	\$ 0	\$ 5,438,960
Charges for Services	4,963,707	54,128	15,000	70,478	0	5,103,313
Licenses and Permits	48,314	0	0	518,772	0	567,086
Interest Income	5,726	0	0	142	78	5,946
Other Revenues	0	497,065	0	54,657	0	551,722
Total Revenues	5,017,747	5,990,153	15,000	644,049	78	11,667,027
Expenditures:						
General Government	0	0	0	0	3,717	3,717
Public Works	5,089,479	0	0	630,792	0	5,720,271
Community Development	0	5,593,962	127,557	0	0	5,721,519
Debt Service						
Bond and Note Principal Retirement	49,995	55,000	0	0	0	104,995
Interest Charges	51,356	39,835	0	0	0	91,191
Total Expenditures	5,190,830	5,688,797	127,557	630,792	3,717	11,641,693
Excess/(Deficiency) of Revenue Over Expenditures	(173,083)	301,356	(112,557)	13,257	(3,639)	25,334
Other Financing Sources/(Uses):						
Proceeds of Long-term Debt	0	512,227		6,400	0	518,627
Transfers In	288,605	111,412	187,783	11,500	0	599,300
Transfers Out	(94,400)	(40,391)	0	0	0	(134,791)
Total Other Financing Sources/(Uses)	194,205	583,248	187,783	17,900	0	983,136
Net Change in Fund Balance	21,122	884,604	75,226	31,157	(3,639)	1,008,470
Fund Balances/(Deficit) - July 1, 2003	605,160	(1,508,269)	45,301	(65,042)	15,513	(907,337)
Fund Balances/(Deficit) - June 30, 2004	\$ 626,282	\$ (623,665)	\$ 120,527	\$ (33,885)	\$ 11,874	\$ 101,133

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

CITY OF BURLINGTON, VERMONT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2004

		City Capital Projects						
		Southern Connector	Tele-com munications Project	Transportation Facility	STP Bike Path	Fire Vehicle Bond	Riverside Ave. and Main Street Projects	Heating Upgrades
<u>ASSETS:</u>								
Cash	\$	20,090	\$ (770,960)	\$ (344,117)	\$ (350,313)	\$ 84,727	\$ 0	\$ 0
Prepaid Expense		162	0	0	0	0	0	0
Accounts Receivable		<u>298,786</u>	<u>0</u>	<u>0</u>	<u>647,571</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	\$	<u>319,038</u>	<u>\$ (770,960)</u>	<u>\$ (344,117)</u>	<u>\$ 297,258</u>	<u>\$ 84,727</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>LIABILITIES AND FUND BALANCES</u>								
Liabilities:								
Accounts payable	\$	238,540	\$ 48,441	\$ 0	\$ 297,258	\$ 0	\$ 0	\$ 0
Interfund Loan Payable		0	69,724	0	0	0	0	119,539
Deferred Revenue		<u>298,786</u>	<u>0</u>	<u>0</u>	<u>254,182</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities		<u>537,326</u>	<u>118,165</u>	<u>0</u>	<u>551,440</u>	<u>0</u>	<u>0</u>	<u>119,539</u>
Fund Balance:								
Reserved for Restricted Purposes		0	0	0	0	84,727	0	0
Reserved for Prepays		162	0	0	0	0	0	0
Unreserved		<u>(218,450)</u>	<u>(889,125)</u>	<u>(344,117)</u>	<u>(254,182)</u>	<u>0</u>	<u>0</u>	<u>(119,539)</u>
Total Fund Balance		<u>(218,288)</u>	<u>(889,125)</u>	<u>(344,117)</u>	<u>(254,182)</u>	<u>84,727</u>	<u>0</u>	<u>(119,539)</u>
Total Liabilities and Fund Balance	\$	<u>319,038</u>	<u>\$ (770,960)</u>	<u>\$ (344,117)</u>	<u>\$ 297,258</u>	<u>\$ 84,727</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

