

**CITY OF BURLINGTON, VERMONT**

**AUDIT REPORT**

**JUNE 30, 2006**

CITY OF BURLINGTON, VERMONT  
 AUDIT REPORT  
 TABLE OF CONTENTS  
 JUNE 30, 2006

	<u>Page #</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-19
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	Exhibit A 20
Statement of Activities	Exhibit B 21
Fund Financial Statements:	
Balance Sheet – Governmental Funds	Exhibit C 22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	Exhibit D 23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit E 24
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and School General Fund	Exhibit F 25
Statement of Net Assets – Proprietary Funds	Exhibit G 26-27
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	Exhibit H 28
Statement of Cash Flows – Proprietary Funds	Exhibit I 29-30
Statement of Fiduciary Net Assets – Fiduciary Funds	Exhibit J 31
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	Exhibit K 32
Notes to the Financial Statements	33-92

CITY OF BURLINGTON, VERMONT  
AUDIT REPORT  
TABLE OF CONTENTS  
JUNE 30, 2006

		<u>Page #</u>
Supplementary Information:		
Combining Balance Sheet – School Fund	Schedule 1	93
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – School Fund	Schedule 2	94
Combining Balance Sheet – Other Governmental Funds	Schedule 3	95
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds	Schedule 4	96
Combining Balance Sheet – City Special Revenue Funds	Schedule 5	97
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – City Special Revenue Funds	Schedule 6	98
Combining Balance Sheet – Capital Projects Funds	Schedule 7	99
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Capital Projects Funds	Schedule 8	100
Combining Schedule of Net Assets – Other Proprietary Funds	Schedule 9	101
Combining Schedule of Revenues, Expenses and Changes in Net Assets – Other Proprietary Funds	Schedule 10	102
Combining Schedule of Cash Flows – Other Proprietary Funds	Schedule 11	103
Combining Balance Sheet – Permanent Funds	Schedule 12	104

CITY OF BURLINGTON, VERMONT  
AUDIT REPORT  
TABLE OF CONTENTS  
JUNE 30, 2006

		<u>Page #</u>
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Permanent Funds	Schedule 13	105
Combining Balance Sheet – Private Purpose Trust Funds	Schedule 14	106
Combining Schedule of Revenues, Expenses and Changes in Fund Balances – Private Purpose Trust Funds	Schedule 15	107

**Sullivan, Powers & Co.**  
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Independent Auditor's Report

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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, 2006, which collectively comprise the City of Burlington, Vermont's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Burlington, Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Department Fund which is a major fund and thirty-seven percent (37%), forty percent (40%), and fifty-seven percent (57%), respectively, of the assets, net assets and revenues of the Business-type Activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric Department Fund, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Burlington, Vermont, as of June 30, 2006, 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.

City of Burlington

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, Power & Company*

December 29, 2006  
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, 2006. 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 \$240,755,523 (total net assets). Of this amount, \$20,538,628 (unrestricted net assets) may be used by the various funds of the City to meet its ongoing obligations to its citizens and creditors.
- The City's total net assets increased significantly over what we reported last year. The very significant increase of Governmental activities was primarily due to the inclusion of the value of infrastructure, net of accumulated depreciation retroactively for additions for the period of 1980 to 2001 as required by GASB Statement # 34.
- The total net assets of a component unit of the City, the Burlington Community Development Corporation amounted to \$1,088,965, a decrease of \$55,587 for the year.

Fund Financial Statements (refer to Exhibit C and Footnote IV K.)

- As of the close of the fiscal year ending June 30, 2006, the City's governmental funds reported combined ending fund balances of \$4,164,652. This consists of a fund balance in the General Fund of \$3,126,105, in the School Fund of \$1,485,375, and a deficit of \$446,828 in all other governmental funds.
- The reserved portion of the governmental fund balance includes \$540,028 for inventories and prepaid expenses and \$3,581,924 set aside for other restricted purposes.
- Management has designated \$1,574,327 of the fund balance for various purposes. \$80,512 has been designated for recycling costs, and \$1,023,338 has been designated in the School Fund for education purposes. In addition to this, \$470,477 has been designated in the General Fund for various items pending the receipt of uncollected taxes, penalties and interest. These are discussed in detail later in this report called Financial Analysis of the Government's Funds.
- The undesignated fund balance of the General Fund component of the governmental funds had a positive ending fund balance of \$932,694, an increase of \$629,016 from the previous fiscal year. Most of this increase came from City Council action to remove the designation of \$606,570.
- The undesignated fund balance of the other governmental funds reported as a group amounted to a shortfall of (\$2,464,321), a decrease of \$603,540. This was due primarily to the timing of the receipt of state grants, federal grants, tax increments, and reimbursements for capital projects and development projects. Simply put, revenues for grants funds received 60 days or more after the end of the fiscal year are deferred and counted in the period they are received as required by GASB Statement #33.

## **Overview of the Financial Statements**

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

### **Government-wide financial statements**

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Burlington that are primarily supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Burlington include general government, safety services, public works, cultural and recreation activities, schools, traffic control and parking, the operation of an outdoor mall in the downtown area, and community and economic development. The business-type activities of the City include the operation of the Airport, the Electric Utility, Water, and Wastewater Utilities, Telecommunications including cable television, internet access, and telephone service and the food services operation and vocational educational programs administered by the School Department.

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

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

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

governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

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

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

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

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

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

### Government-Wide Financial Analysis

#### CITY OF BURLINGTON NET ASSETS (Refer to Exhibit A)

	Governmental Activities 2006	Business-Type Activities 2006	Total 2006
Current and other assets	\$ 23,726,012	\$ 88,875,374	\$ 112,601,386
Capital assets	158,066,009	198,005,114	356,071,123
<b>Total Assets</b>	<b>181,792,021</b>	<b>286,880,488</b>	<b>468,672,509</b>
Long-term liabilities outstanding	49,191,133	157,034,483	206,225,616
Other liabilities	10,087,355	11,604,015	21,691,370
<b>Total Liabilities</b>	<b>59,278,488</b>	<b>168,638,498</b>	<b>227,916,986</b>
<b>Net Assets</b>			
Investment in capital assets, net of related debt	122,740,063	63,720,629	186,460,692
Restricted	9,002,624	24,753,579	33,756,203
Unrestricted	(9,229,154)	29,767,782	20,538,628
<b>Total Net Assets</b>	<b>\$ 122,513,533</b>	<b>\$ 118,241,990</b>	<b>\$ 240,755,523</b>

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 \$240,755,523 at the close of fiscal year 2006.

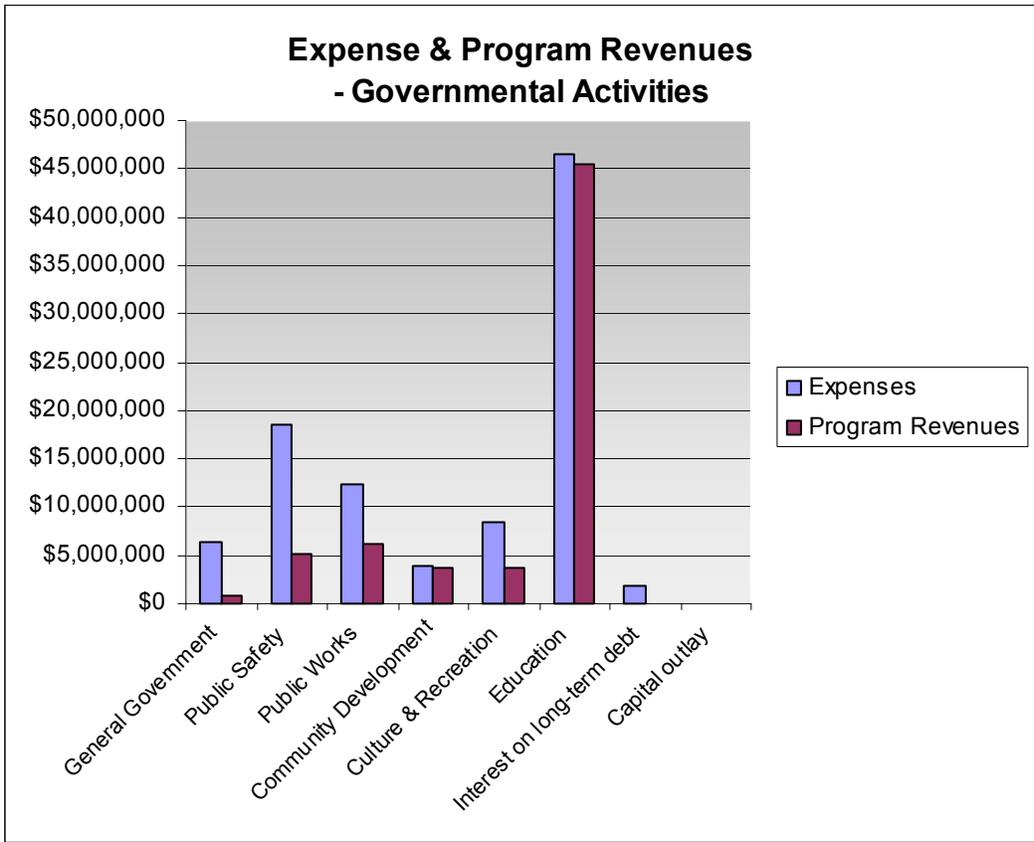
By far, the largest portion of the City's net assets (77% or \$186,460,692) reflects its investments in capital assets (e.g., land buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (14% or \$33,756,203) represents resources that are subject to external restriction as to how they may be used. The remaining balance of unrestricted net assets (9% or \$20,538,628) is to be used to meet the government's ongoing obligations to citizens and creditors. Included in unrestricted net assets are amounts that management has designated for particular purposes, such as capital reserve funds, reserves for encumbrances, and reserves for expenditures in subsequent fiscal years.

Again, at the end of fiscal year 2006, the City is able to report positive balances in two of the three categories of net assets for the governmental activities, and for all of its separate business-type activities. The governmental activities area reports a positive balance of \$122,740,063 of investments in capital assets, net of related debt and a positive balance \$9,002,624 in net assets that are subject to external restriction. However, there is a negative balance of (\$9,229,154) in the governmental activities unrestricted net assets section. This is primarily due to an increase the change in reporting of liabilities formerly reported in the general long-term debt account group such as insurance reserves, compensated absences, landfill post-closure costs, and early retirement costs in the City's School Department.

The negative unrestricted net assets from Governmental Activities includes major items such as \$2,136,000 of insurance reserves that are funded annually as incurred, about \$4,600,000 in compensated absences for the City and Schools, \$2,400,000 in debt which was not offset by a physical asset, \$2,268,000 of unfunded City obligation to the Retirement Fund known as the Net Pension Obligation, \$99,000 for outstanding landfill closure costs, and \$117,000 of school liabilities for post retirement issues.

**Governmental Activities.** The Net Assets resulting from Governmental activities amounted to \$122,513,533 at year end. The major factor contributing to this increase was the addition of capital assets, net of long-term liabilities during the fiscal year. Please refer to Exhibits D and E for a list of other changes in net assets of governmental activities.



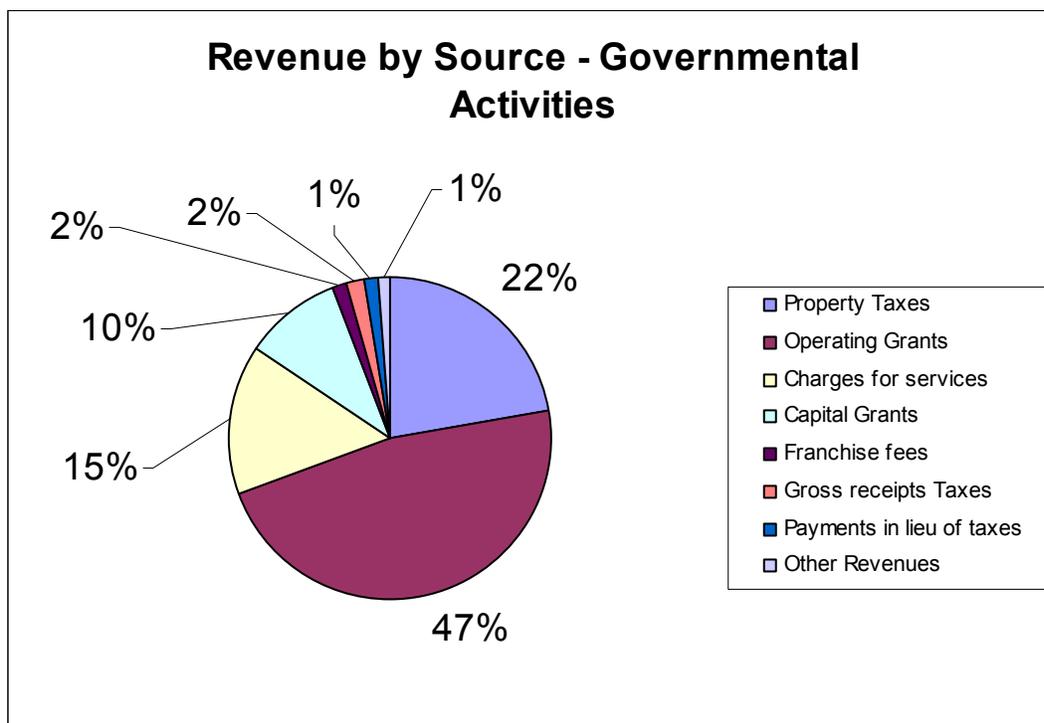
The above graph illustrates the expenses associated with the various functions of governmental activities and the revenues that are directly associated with or generated by these functions. The expenses of these functions are also funded with general revenues, such as property taxes, gross receipts taxes, 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 IN NET ASSETS

	<u>Governmental Activities 2006</u>	<u>Business-Type Activities 2006</u>	<u>Total 2006</u>
Revenues			
Program revenues			
Charges for services	\$ 15,669,314	\$ 66,150,311	\$ 81,819,625
Operating Grants and Contributions	49,568,013	270,550	49,838,563
Capital Grants and Contributions	9,999,338	13,602,254	23,601,592
General revenues			
Property Taxes	23,071,611	-	23,071,611
Rooms and Meals Taxes	1,857,916	-	1,857,916
Payments in lieu of taxes	1,480,729	-	1,480,729
Franchise Fees	1,645,501	-	1,645,501
Impact Fees	153,450	-	153,450
Interest & Penalties on Delinquent Taxes	441,482	-	441,482
Addition to Permanent Funds	30,125	-	30,125
Unrestricted Investment Earnings	539,454	1,883,993	2,423,447
Other Revenues	-	2,734,596	2,734,596
Total Revenues	<u>\$ 104,456,933</u>	<u>\$ 84,641,704</u>	<u>\$ 189,098,637</u>
Expenses			
Governmental Activities			
General Government	6,364,284	-	6,364,284
Public Safety	18,596,873	-	18,596,873
Public Works	12,417,568	-	12,417,568
Community Development	3,933,179	-	3,933,179
Culture and Recreation	8,498,631	-	8,498,631
Education	46,492,916	-	46,492,916
Interest on long-term debt	1,839,703	-	1,839,703
Capital Outlay	-	-	-
Business Type Activities			
Electric Utility	-	43,908,844	43,908,844
Airport	-	13,862,934	13,862,934
Water	-	4,412,517	4,412,517
Wastewater	-	5,391,174	5,391,174
Telecom	-	2,739,310	2,739,310
School Enterprise	-	1,797,726	1,797,726
Total Expenses	<u>98,143,154</u>	<u>72,112,505</u>	<u>170,255,659</u>
Changes in net assets before transfers	6,313,779	12,529,199	18,842,978
Transfers	<u>1,691,270</u>	<u>(1,691,270)</u>	<u>-</u>
Change in net assets	8,005,049	10,837,929	18,842,978
Net Assets - Beginning of Year	<u>114,508,484</u>	<u>107,404,061</u>	<u>221,912,545</u>
Net Assets - End of Year	<u>\$ 122,513,533</u>	<u>\$ 118,241,990</u>	<u>\$ 240,755,523</u>

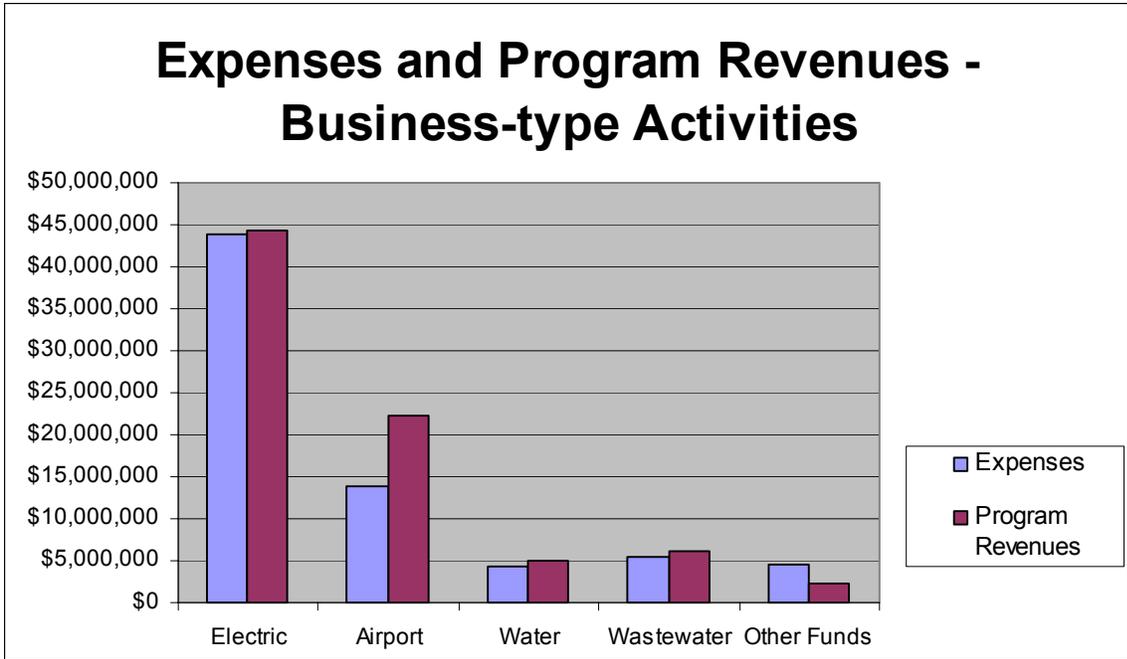
The table below shows the percentages of revenue by each type of revenue of governmental activities. The largest sources are property taxes (22% of total), operating grants (49%), and charges for services (16%).