						School Capital Projects		
Engelsby Brook	N. Winooski Streetscape	Firehouse Center	North Street Project	Westlake and Fuel Depot Projects	Moran Project	1996 and 2003 School Capital	Total	
\$ 620,192	\$ (1,691)	\$ (885,250)	\$ (382,603)	\$ (66,715)	\$ 0	\$ 32,588	\$ (2,044,052)	
0	0	0	0	0	0	0	162	
<u>0</u>	<u>1,744</u>	<u>685,572</u>	<u>1,009,297</u>	<u>20,277</u>	<u>0</u>	<u>0</u>	<u>2,663,247</u>	
<u>\$ 620,192</u>	<u>\$ 53</u>	<u>\$ (199,678)</u>	<u>\$ 626,694</u>	<u>\$ (46,438)</u>	<u>\$ 0</u>	<u>\$ 32,588</u>	<u>\$ 619,357</u>	
\$ 107	\$ 53	\$ 3,253	\$ 626,694	\$ 25,463	\$ 0	\$ 0	\$ 1,352,292	
0	0	0	0	0	471,380	0	660,643	
<u>620,085</u>	<u>42</u>	<u>238,572</u>	<u>241,435</u>	<u>20,277</u>	<u>0</u>	<u>0</u>	<u>1,673,379</u>	
<u>620,192</u>	<u>95</u>	<u>241,825</u>	<u>868,129</u>	<u>45,740</u>	<u>471,380</u>	<u>0</u>	<u>3,686,314</u>	
0	0	0	0	0	0	32,588	117,315	
0	0	0	0	0	0	0	162	
<u>0</u>	<u>(42)</u>	<u>(441,503)</u>	<u>(241,435)</u>	<u>(92,178)</u>	<u>(471,380)</u>	<u>0</u>	<u>(3,184,434)</u>	
<u>0</u>	<u>(42)</u>	<u>(441,503)</u>	<u>(241,435)</u>	<u>(92,178)</u>	<u>(471,380)</u>	<u>32,588</u>	<u>(3,066,957)</u>	
<u>\$ 620,192</u>	<u>\$ 53</u>	<u>\$ (199,678)</u>	<u>\$ 626,694</u>	<u>\$ (46,438)</u>	<u>\$ 0</u>	<u>\$ 32,588</u>	<u>\$ 619,357</u>	

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

	City Capital Projects						
	Southern Connector	Tele-com munications Project	Transportation Facility	STP Bike Path	Fire Vehicle Bond	Riverside Ave. and Main Street Projects	Heating Upgrades
Revenues:							
Intergovernmental Revenue	\$ 873,195	\$ 0	\$ 48,875	\$ 1,752,959	\$ 0	\$ 0	\$ 0
Investment Income	0	1,448	0	0	6,588	0	0
Charges for Service	0	79,828	0	0	0	0	0
Other Income	482	0	0	0	0	60,825	0
Total Revenue	873,677	81,276	48,875	1,752,959	6,588	60,825	0
Expenditures:							
Construction/Purchases	0	683,420	0	2,179,255	2,116,967	0	0
Engineering and Administrative Fees	757,704	0	56,726	16,123	0	58,026	0
Legal and Miscellaneous Expenses	2,970	66,746	4,391	3,462	0	0	0
Lease Payments	0	261,216	0	0	0	0	0
Debt Service:							
Interest	3,326	4,537	2,371	5,032	0	0	8,135
Total Expenditures	764,000	1,015,919	63,488	2,203,872	2,116,967	58,026	8,135
Excess/(Deficiency) of Revenue Over Expenditures	109,677	(934,643)	(14,613)	(450,913)	(2,110,379)	2,799	(8,135)
Other Financing Sources/(Uses):							
Capital-Related Debt Issued	0	80,333	0	0	0	0	0
Operating Transfers In	18,241	27,673	0	229,729	0	19,926	39,416
Operating Transfers Out	0	0	0	0	(66,588)	0	0
Total Other Financing Sources/(Uses)	18,241	108,006	0	229,729	(66,588)	19,926	39,416
Net Changes in Fund Balance	127,918	(826,637)	(14,613)	(221,184)	(2,176,967)	22,725	31,281
Fund Balance/(Deficit) - July 1, 2003	(346,206)	(62,488)	(329,504)	(32,998)	2,261,694	(22,725)	(150,820)
Fund Balance/(Deficit) - June 30, 2004	\$ (218,288)	\$ (889,125)	\$ (344,117)	\$ (254,182)	\$ 84,727	\$ 0	\$ (119,539)