**Business-type activities.** Net assets for business-type activities amounted to \$118,241,990. Key factors which contribute to this amount are as follows:

- Operating Income for all Business-type activities amounted to \$1,679,806. Total Operating Revenues amounted to \$66,150,311, with the major operating revenue source being charges for services at \$62,838,208. Operating Expenses amounted \$64,470,505. Burlington Electric produced operating income of \$3,423,688, but the Airport, Telecom, and Wastewater produced losses of \$917,916, \$1,727,527, and \$118,105 respectively. All other proprietary funds, consisting of Water Resources and School funds, generated an operating income of \$1,019,666. Costs at the Airport associated with the opening of a new section of the terminal, and the startup operating costs of Burlington Telecom contributed to losses in each of those funds.
- Included in the operating expenses is depreciation and amortization in the amount of \$11,152,579 for all business-type activities.
- There was a positive change in net assets for all proprietary funds except for Burlington Telecom as shown in the table below:

<u>Fund</u>	<u>Change in Net Assets</u>
Electric Utility	\$ 2,992,563
Airport	8,688,838
Telecom Fund	(\$ 1,639,689)
Wastewater	201,051
Other Proprietary Funds	595,166
Total	<u>\$10,837,929</u>



Program revenues for business-type activities amounted to \$80,023,115 for the year. A large share (83%) of the program revenues for business-type activities comes from charges for services. \$13,602,254 comes from capital grants and contributions for activities at the Airport. The remainder of the program revenues consists of operating grants for the Airport.

**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 \$4,164,652 a decrease of \$4,869,879 or 53.9% from the previous fiscal year. Much of the decrease is due to the draw down of capital project funds for the Lakeview Garage, College Street Garage, and Westlake Development projects.
- The City has designated \$1,574,327 of the fund balance for various purposes. \$80,512 has been designated for recycling costs, and \$1,023,338 has been designated in the School Fund for education purposes. These include Gosse Court/Leddy Park Capital Funds of \$278,878, Debt service Tax of \$11,263, Conservation Legacy Tax of \$155,068, Tax Increments for Lakeview Garage and the South End Transit center of \$246,828 and \$135,364, Employee benefits and Insurance reserve of \$423,311 and \$290,303 and several other amounting to \$159,990. These funds become available for use upon the collection of \$1,230,528 of property taxes in FY 2007.
- The reserved portion of the governmental fund balance includes \$540,028 for inventories and prepaid expenditures and \$3,581,924 set aside for other restricted purposes such as capital and grant-funded projects. The undesignated, unreserved fund balance of all governmental funds amounts to \$42,700. The General Fund balance component had a positive undesignated fund balance of \$932,694, an increase of 307% from the previous fiscal year. This is 2.1% of expenditures, which, while improved from last year, leaves the City with limited flexibility to deal with contingencies.
- The undesignated balance in the other governmental funds reported as a group amounted to (\$2,464,321). 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 \$3,126,105, an increase of \$342,654 or 12.3% during this reporting period. Reasons for this increase are further discussed in the budgetary highlights of this discussion.

The School's Fund balance increased this year to \$1,485,375 from \$818,739 in the prior year. The financial activities for the FY 2006 fiscal year resulted in a positive ending fund balance for the School General Fund of \$1,049,033 which included a net ending fund balance increase of \$478,987 based upon the results of current operations. Total budgetary revenues are \$36,515,191 versus an adopted budget of \$35,544,729 which resulted in a positive revenue variance of \$970,462 or 2.65%. The positive revenue variance was primarily due to an increase in special education intensive and extraordinary reimbursement revenues from the state based upon actual special education costs, increased student tuition, and an increase in the payment in lieu of taxes revenue sources. Total expenditures increased over the adopted budget of \$35,844,729 by \$191,475 to \$36,036,204, which resulted in increased spending of 0.53% in various functional areas in the budget. The beginning fund balance for the year was \$570,046 and the ending fund balance with the additional \$478,987 from operations is \$1,049,033.

**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 \$46,899,259, those for the Airport fund amounted to \$53,395,384, those for Wastewater fund amounted to \$12,645,259, those for the School Enterprise Funds amounted to \$534,835, those for Water Resources were \$8,547,503 and those for the Telecom Fund amounted to a deficit of \$3,780,250. The Telecom deficit is due to costs associated with the startup and operation of the municipal network which are not capitalized. Costs associated with Phase III, the City-wide service for Cable television, internet, and telephone service for the citizens within Burlington which began in FY 2005 will be offset as customers come on line and purchase these services in the periods to follow. The first customers came on line in February, 2006. The net assets of the Electric Utility Fund increased by \$2,992,563, the Airport by \$8,688,838, Water Resources by \$476,787, Wastewater by \$201,051, and the School Enterprise Funds by \$118,379. The Airport increase is again due to construction projects and the Water is due to a reduction in debt service expense. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

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

- FY 2006 revenues were generally consistent with the amounts anticipated in the budget and there were several sources that were particularly sound this year. Building trades permits again exceeded expectations and produced \$214,876 more revenue than anticipated. Payments in lieu of taxes, Gross Receipts Taxes, and Fire Department ambulance and fire alarm fees also exceeded expectations.
- Several revenue sources failed to meet expectations. The most significant was property taxes which were short by \$359,230 due to a downshift in the assessed value of the Grand List for appeals settled under reappraisal. The State Pilot payment which came in at \$56,726 under the anticipated amount. Planning & Zoning permits were \$271,162 less than anticipated due to the timing of a large receipt for development at the University of Vermont. Franchise fees fell short by \$54,500, primarily due to the closing of a factory on Pine Street.
- There were other one-time revenues collected which are to be used for specific purposes. The City issued a \$1,000,000 general obligation bond for small capital and working capital bonds. In addition, there were \$615,566 of capital lease proceeds for the purchase of safety service vehicles, trucks and snow plows for street maintenance, and funds to upgrade the City's accounting system.

- Expenditures were generally within budget for the year. The only Department which deviated significantly from budget was the Police Department which exceeded its budget net of revenues over expenditures by about \$133,200. The performance of the Parks & Recreation Department, which finished well over the authorized limit in FY 2005, came in very close to budget in FY 2006. This was as the result of a concerted effort by the department to control its costs.
- City-wide health benefits costs came in well within the budget limit of \$6,000,000 at \$5,634,802. This did represent a \$512,233 increase over FY 2005 but this increase had been anticipated in the budget.

### **Fiduciary Funds.**

The net assets of the Retirement Fund increased by \$7,899,351, due mainly to an increase in value of the investments in the pension portfolio which now stands at \$108,661,946. This is still down somewhat from its peak year-end value of \$116,125,927 at June 30, 2000. At June 30, 2005, the actuarial value of accrued liabilities in the system exceeded the actuarial value of assets by \$23,609,123 which represents an unfunded liability in the system. The City recorded a Net Pension Obligations of \$1,596,290 in FY 2005 and \$756,403 in FY 2006. This calculation was positively affected by a change in the ongoing inflation assumption changed by the Retirement Board from 4% to 3% as recommended by the actuary. The Mayor and City Council have authorized a citizens task force to analyze the City's pension system in FY 2007. The City budgeted contributions to the Retirement matched the actuary's recommendations in FY 2007. This means that no further net pension obligation is projected for FY 2007. Please refer to the audit footnotes in the Financial Statement for additional information regarding this issue.

### **Capital Assets and Debt Administration**

**Capital assets.** The City of Burlington's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounted to \$356,071,123 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, water and wastewater distribution systems, electric generating and transmissions capital assets and land, land improvements and buildings. For the first time this year, infrastructure improvements were included for the period of 1980 – 2001 as required by GASB 34. This is disclosed in the footnote section of the financial statements.

In the governmental area, the total amounted to \$158,066,009 and the capital assets of the City's business-type activities netted to \$198,005,114.

Expenditures in the Capital Projects funds were as follows:

<u>Project</u>	<u>Amount Expended</u>
Southern Connector	\$ 487,949
Transit Centers	100,396
Fuel Depot	10,902
Bike Path	10,347
Fire Vehicle	77,792
Riverside Avenue	420,578
Moran Building/Heating Upgrades	36,139
Engelsby Brook Cleanup	1,111,325
Winooski Streetscape	22,138
Firehouse Center	9,125
North Street Project	360,427
Lakeview Garage, College St. Garage & Westlake Projects	5,551,544
School Board Capital projects	<u>1,914,058</u>
Total	<u>\$ 10,112,720</u>

- Equipment purchased via capital lease included the following items:

Police Department – Seven Police Vehicles and radio equipment at a cost of \$191,116.

Department of Public Works - Heavy Equipment for the Street Division at a cost of \$244,450.

Clerk & Treasurer’s Office – Software upgrade for central accounting system in the amount of \$180,000.

- General Street and sidewalk repaving and reconstruction, including curbs, catch basins and median upgrades in the amount of \$1,778,846 funded primarily with the dedicated Street property tax.

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

	<u>Governmental Activities</u>		<u>Busines-type Activities</u>		<u>Totals</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 15,540,526	\$ 16,414,726	\$ 18,827,405	\$ 17,089,448	\$ 34,367,931	\$ 33,504,174
Construction in Progress	38,403,669	34,227,377	9,634,369	3,519,733	48,038,038	37,747,110
Antiques and Works of Art	52,000	52,000	-	-	52,000	52,000
Land Improvements	1,889,844	1,889,844	28,266,920	30,312,247	30,156,764	32,202,091
Buildings and Building Improvements	59,879,967	53,872,503	64,998,645	63,827,548	124,878,612	117,700,051
Vehicles, Machinery, Equipment and Furniture	19,330,876	17,546,319	17,563,948	16,977,893	36,894,824	34,524,212
Book Collections	3,092,542	2,923,747	-	-	3,092,542	2,923,747
Infrastructure *	81,598,958	76,109,881	-	-	81,598,958	76,109,881
Distributions and Collections Systems	-	-	193,922,981	178,732,993	193,922,981	178,732,993
Total Assets	<u>\$ 219,788,382</u>	<u>\$ 203,036,397</u>	<u>\$ 333,214,268</u>	<u>\$ 310,459,862</u>	<u>\$ 553,002,650</u>	<u>\$ 513,496,259</u>

\* Infrastructure for the period of 1980 through 2001 was added to the balances in FY 2005 in this audit period.

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

**Long-term debt.** At the end of the current year, the City of Burlington had total bonds, notes, and capital leases payable of \$213,559,176. Of this, \$39,947,802 applies to governmental activities and \$173,611,374 (prior to unamortized premiums, discounts, and deferred loss on refunding) applies to business-type activities. The table below presents the components of this category for the current and past fiscal years:

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	\$ 15,980,000	\$ 16,756,466	\$ 28,157,730	\$ 27,594,345	\$ 44,137,730	\$ 44,350,811
Revenue Bonds	-	-	122,760,000	130,130,000	122,760,000	130,130,000
Bond/Revenue Anticipation & Notes Payable	21,311,544	24,120,456	-	900,000	21,311,544	25,020,456
Obligations Under Capital Leases	2,656,258	2,802,862	22,693,644	13,080,559	25,349,902	15,883,421
Totals	\$ 39,947,802	\$ 43,679,784	\$ 173,611,374	\$ 171,704,904	\$ 213,559,176	\$ 215,384,688

The City's total bonds, notes, and capital leases decreased by \$1,825,512 during the year. General obligation bonds outstanding had a net decrease of \$213,081 to 44,137,730. There were several new General Obligation bonds issued including a \$1,000,000 small capital and working capital bond for the City, a \$750,000 small capital and working capital bond for the Schools, and a \$1,000,000 General Obligation Bond for Burlington Electric. The predominant use of the City funds was \$250,000 to repair and upgrade the Gosse Court Armory and the Leddy Park Arena, \$50,000 for the Zoning Ordinance Rewrite program, \$75,000 for repair of the Firehouse Roof repair \$200,000 for various other projects. Moody's Investor Services provides a bond rating each time a bond issue is offered to the investing public. The City's Aa3 rating was reconfirmed in September, 2006.

There were no new revenue bonds issued during the year. However, the outstanding amount of revenue bonds decreased by \$7,370,000 to \$122,760,000 for repayments of principal.

The balances due for the various revenue bonds at June 30, 2006 (exclusive of unamortized discounts, premiums, and deferred losses on refunding) were as follows:

Electric Department	\$ 66,785,000
Water Resources	8,060,000
Airport	47,915,000
Total Revenue Bonds	<u>\$122,760,000</u>

Annually, the City issues a master lease that combines the needs of the various departments into one borrowing. This year's lease amounted to \$615,566 and funded some heavy equipment for public works, seven Police vehicles, and a computer upgrade for the Clerk & Treasurer's office.

There was a significant addition to the lease dealing with the City's telecommunication project. An additional \$10,000,000 lease was entered into with Koch Financial to provide additional financing for a City-wide network to bring cable television, telephone service, and internet access to Burlington. This continues the part of the project known as Phase III.

The City issued \$12,950,000 in tax anticipation notes during the year, all of which were paid in full by June 30, 2006. The City also paid back a bond anticipation note for \$125,000 in August, 2005.

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

### **Economic Factors and Next Year's Budgets and Rates**

Listed below are some of the factors that were factored in formulating the budget for fiscal year 2007:

- The City, at the direction of the State of Vermont, undertook a City-wide reappraisal of all City properties in FY 2005, effective in the FY 2006 fiscal year. While it was estimated that the municipal Grand List would grow to \$3,590,844,000, it actually increased to about \$3,522,000,000. This necessitated a small tax increase in the revenue neutral tax rates.
- The City Tax Rate increased by 4 cents to 67 cents per hundred dollars of value. Most of this increase (4.05 cents) is being used to fully fund the Employee retirement fund.
- Once again, wage increases are a major driver of the City's overall FY 07 Budget as \$700,000 has been set aside for this purpose. The contracts of both the AFSCME and Police Unions were settled during FY 2006 and negotiations with the Fire and Electrical Worker's Unions are ongoing.
- Employee Benefit costs are level funded for FY 2007 as the City ended its FY 2006 year at about 5% lower than anticipated in the budget.

### **2007 City Budget**

The City of Burlington approved a General Fund budget for fiscal year 2007 in the amount of \$45,159,484. The decrease in the budget is caused by a change in the budgeting methodology of the employee health, dental, life and workers compensation benefits. The fall of 2005, Mayor Clavelle advised citizens that Burlington faced a shortfall for the FY 2007 budget unless the City generated a significant new source of revenue. In response to this problem, The Mayor and City Council proposed the adoption of a 1% Sales and Use tax for the City which was approved by the voters in March 2006.

In January 2006, the City Council also created a "Super Committee" to study the City's financial needs and problems. The Committee recommendations were adopted by the City Council and include the following policy goals for future budgets:

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

The budget for FY 2007 provided for full funding of the annual contribution to the Retirement System. With the implementation of the Sales and Use Tax, half the projected new revenue was set aside to strengthen the City's reserves. The revenue neutral tax rates were increased slightly to reflect the loss in value resulting from appeals stemming from reappraisal. The changes in the tax rates are shown in the table below:

Tax Rate Item	FY06 Tax Rate per \$100	FY07 Approved Tax Rate	Change
Revenue Neutral Rates:			
General City	0.2277	0.2329	0.0052
Police/Fire	0.0789	0.0807	0.0018
Housing Trust	0.0053	0.0054	0.0001
Open Space	0.0053	0.0054	0.0001
Streets	0.0408	0.0417	0.0009
Fixed Rates:			
Parks	0.0250	0.0250	0.0000
Highway	0.0312	0.0312	0.0000
Library	0.0050	0.0050	0.0000
Budget Driven Rates:			
CCTA	0.0299	0.0335	0.0036
County Tax	0.0040	0.0051	0.0011
Retirement	0.1086	0.1491	0.0405
Debt Service	<u>0.0683</u>	<u>0.0551</u>	<u>-0.0132</u>
Total	1.0566	0.6300	-0.4266

## **2007 School Budget**

The budgeting process for FY 2007 led to the adoption of a budget of \$38,113,325 which represents an increase of \$2,568,596 or 7.23% over the FY 2006 budget. The revenue budget includes a \$200,000 fund balance carry forward from the prior year. The same level of services are being provided for in the FY 2007 budget and also includes additional funding to cover some of the reductions in federal grant appropriations. The actual homestead tax rate changed from \$0.9295 in FY 2006 to \$0.9920 in FY 2007 or a 6.25 cent increase over the previous year. The income cap percentage for education property tax if eligible changed from 2.09% in FY 2006 to 2.08% in FY 2007 or a decrease of 0.01%. The district spending adjustment which is a key factor in determining the property tax rate increased slightly from 115.442% in FY 2006 to 115.851% in FY 2007 and is the amount per equalized pupil percentage spending over the state wide base education rate for education of \$6,975 in FY 2006 and \$7,330 in FY 2007.

## **2007 Budget for Utility Funds**

The Water and Wastewater Utility rates were constant in 2006. Effective on April 1, 2006, the Electric Department rates were increased by 22.3%, primarily to cover the increased costs of purchased power and overhead. There were no other significant increases in charges and fees this year. A budget has been included in FY 2007 for the operation of Burlington Telecom. The budget provides for operating costs of the municipal network as well as the build up and initial operation of the cable, telephone and internet services to customers in Burlington. Further information regarding the budget and operations for Burlington Electric can be found in the Management's Discussion and Analysis section of the Department's separate audit report. Questions concerning any information of the Electric Department may be directed to Daryl J. Santerre, Chief Financial Officer at 585 Pine Street, Burlington, Vermont , 05401.

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

CITY OF BURLINGTON, VERMONT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Burlington Community Development Corporation
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 7,534,284	\$ 489,110	\$ 8,023,394	\$ (537,498)
Investments	1,066,451	20,000	1,086,451	0
Receivables (Net of Allowance for Uncollectibles):	7,905,868	14,184,991	22,090,859	94,042
Notes and Loans Receivable	3,296,957	1,860,000	5,156,957	1,411,184
Accrued Interest Receivable	413,564	0	413,564	8,203
Estimated Unbilled Revenues	0	2,871,274	2,871,274	0
Inventories	420,700	4,394,470	4,815,170	0
Other Current Assets	753,435	341,872	1,095,307	0
Interfund Loans Receivable/Payable	(492,773)	492,773	0	0
Due from Component Unit	1,914,000	1,400,000	3,314,000	0
Restricted Cash and Investments	0	37,916,542	37,916,542	0
Investments in Associated Companies	0	2,828,546	2,828,546	0
Assets Held for Resale	615,076	0	615,076	1,180,391
Other Long-Term Assets, Net of Accumulated Amortization	298,450	22,075,796	22,374,246	0
Capital Assets				
Land	15,540,526	18,827,405	34,367,931	1,035,249
Construction in Progress	38,403,669	9,634,369	48,038,038	815,967
Antiques and Works of Art	52,000	0	52,000	0
Other Capital Assets, (Net of Accumulated Depreciation)	104,069,814	169,543,340	273,613,154	6,544,803
<b>Total Assets</b>	<b>181,792,021</b>	<b>286,880,488</b>	<b>468,672,509</b>	<b>10,552,341</b>
<u>LIABILITIES</u>				
Accounts Payable	4,388,767	6,992,872	11,381,639	95,192
Accrued Payroll and Benefits Payable	4,324,744	167,416	4,492,160	0
Due to Fiduciary Funds	7,366	6,679	14,045	0
Accrued Interest Payable	246,384	1,420,889	1,667,273	8,203
Deferred Revenue	1,120,094	26,695	1,146,789	0
Payable from Restricted Assets	0	2,989,464	2,989,464	0
Due to Primary Government	0	0	0	3,314,000
Noncurrent Liabilities:				
Due within One Year	5,834,145	9,983,236	15,817,381	196,011
Due in More than One Year	43,356,988	147,051,247	190,408,235	5,849,970
<b>Total Liabilities</b>	<b>59,278,488</b>	<b>168,638,498</b>	<b>227,916,986</b>	<b>9,463,376</b>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	122,740,063	63,720,629	186,460,692	1,612,985
Restricted for:				
Traffic	713,145	0	713,145	0
Community Development	5,580,141	0	5,580,141	0
Perpetual Care	924,921	0	924,921	0
Debt Service/Renewal and Replacements	0	24,753,579	24,753,579	0
Other Purposes	1,784,417	0	1,784,417	0
Unrestricted/(Deficit):	(9,229,154)	29,767,782	20,538,628	(524,020)
<b>Total Net Assets</b>	<b>\$ 122,513,533</b>	<b>\$ 118,241,990</b>	<b>\$ 240,755,523</b>	<b>\$ 1,088,965</b>