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

						School Capital Projects	
Engelsby Brook	N. Winooski Streetscape	Firehouse Center	North Street Project	Westlake and Fuel Depot Projects	Moran Project	1996 and 2003 School Capital	Total
\$ 14,637	\$ 13,312	\$ 567,184	\$ 571,617	0	0	\$ 607,251	\$ 4,449,030
4,065	0	0	0	0	0	0	12,101
0	0	0	196,245	0	0	0	276,073
1,309	0	0	0	0	0	0	102,014
<u>20,011</u>	<u>13,312</u>	<u>567,184</u>	<u>767,862</u>	<u>0</u>	<u>0</u>	<u>607,251</u>	<u>4,839,218</u>
0	0	519,569	995,337	91,469	0	945,944	7,531,961
9,658	4,477	0	13,960	615	0	0	917,289
10,353	0	0	0	0	0	0	88,703
0	0	0	0	0	0	0	261,216
<u>0</u>	<u>0</u>	<u>12,666</u>	<u>0</u>	<u>94</u>	<u>34,622</u>	<u>0</u>	<u>70,783</u>
<u>20,011</u>	<u>4,477</u>	<u>532,235</u>	<u>1,009,297</u>	<u>92,178</u>	<u>34,622</u>	<u>945,944</u>	<u>8,869,952</u>
<u>0</u>	<u>8,835</u>	<u>34,949</u>	<u>(241,435)</u>	<u>(92,178)</u>	<u>(34,622)</u>	<u>(338,693)</u>	<u>(4,030,734)</u>
0	0	0	0	0	0	0	80,333
0	890	149,742	0	0	57,836	0	646,055
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(66,588)</u>
<u>0</u>	<u>890</u>	<u>149,742</u>	<u>0</u>	<u>0</u>	<u>57,836</u>	<u>0</u>	<u>659,800</u>
0	9,725	184,691	(241,435)	(92,178)	23,214	(338,693)	(3,370,934)
<u>0</u>	<u>(9,767)</u>	<u>(626,194)</u>	<u>0</u>	<u>0</u>	<u>(494,594)</u>	<u>371,281</u>	<u>303,977</u>
<u>\$ 0</u>	<u>\$ (42)</u>	<u>\$ (441,503)</u>	<u>\$ (241,435)</u>	<u>(92,178)</u>	<u>(471,380)</u>	<u>\$ 32,588</u>	<u>\$ (3,066,957)</u>

CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2004

	Cemetery Fund	Loomis Library Fund	Lolita Deming Estate Fund	School Land Rent Fund	Westford Scholarship Fund	WEZF 93 FM DARE Fund	Total
<u>ASSETS:</u>							
Cash	\$ 655,332	\$ 10,948	\$ 10,150	\$ 3,448	\$ 3,853	\$ 1,912	\$ 685,643
Investments	200,000	0	0	7,754	0	0	207,754
Accrued Interest Receivable	2,764	0	0	0	0	0	2,764
	<u>2,764</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,764</u>
TOTAL ASSETS	<u>\$ 858,096</u>	<u>\$ 10,948</u>	<u>\$ 10,150</u>	<u>\$ 11,202</u>	<u>\$ 3,853</u>	<u>\$ 1,912</u>	<u>\$ 896,161</u>
<u>LIABILITIES AND FUND BALANCE</u>							
LIABILITIES:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>FUND BALANCE:</u>							
Reserved for Endowments	858,096	10,948	2,486	1,603	0	1,000	874,133
Reserved for Restricted Purposes	0	0	7,664	9,599	3,853	912	22,028
	<u>0</u>	<u>0</u>	<u>7,664</u>	<u>9,599</u>	<u>3,853</u>	<u>912</u>	<u>22,028</u>
Total Fund Balance	<u>858,096</u>	<u>10,948</u>	<u>10,150</u>	<u>11,202</u>	<u>3,853</u>	<u>1,912</u>	<u>896,161</u>
Total Liabilities and Fund Balance	<u>\$ 858,096</u>	<u>\$ 10,948</u>	<u>\$ 10,150</u>	<u>\$ 11,202</u>	<u>\$ 3,853</u>	<u>\$ 1,912</u>	<u>\$ 896,161</u>

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

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 PERMANENT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

	Cemetery Fund	Loomis Library Fund	Lolita Deming Estate Fund	School Land Rent Fund	Westford Scholarship Fund	WEZF 93 FM DARE Fund	Total
REVENUES:							
Investment Income	\$ 9,164	\$ 0	\$ 75	\$ 24	\$ 74	\$ 12	\$ 9,349
Sale of Endowments	<u>37,368</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,368</u>
Total Revenues	<u>46,532</u>	<u>0</u>	<u>75</u>	<u>24</u>	<u>74</u>	<u>12</u>	<u>46,717</u>
EXPENDITURES:							
Miscellaneous	<u>0</u>	<u>0</u>	<u>580</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>580</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>580</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>580</u>
Excess of Revenues Over Expenditures	<u>46,532</u>	<u>0</u>	<u>(505)</u>	<u>24</u>	<u>74</u>	<u>12</u>	<u>46,137</u>
OTHER FINANCING SOURCES/(USES):							
Transfers to Cemetery Department	(9,164)	0	0	0	0	0	(9,164)
Transfers to Library Department	<u>0</u>	<u>(73)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(73)</u>
Total Other Financing Sources/(Uses)	<u>(9,164)</u>	<u>(73)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(9,237)</u>
Net Change in Fund Balances	37,368	(73)	(505)	24	74	12	36,900
Fund Balances, July 1, 2003	<u>820,728</u>	<u>11,021</u>	<u>10,655</u>	<u>11,178</u>	<u>3,779</u>	<u>1,900</u>	<u>859,261</u>
Fund Balances, June 30, 2004	<u>\$ 858,096</u>	<u>\$ 10,948</u>	<u>\$ 10,150</u>	<u>\$ 11,202</u>	<u>\$ 3,853</u>	<u>\$ 1,912</u>	<u>\$ 896,161</u>