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

CITY OF BURLINGTON, VERMONT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit B

	Net (Expense) Revenue and Changes in Net Assets							Component Unit Burlington Community Development Corporation
	Program Revenues				Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Functions/Programs</b>								
Primary Government:								
Governmental Activities:								
General Government	\$ 6,364,284	\$ 890,415	\$ 164,441	\$ 0	\$ (5,309,428)	\$ 0	\$ (5,309,428)	\$ 0
Public Safety	18,596,873	4,632,718	494,092	0	(13,470,063)	0	(13,470,063)	0
Public Works	12,417,568	4,829,310	1,361,017	0	(6,227,241)	0	(6,227,241)	0
Community Development	3,933,179	263,581	3,366,797	0	(302,801)	0	(302,801)	0
Culture and Recreation	8,498,631	3,098,645	676,871	0	(4,723,115)	0	(4,723,115)	0
Education	46,492,916	1,950,618	43,504,795	0	(1,037,503)	0	(1,037,503)	0
Interest on Long-Term Debt	1,839,703	0	0	0	(1,839,703)	0	(1,839,703)	0
Capital Outlay	0	4,027	0	9,999,338	10,003,365	0	10,003,365	0
<b>Total Governmental Activities</b>	<b>98,143,154</b>	<b>15,669,314</b>	<b>49,568,013</b>	<b>9,999,338</b>	<b>(22,906,489)</b>	<b>0</b>	<b>(22,906,489)</b>	<b>0</b>
Business-Type Activities:								
Electric	43,908,844	43,098,455	0	1,206,891	0	396,502	396,502	0
Airport	13,862,934	10,215,673	270,550	11,695,106	0	8,318,395	8,318,395	0
Water	4,412,517	5,064,550	0	0	0	652,033	652,033	0
Wastewater	5,391,174	5,546,532	0	700,257	0	855,615	855,615	0
Telecom	2,739,310	308,996	0	0	0	(2,430,314)	(2,430,314)	0
School	1,797,726	1,916,105	0	0	0	118,379	118,379	0
<b>Total Business-Type Activities</b>	<b>72,112,505</b>	<b>66,150,311</b>	<b>270,550</b>	<b>13,602,254</b>	<b>0</b>	<b>7,910,610</b>	<b>7,910,610</b>	<b>0</b>
<b>Total Primary Government</b>	<b>\$ 170,255,659</b>	<b>\$ 81,819,625</b>	<b>\$ 49,838,563</b>	<b>\$ 23,601,592</b>	<b>(22,906,489)</b>	<b>7,910,610</b>	<b>(14,995,879)</b>	<b>0</b>
Component Unit:								
Burlington Community Development Corporation	\$ 381,088	\$ 241,936	\$ 83,060	\$ 0	0	0	0	(56,092)
General Revenues:								
Property Taxes					23,071,611	0	23,071,611	0
Gross Receipts Taxes					1,857,916	0	1,857,916	0
Payment in Lieu of Taxes					1,480,729	0	1,480,729	0
Franchise Fees					1,645,501	0	1,645,501	0
Impact Fees					153,450	0	153,450	0
Interest and Penalties on Delinquent Taxes					441,482	0	441,482	0
Addition to Permanent Funds					30,125	0	30,125	0
Unrestricted Investment Earnings					539,454	1,883,993	2,423,447	505
Other Revenues					0	2,734,596	2,734,596	0
Transfers					1,691,270	(1,691,270)	0	0
<b>Total General Revenues and Transfers</b>					<b>30,911,538</b>	<b>2,927,319</b>	<b>33,838,857</b>	<b>505</b>
<b>Change in Net Assets</b>					<b>8,005,049</b>	<b>10,837,929</b>	<b>18,842,978</b>	<b>(55,587)</b>
Net Assets, July 1, 2005, As Restated					114,508,484	107,404,061	221,912,545	1,144,552
<b>Net Assets, June 30, 2006</b>					<b>\$ 122,513,533</b>	<b>\$ 118,241,990</b>	<b>\$ 240,755,523</b>	<b>\$ 1,088,965</b>

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

CITY OF BURLINGTON, VERMONT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 2,289,461	\$ 6,172,067	\$ (927,244)	\$ 7,534,284
Investments	189,857	47,040	829,554	1,066,451
Receivables (Net of Allowance for Uncollectibles)	4,417,747	555,951	2,932,170	7,905,868
Loans Receivable	0	0	3,296,957	3,296,957
Accrued Interest Receivable	0	0	413,564	413,564
Inventories	254,859	0	165,841	420,700
Due From Component Unit	0	0	1,914,000	1,914,000
Land Held for Resale	0	0	615,076	615,076
Other Current Assets	<u>683,673</u>	<u>66,594</u>	<u>3,168</u>	<u>753,435</u>
Total Assets	<u>\$ 7,835,597</u>	<u>\$ 6,841,652</u>	<u>\$ 9,243,086</u>	<u>\$ 23,920,335</u>
<u>LIABILITIES</u>				
Liabilities:				
Accounts Payable	1,564,513	407,462	2,416,792	4,388,767
Accrued Payroll and Benefits Payable	404,993	3,869,864	49,887	4,324,744
Due to Other Funds	291	0	7,075	7,366
Interfund Loans Payable	0	0	492,773	492,773
Deferred Revenue	2,405,695	1,078,951	6,723,387	10,208,033
Insurance Reserves - Funded	<u>334,000</u>	<u>0</u>	<u>0</u>	<u>334,000</u>
Total Liabilities	<u>4,709,492</u>	<u>5,356,277</u>	<u>9,689,914</u>	<u>19,755,683</u>
Fund Balances/(Deficit):				
Reserved for				
Inventories and Prepaid Expenses	304,825	66,594	168,609	540,028
Other Purposes	1,337,597	395,443	1,848,884	3,581,924
Unreserved, Reported In				
General Fund	1,483,683	0	0	1,483,683
Special Revenue Funds	0	1,023,338	134,531	1,157,869
Capital Project Funds	<u>0</u>	<u>0</u>	<u>(2,598,852)</u>	<u>(2,598,852)</u>
Total Fund Balances/(Deficit)	<u>3,126,105</u>	<u>1,485,375</u>	<u>(446,828)</u>	4,164,652
Total Liabilities and Fund Balances	<u>\$ 7,835,597</u>	<u>\$ 6,841,652</u>	<u>\$ 9,243,086</u>	

Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and, Therefore, are not Reported in the Funds. 158,066,009

Other Long-Term Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are not Recognized in the Funds. 9,386,389

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. (49,103,517)

Net Assets of Governmental Activities \$ 122,513,533

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, 2006

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 25,041,372	\$ 0	\$ 0	\$ 25,041,372
Payments in Lieu of Taxes	1,943,504	1,194,567	0	3,138,071
Intergovernmental Revenues	3,311,387	43,936,783	6,386,022	53,634,192
Charges for Services	6,402,317	1,636,611	3,584,077	11,623,005
Fines and Forfeits	1,939,422	0	0	1,939,422
Licenses and Permits	3,990,689	0	581,233	4,571,922
Loan Repayments	0	0	304,314	304,314
Investment Income	122,108	160,710	249,764	532,582
Other Revenue	905,625	314,007	161,894	1,381,526
<b>Total Revenues</b>	<b>43,656,424</b>	<b>47,242,678</b>	<b>11,267,304</b>	<b>102,166,406</b>
<b>EXPENDITURES:</b>				
General Government	5,936,552	0	0	5,936,552
Public Safety	18,525,129	0	7,701	18,532,830
Public Works	3,377,100	0	5,526,335	8,903,435
Community Development	153,289	0	4,449,833	4,603,122
Culture & Recreation	7,169,928	0	0	7,169,928
Education	0	45,271,438	0	45,271,438
Capital Outlay	3,911,579	405,933	8,104,667	12,422,179
Debt Service -				
Bond and Note Principal Retirement	2,632,338	679,133	1,949,647	5,261,118
Lease Principal Retirement	724,353	0	37,817	762,170
Interest Charges	1,169,133	219,538	444,299	1,832,970
Bond Issue Costs	20,693	0	17,577	38,270
<b>Total Expenditures</b>	<b>43,620,094</b>	<b>46,576,042</b>	<b>20,537,876</b>	<b>110,734,012</b>
Excess/(Deficiency) of Revenues Over Expenditures	36,330	666,636	(9,270,572)	(8,567,606)
<b>OTHER FINANCING SOURCES/(USES):</b>				
Transfers In	99,854	0	971,257	1,071,111
Transfers Out	(1,346,257)	0	(129,854)	(1,476,111)
Proceeds from Sale of Capital Assets	4,250	0	1,800,000	1,804,250
Proceeds of Long-Term Debt	1,541,306	0	750,000	2,291,306
Net Premium/(Discount) on Debt	7,171	0	0	7,171
<b>Total Other Financing Sources</b>	<b>306,324</b>	<b>0</b>	<b>3,391,403</b>	<b>3,697,727</b>
Net Change in Fund Balances	342,654	666,636	(5,879,169)	(4,869,879)
Fund Balances, July 1, 2005	2,783,451	818,739	5,432,341	9,034,531
Fund Balances/(Deficit), June 30, 2006	\$ 3,126,105	\$ 1,485,375	\$ (446,828)	\$ 4,164,652

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, 2006

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)	\$ (4,869,879)
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.	13,413,573
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 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	(1,868,473)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(742,632)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, Governmental Funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount, is the net effect of these differences in the treatment of long-term debt and related items.	3,731,982
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.	<u>(1,659,522)</u>
Change in net assets of governmental activities (Exhibit B)	<u><u>\$ 8,005,049</u></u>

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

CITY OF BURLINGTON, VERMONT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
GENERAL FUND AND SCHOOL GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund				School "General Fund"		
	Budget		Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
	Original	Final					
<b>Revenues:</b>							
Taxes and Special Assessments	\$ 25,240,550	\$ 25,240,550	\$ 25,041,372	\$ (199,178)	\$ 0	\$ 0	\$ 0
Payments in Lieu of Taxes	1,078,580	1,078,580	1,194,567	115,987	1,100,000	1,194,567	94,567
Permits and Licenses	4,077,330	4,077,330	3,990,689	(86,641)	0	0	0
Intergovernmental Revenues	1,477,120	3,219,892	2,709,620	(510,272)	33,336,196	33,889,326	553,130
Charges for Services	5,838,900	5,881,150	6,271,039	389,889	797,125	957,256	160,131
Fines and Forfeits	1,309,500	1,309,500	1,553,759	244,259	0	0	0
Investment Income	5,000	5,000	122,108	117,108	40,000	160,035	120,035
Miscellaneous Revenues	2,284,040	2,858,157	3,174,379	316,222	271,408	314,007	42,599
<b>Total Revenues</b>	<b>41,311,020</b>	<b>43,670,159</b>	<b>44,057,533</b>	<b>387,374</b>	<b>35,544,729</b>	<b>36,515,191</b>	<b>970,462</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General Administration	14,596,420	13,959,689	13,245,103	714,586	0	0	0
Safety Services	13,248,560	16,076,287	16,149,978	(73,691)	0	0	0
Public Works	1,986,260	5,508,447	6,100,608	(592,161)	0	0	0
Cultural and Recreation	5,517,960	6,014,385	6,045,262	(30,877)	0	0	0
Education	0	0	0	0	35,844,729	36,036,204	(191,475)
Debt Service	2,450,000	2,450,000	2,435,675	14,325	0	0	0
Capital Outlay	4,060,850	4,600,565	4,208,497	392,068	0	0	0
<b>Total Expenditures</b>	<b>41,860,050</b>	<b>48,609,373</b>	<b>48,185,123</b>	<b>424,250</b>	<b>35,844,729</b>	<b>36,036,204</b>	<b>(191,475)</b>
Excess/(Deficiency) of Revenues Over Expenditures	(549,030)	(4,939,214)	(4,127,590)	811,624	(300,000)	478,987	778,987
<b>Other Financing Sources/(Uses):</b>							
Proceeds of Long-Term Debt	1,000,000	1,000,000	875,000	(125,000)	0	0	0
Transfers In	4,445,400	8,143,610	8,551,154	407,544	0	0	0
Transfers Out	(4,896,370)	(4,853,720)	(4,955,910)	(102,190)	0	0	0
<b>Total Other Financing Sources/(Uses)</b>	<b>549,030</b>	<b>4,289,890</b>	<b>4,470,244</b>	<b>180,354</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>\$ 0</b>	<b>\$ (649,324)</b>	<b>\$ 342,654</b>	<b>\$ 991,978</b>	<b>\$ (300,000)</b>	<b>\$ 478,987</b>	<b>\$ 778,987</b>

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

CITY OF BURLINGTON, VERMONT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006

	Electric Utility Fund	Airport Fund	Telecom Fund	Wastewater Fund	Other Proprietary Funds	Total
<b>ASSETS</b>						
Current Assets:						
Cash	\$ 1,889,362	\$ 4,802,073	\$ (4,468,176)	\$ (2,420,777)	\$ 686,628	\$ 489,110
Investments	0	20,000	0	0	0	20,000
Restricted Cash and Investments	1,777,395	1,015,279	0	0	1,191,790	3,984,464
Receivables (Net of Allowance for Uncollectible Accounts)	4,420,668	8,610,044	80,086	518,966	555,227	14,184,991
Notes Receivable - Current Due From Burlington Community Development Corporation - Current	60,000	0	0	0	0	60,000
Interfund Receivables - Current	65,757	0	0	0	0	65,757
Estimated Unbilled Revenues	1,826,613	324,680	12,471	372,185	335,325	2,871,274
Inventories	3,828,184	312,152	0	103,732	150,402	4,394,470
Other Current Assets	327,176	0	9,940	626	4,130	341,872
<b>Total Current Assets</b>	<b>14,195,155</b>	<b>15,136,110</b>	<b>(4,365,679)</b>	<b>(1,425,268)</b>	<b>2,923,502</b>	<b>26,463,820</b>
Noncurrent Assets:						
Restricted Cash and Investments Due From Burlington Community Development Corporation	17,917,097	3,903,953	11,951,028	0	160,000	33,932,078
Notes Receivable - Long Term	0	1,348,118	0	0	0	1,348,118
Interfund Receivables - Long Term	1,800,000	0	0	0	0	1,800,000
Investment in Associated Companies	447,732	0	0	0	0	447,732
Other Long Term-Assets, Net of Accumulated Amortization	2,828,546	0	0	0	0	2,828,546
Capital Assets	20,234,639	1,575,840	147,713	0	117,604	22,075,796
Land	653,074	17,117,329	157,800	847,952	51,250	18,827,405
Construction in Progress	979,714	7,508,848	1,145,807	0	0	9,634,369
Land Improvements	0	28,266,920	0	0	0	28,266,920
Buildings and Building Improvements	0	62,741,623	2,257,022	0	0	64,998,645
Vehicles, Machinery and Equipment	0	4,295,897	327,868	11,584,509	1,355,674	17,563,948
Production, General and Other Plant	56,092,034	0	0	0	0	56,092,034
Transmission and Distribution Plant	47,775,628	0	9,709,208	46,923,329	33,422,782	137,830,947
Less Accumulated Depreciation	(57,135,503)	(37,110,549)	(773,467)	(19,760,567)	(20,429,068)	(135,209,154)
<b>Total Noncurrent Assets</b>	<b>91,592,961</b>	<b>89,647,979</b>	<b>24,922,979</b>	<b>39,595,223</b>	<b>14,678,242</b>	<b>260,437,384</b>
<b>Total Assets</b>	<b>\$ 105,788,116</b>	<b>\$ 104,784,089</b>	<b>\$ 20,557,300</b>	<b>\$ 38,169,955</b>	<b>\$ 17,601,744</b>	<b>\$ 286,901,204</b>

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

CITY OF BURLINGTON, VERMONT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2006

	Electric Utility Fund	Airport Fund	Telecom Fund	Wastewater Fund	Other Proprietary Funds	Total
<u>LIABILITIES</u>						
Current Liabilities:						
Accounts and Contracts Payable	\$ 4,075,596	\$ 856,855	\$ 1,787,878	\$ 232,015	\$ 40,528	\$ 6,992,872
Accrued Payroll and Benefits Payable	100,501	18,654	20,577	13,380	14,304	167,416
Accrued Interest Payable	16,736	1,167,658	236,495	0	0	1,420,889
Due to Other Funds	0	1,411	0	2,551	2,717	6,679
Deferred Revenue	0	0	4,997	0	21,698	26,695
Payable from Restricted Assets -						
Accrued Interest Payable	1,777,395	0	0	0	196,790	1,974,185
Accounts and Contracts Payable	0	1,015,279	0	0	0	1,015,279
Interfund Payables	0	0	20,716	0	0	20,716
General Obligation Bonds						
Payable - Current Portion	288,333	0	0	452,400	995,000	1,735,733
Revenue Notes and Bonds Payable -						
Current Portion	5,470,000	1,980,000	0	0	0	7,450,000
Capital Leases Payable - Current Portion	15,794	0	684,747	18,631	78,331	797,503
<b>Total Current Liabilities</b>	<b>11,744,355</b>	<b>5,039,857</b>	<b>2,755,410</b>	<b>718,977</b>	<b>1,349,368</b>	<b>21,607,967</b>
Noncurrent Liabilities:						
General Obligation Bonds Payable	2,637,574	0	0	24,745,330	0	27,382,904
Revenue Bonds Payable	43,411,532	46,193,215	0	0	6,816,303	96,421,050
Capital Leases Payable	42,670	0	21,560,977	0	207,444	21,811,091
Accrued Compensated Absences Payable	831,216	133,199	21,163	51,305	125,489	1,162,372
Other Noncurrent Liabilities	49,295	0	0	0	0	49,295
Net Pension Obligation	159,241	22,434	0	9,084	20,802	211,561
Deferred Credit	12,974	0	0	0	0	12,974
<b>Total Noncurrent Liabilities</b>	<b>47,144,502</b>	<b>46,348,848</b>	<b>21,582,140</b>	<b>24,805,719</b>	<b>7,170,038</b>	<b>147,051,247</b>
<b>Total Liabilities</b>	<b>58,888,857</b>	<b>51,388,705</b>	<b>24,337,550</b>	<b>25,524,696</b>	<b>8,519,406</b>	<b>168,659,214</b>
<u>NET ASSETS</u>						
Investment in Capital Assets, Net of Related Debt	5,408,201	39,224,342	0	12,666,922	6,421,164	63,720,629
Restricted - Debt Service/Renewal and Replacements	16,144,103	7,454,476	0	0	1,155,000	24,753,579
Unrestricted/(Deficit)	25,346,955	6,716,566	(3,780,250)	(21,663)	1,506,174	29,767,782
<b>Total Net Assets/(Deficit)</b>	<b>46,899,259</b>	<b>53,395,384</b>	<b>(3,780,250)</b>	<b>12,645,259</b>	<b>9,082,338</b>	<b>118,241,990</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 105,788,116</b>	<b>\$ 104,784,089</b>	<b>\$ 20,557,300</b>	<b>\$ 38,169,955</b>	<b>\$ 17,601,744</b>	<b>\$ 286,901,204</b>