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

CITY OF BURLINGTON, VERMONT
 COMBINING BALANCE SHEET
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2004

	Louisa Howard Fund	Walter Carpenter Fund	Vondry Trust Fund	Raymond Tracy Estate Fund	Scholarship Trust Fund	Reed Estate Fund	Fireman's Relief Fund	Christmas Gift Fund	Total
<u>ASSETS</u>									
Cash	\$ 26,809	\$ 1,729	\$ 0	\$ 0	\$ 0	\$ 0	\$ 600	\$ 1,546	\$ 30,684
Investments	0	5,018	10,521	16,420	136,792	3,821	0	0	172,572
Interest Receivable	0	59	0	0	0	0	0	0	59
Total Assets	<u>\$ 26,809</u>	<u>\$ 6,806</u>	<u>\$ 10,521</u>	<u>\$ 16,420</u>	<u>\$ 136,792</u>	<u>\$ 3,821</u>	<u>\$ 600</u>	<u>\$ 1,546</u>	<u>\$ 203,315</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>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total 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>	<u>0</u>
FUND BALANCE									
Reserved for endowments	500	2,000	0	0	0	3,434	0	0	5,934
Reserved for restricted purposes	<u>26,309</u>	<u>4,806</u>	<u>10,521</u>	<u>16,420</u>	<u>136,792</u>	<u>387</u>	<u>600</u>	<u>1,546</u>	<u>197,381</u>
Total Fund Balance	<u>26,809</u>	<u>6,806</u>	<u>10,521</u>	<u>16,420</u>	<u>136,792</u>	<u>3,821</u>	<u>600</u>	<u>1,546</u>	<u>203,315</u>
Total Liabilities and Fund Balance	<u>\$ 26,809</u>	<u>\$ 6,806</u>	<u>\$ 10,521</u>	<u>\$ 16,420</u>	<u>\$ 136,792</u>	<u>\$ 3,821</u>	<u>\$ 600</u>	<u>\$ 1,546</u>	<u>\$ 203,315</u>

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

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN FUND BALANCES
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

	Louisa Howard Fund	Walter Carpenter Fund	Vondry Trust Fund	Raymond Tracy Estate Fund	Scholarship Trust Fund	Reed Estate Fund	Firemans Relief Fund	Christmas Gift Fund	Total
OPERATING REVENUES:									
Investment income	\$ 187	\$ 12	\$ 116	\$ 821	\$ 765	\$ 150	\$ 4	\$ 11	\$ 2,066
Total Operating Revenues	<u>187</u>	<u>12</u>	<u>116</u>	<u>821</u>	<u>765</u>	<u>150</u>	<u>4</u>	<u>11</u>	<u>2,066</u>
OPERATING EXPENSES:									
Miscellaneous	<u>0</u>	<u>92</u>	<u>0</u>	<u>0</u>	<u>1,942</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,034</u>
Total Expenses	<u>0</u>	<u>92</u>	<u>0</u>	<u>0</u>	<u>1,942</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,034</u>
Net Income	187	(80)	116	821	(1,177)	150	4	11	32
Fund Balance - July 1, 2003	<u>26,622</u>	<u>6,886</u>	<u>10,405</u>	<u>15,599</u>	<u>137,969</u>	<u>3,671</u>	<u>596</u>	<u>1,535</u>	<u>203,283</u>
Fund Balance - June 30, 2004	<u>\$ 26,809</u>	<u>\$ 6,806</u>	<u>\$ 10,521</u>	<u>\$ 16,420</u>	<u>\$ 136,792</u>	<u>\$ 3,821</u>	<u>\$ 600</u>	<u>\$ 1,546</u>	<u>\$ 203,315</u>

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