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

CITY OF BURLINGTON, VERMONT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	Electric Utility Fund	Airport Fund	Telecom Fund	Wastewater Fund	Other Proprietary Funds	Total
<b>OPERATING REVENUES:</b>						
Charges for Services	\$ 39,911,402	\$ 10,190,401	\$ 308,996	\$ 5,546,532	\$ 6,880,877	\$ 62,838,208
Miscellaneous	3,187,053	25,272	0	0	99,778	3,312,103
<b>Total Operating Revenues</b>	<b>43,098,455</b>	<b>10,215,673</b>	<b>308,996</b>	<b>5,546,532</b>	<b>6,980,655</b>	<b>66,150,311</b>
<b>OPERATING EXPENSES:</b>						
Operating, Maintenance, and General and Administrative Expenses	33,723,161	7,267,271	1,660,110	3,522,380	5,048,734	51,221,656
Depreciation and Amortization	4,756,488	3,866,318	347,742	1,487,693	694,338	11,152,579
Payments in Lieu of Taxes	1,195,118	0	28,671	654,564	217,917	2,096,270
<b>Total Operating Expenses</b>	<b>39,674,767</b>	<b>11,133,589</b>	<b>2,036,523</b>	<b>5,664,637</b>	<b>5,960,989</b>	<b>64,470,505</b>
<b>Operating Income/(Loss)</b>	<b>3,423,688</b>	<b>(917,916)</b>	<b>(1,727,527)</b>	<b>(118,105)</b>	<b>1,019,666</b>	<b>1,679,806</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>						
Other Income/(Expense) - Net	2,706,981	27,615	0	0	0	2,734,596
Dividends from Associated Companies	181,148	0	0	0	0	181,148
Grant Income	0	270,550	0	0	0	270,550
Passenger Facility Charges	0	2,835,384	0	0	0	2,835,384
Investment Income	903,050	342,828	414,296	0	42,671	1,702,845
Interest Expense	(3,690,465)	(2,352,651)	(726,122)	(91,656)	(447,217)	(7,308,111)
Amortization of Bond Issue Costs	(1,654,696)	(98,990)	(5,336)	0	(19,954)	(1,778,976)
Gain/(Loss) on Sale/Disposal of Capital Assets	(84,034)	0	0	(289,445)	0	(373,479)
Grant Expense	0	(277,704)	0	0	0	(277,704)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(1,638,016)</b>	<b>747,032</b>	<b>(317,162)</b>	<b>(381,101)</b>	<b>(424,500)</b>	<b>(2,013,747)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>1,785,672</b>	<b>(170,884)</b>	<b>(2,044,689)</b>	<b>(499,206)</b>	<b>595,166</b>	<b>(333,941)</b>
Capital Contributions	1,206,891	8,859,722	0	700,257	0	10,766,870
Transfers In	0	0	405,000	0	0	405,000
<b>Change in Net Assets</b>	<b>2,992,563</b>	<b>8,688,838</b>	<b>(1,639,689)</b>	<b>201,051</b>	<b>595,166</b>	<b>10,837,929</b>
<b>Net Assets/(Deficit), July 1, 2005</b>	<b>43,906,696</b>	<b>44,706,546</b>	<b>(2,140,561)</b>	<b>12,444,208</b>	<b>8,487,172</b>	<b>107,404,061</b>
<b>Net Assets/(Deficit), June 30, 2006</b>	<b>\$ 46,899,259</b>	<b>\$ 53,395,384</b>	<b>\$ (3,780,250)</b>	<b>\$ 12,645,259</b>	<b>\$ 9,082,338</b>	<b>\$ 118,241,990</b>

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, 2006

	Electric Utility Fund	Airport Fund	Telecom Fund	Wastewater Fund	Other Proprietary Funds	Total
<b>Cash Flows From Operating Activities:</b>						
Receipts from Customers and Users	\$ 38,985,922	\$ 10,035,327	\$ 247,937	\$ 5,583,336	\$ 6,916,980	\$ 61,769,502
Receipts for Interfund Services	0	0	0	0	160,722	160,722
Other Receipts	3,162,518	0	0	0	0	3,162,518
Payments to Suppliers	(31,378,604)	(4,376,524)	(781,772)	(2,511,137)	(2,339,575)	(41,387,612)
Payment in Lieu of Taxes	(1,195,118)	0	(28,671)	(654,564)	(217,917)	(2,096,270)
Payments for Wages and Benefits	(2,802,777)	(2,064,811)	(860,497)	(989,778)	(2,332,666)	(9,050,529)
Payments for Interfund Services	0	(912,555)	0	0	(500,953)	(1,413,508)
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b>6,771,941</b>	<b>2,681,437</b>	<b>(1,423,003)</b>	<b>1,427,857</b>	<b>1,686,591</b>	<b>11,144,823</b>
<b>Cash Flows From Noncapital Financing Activities:</b>						
Operating Grant Income	0	270,550	0	0	0	270,550
Operating Grant Expenses	0	(277,704)	0	0	0	(277,704)
Other Income/Deductions, Net	2,706,981	29,026	0	0	0	2,736,007
Net Decrease in Revenue Anticipation Note	0	0	0	(900,000)	0	(900,000)
Increase in Due From BCDC	0	(1,141,684)	0	0	0	(1,141,684)
Receipt of Interfund Transfer	0	0	405,000	0	0	405,000
Interest Paid on Cash Deficit to General Fund	0	0	0	(24,369)	0	(24,369)
Interest Paid on Revenue Anticipation Note	0	0	0	(33,930)	0	(33,930)
<b>Net Cash Provided/(Used) by Noncapital Financing Activities</b>	<b>2,706,981</b>	<b>(1,119,812)</b>	<b>405,000</b>	<b>(958,299)</b>	<b>0</b>	<b>1,033,870</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Proceeds from Bonds, Notes & Leases Payable	998,453	0	10,000,000	1,410,409	0	12,408,862
Acquisition and Construction of Capital Assets	(4,158,802)	(8,118,568)	(7,386,820)	(3,762,875)	(96,644)	(23,523,709)
Capital Grants/Contributions	627,423	6,082,896	0	1,112,140	0	7,822,459
Passenger Facility Charges	0	2,798,626	0	0	0	2,798,626
Increase in Deferred Charges	(15,280)	0	(16,352)	0	0	(31,632)
Principal Paid on:						
General Obligation Bonds	(239,533)	(250,000)	0	(1,348,491)	(9,000)	(1,847,024)
Revenue Bonds	(5,220,000)	(1,195,000)	0	0	(955,000)	(7,370,000)
Capital Lease Obligations	(18,301)	0	(271,337)	(21,526)	(75,751)	(386,915)
Interest Paid on:						
General Obligation Bonds	(124,743)	(3,750)	0	(38,760)	(586)	(167,839)
Revenue Bonds	(3,677,371)	(2,366,464)	0	0	(415,545)	(6,459,380)
Capital Lease Obligations	0	0	(635,746)	(1,057)	(10,394)	(647,197)
<b>Net Cash Provided/(Used) by Capital and Related Financing Activities</b>	<b>(11,828,154)</b>	<b>(3,052,260)</b>	<b>1,689,745</b>	<b>(2,650,160)</b>	<b>(1,562,920)</b>	<b>(17,403,749)</b>
<b>Cash Flows From Investing Activities:</b>						
Net (Additions)/Reductions to Restricted Cash and Investments	2,937,074	738,660	(3,864,601)	0	(20,397)	(209,264)
Increase in Investment in Associated Companies	(1,391,422)	0	0	0	0	(1,391,422)
Receipt of Interest & Dividends	804,587	309,066	414,296	0	40,633	1,568,582
<b>Net Cash Provided/(Used) by Investing Activities</b>	<b>2,350,239</b>	<b>1,047,726</b>	<b>(3,450,305)</b>	<b>0</b>	<b>20,236</b>	<b>(32,104)</b>
<b>Net Increase/(Decrease) in Cash</b>	<b>1,007</b>	<b>(442,909)</b>	<b>(2,778,563)</b>	<b>(2,180,602)</b>	<b>143,907</b>	<b>(5,257,160)</b>
Cash - July 1, 2005	1,888,355	5,244,982	(1,689,613)	(240,175)	542,721	5,746,270
Cash - June 30, 2006	\$ 1,889,362	\$ 4,802,073	\$ (4,468,176)	\$ (2,420,777)	\$ 686,628	\$ 489,110

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, 2006

	Electric Utility Fund	Airport Fund	Telecom Fund	Wastewater Fund	Other Proprietary Funds	Total
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:						
Operating Income/(Loss)	\$ 3,423,688	\$ (917,916)	\$ (1,727,527)	\$ (118,105)	\$ 1,019,666	\$ 1,679,806
Depreciation and Amortization	5,045,701	3,866,318	347,742	1,487,693	694,338	11,441,792
(Increase)/Decrease in Other Receivables	(832,621)	(180,346)	(48,588)	(1,895)	19,203	(1,044,247)
(Increase)/Decrease in Unbilled Revenues	(324,298)	(33,690)	(12,471)	38,699	79,062	(252,698)
(Increase)/Decrease in Inventory	(900,235)	(109,074)	0	5,977	5,946	(997,386)
Increase/(Decrease) in Accounts Payable	42,579	69,724	7,715	24,569	(78,968)	65,619
Increase/(Decrease) in Net Pension Obligation	0	(13,852)	0	(7,764)	(18,392)	(40,008)
Increase/(Decrease) in Accrued Payroll And Benefits	0	4,334	14,167	(2,979)	(8,045)	7,477
Increase/(Decrease) in Other Operating Assets/Liabilities	317,127	(4,061)	(4,041)	1,662	(26,219)	284,468
Net Cash Provided/(Used) by Operating Activities	\$ <u>6,771,941</u>	\$ <u>2,681,437</u>	\$ <u>(1,423,003)</u>	\$ <u>1,427,857</u>	\$ <u>1,686,591</u>	\$ <u>11,144,823</u>

Non-Cash Financing Activities:

The Electric Utility Department Recorded Capital Assets in the Amount of \$579,468 Related to Utility Poles that were Donated to it.

The Airport Department disposed of fully depreciated Property, Plant and Equipment costing \$2,504,607.

The Water Department disposed of fully depreciated Property, Plant and Equipment costing \$52,496.

The Wastewater Department disposed of property, plant and equipment costing \$557,169 with accumulated depreciation of \$267,724.

The Electric Department disposed of property, plant and equipment costing \$725,919 with accumulated depreciation of \$641,885.

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

CITY OF BURLINGTON, VERMONT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	Pension Trust Fund	Private Purpose Trust Funds	Agency Fund - Student Activities
<u>ASSETS</u>			
Cash	\$ (194,442)	\$ 35,190	\$ 279,271
Investments	108,661,946	170,696	0
Accrued Interest Receivable	329,267	59	0
Reimbursement Receivable	12,792	0	0
Due from Other Funds	14,045	0	0
	<u>108,823,608</u>	<u>205,945</u>	<u>279,271</u>
<u>LIABILITIES</u>			
Accounts Payable	97,429	0	0
Accrued Liabilities	313,597	0	0
Compensated Absences	7,823	0	0
Due to Student Organizations	0	0	279,271
	<u>418,849</u>	<u>0</u>	<u>279,271</u>
<u>NET ASSETS</u>			
Held in Trust For:			
Employees' Pension Benefits	108,404,759	0	0
Individuals and Organizations	0	205,945	0
	<u>108,404,759</u>	<u>205,945</u>	<u>0</u>
Total Net Assets	<u>\$ 108,404,759</u>	<u>\$ 205,945</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, 2006

	Pension Trust Fund	Private Purpose Trust Funds
<u>ADDITIONS:</u>		
Contributions:		
Employer - Pension	\$ 4,283,977	\$ 0
Employer - FICA	2,311,045	0
Plan Members	728,100	0
Total Contributions	7,323,122	0
Investment Earnings:		
Interest and Dividends	8,569,642	4,828
Net Increase in the Fair Value of Investments	1,161,625	0
Total Investment Earnings	9,731,267	4,828
Less Investment Expense	(755,696)	0
Net Investment Earnings	8,975,571	4,828
Total Additions	16,298,693	4,828
<u>DEDUCTIONS:</u>		
Benefits - Pension	5,653,903	0
Benefits - FICA	2,311,045	0
Benefits - Post Employment Health	63,134	0
Refunds of Contributions	129,325	0
Administrative Expenses	241,935	0
Other	0	1,857
Total Deductions	8,399,342	1,857
Change In Net Assets	7,899,351	2,971
Net Assets - July 1, 2005	100,505,408	202,974
Net Assets- June 30, 2006	\$ 108,404,759	\$ 205,945

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. The Financial Reporting Entity**

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

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**B. Basis of Presentation**

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

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

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

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

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

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

The City reports on the following major governmental funds:

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

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

The City reports on the following major proprietary funds:

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

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

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

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

Additionally, the City reports the following fund types:

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

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

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

### **C. Measurement Focus**

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

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

### **D. Basis of Accounting**

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

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

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

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

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

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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.

##### **2. Investments**

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

##### **3. Receivables**

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables.

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

#### **4. Inventories and Prepaid Expenses**

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

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

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

#### **5. Restricted Assets**

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

#### **6. Capital Assets**

Capital assets acquired 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 retroactively recorded 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.

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

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

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight line method of calculating depreciation. The Electric Department depreciates the McNeil & Highgate Converter Stations using the straight-line method. However, only a portion of the current depreciation is recoverable through future rates. The difference is included in deferred depreciation and will be recovered through future rates. The amount of deferred depreciation expense recognized during the year was \$1,213,911, The total deferred depreciation at June 30, 2006 was \$9,758,011.

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

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

\* 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.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**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 \$99,000. Actual payments will take place through the year 2012.

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

**9. Liabilities to be Paid from Restricted Assets**

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

**10. Long-term Liabilities**

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**11. Fund Equity**

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

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

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

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

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

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

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

	Balance Sheet	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Reclassifications and Elimination of Interfund Balances	Statement of Net Assets
<b>ASSETS</b>						
Cash	\$ 7,534,284	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,534,284
Investments	1,066,451	0	0	0	0	1,066,451
Receivables	7,905,868	0	0	0	0	7,905,868
Loans Receivable	3,296,957	0	0	0	0	3,296,957
Accrued Interest Receivable	413,564	0	0	0	0	413,564
Inventories	420,700	0	0	0	0	420,700
Other Current Assets	753,435	0	0	0	0	753,435
Interfund Loan Payable	0	0	0	0	(492,773)	(492,773)
Due From Component Unit	1,914,000	0	0	0	0	1,914,000
Land Held For Resale	615,076	0	0	0	0	615,076
Other Long-Term Assets	0	0	0	298,450	0	298,450
Capital Assets	0	0	158,066,009	0	0	158,066,009
<b>Total Assets</b>	<b>23,920,335</b>	<b>0</b>	<b>158,066,009</b>	<b>298,450</b>	<b>(492,773)</b>	<b>181,792,021</b>
<b>LIABILITIES</b>						
Accounts Payable	4,388,767	0	0	0	0	4,388,767
Accrued Payroll and Benefits Payable	4,324,744	0	0	0	0	4,324,744
Interfund Loan Payable	492,773	0	0	0	(492,773)	0
Accrued Interest Payable	0	246,384	0	0	0	246,384
Due to Other Funds	7,366	0	0	0	0	7,366
Deferred Revenue	10,208,033	(9,087,939)	0	0	0	1,120,094
Insurance Reserves	334,000	0	0	0	(334,000)	0
Noncurrent Liabilities	0	8,921,110	0	39,936,023	334,000	49,191,133
<b>Total Liabilities</b>	<b>19,755,683</b>	<b>79,555</b>	<b>0</b>	<b>39,936,023</b>	<b>(492,773)</b>	<b>59,278,488</b>
<b>NET ASSETS</b>						
Invested in Capital Assets	0	0	158,685,443	(35,945,380)	0	122,740,063
Other	4,164,652	(79,555)	(619,434)	(3,692,193)	0	(226,530)
<b>Total Net Assets</b>	<b>\$ 4,164,652</b>	<b>\$ (79,555)</b>	<b>\$ 158,066,009</b>	<b>\$ (39,637,573)</b>	<b>\$ 0</b>	<b>\$ 122,513,533</b>

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**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
<b>REVENUES</b>						
Taxes	\$ 25,041,372	\$ (111,845)	\$ 0	\$ 0	\$ 0	24,929,527
PILOT	3,138,071	0	0	0	(1,657,342)	1,480,729
Intergovernmental Revenues	53,634,192	(1,006,487)	6,795,781	0	(59,423,486)	0
Charges for Services	11,623,005	680,014	0	0	3,366,295	15,669,314
Operating Grants and Contributions	0	0	0	0	49,568,013	49,568,013
Capital Grants and Contributions	0	0	0	0	9,999,338	9,999,338
Fines and Forfeits	1,939,422	0	0	0	(1,497,940)	441,482
Licenses and Permits	4,571,922	0	0	0	(4,571,922)	0
Loan Repayments	304,314	(304,314)	0	0	0	0
Investment Income	532,582	0	0	6,872	0	539,454
Other Revenues	1,381,526	0	0	0	447,550	1,829,076
Other Sources:						
Proceeds of Debt and Lease Financing	2,291,306	0	0	(2,291,306)	0	0
Bond Premium	7,171	0	0	(7,171)	0	0
Proceeds from Sales of Capital Assets	1,804,250	0	(1,804,250)	0	0	0
Transfers from Other Funds	1,071,111	0	0	0	620,159	1,691,270
<b>Total Revenues</b>	<b>107,340,244</b>	<b>(742,632)</b>	<b>4,991,531</b>	<b>(2,291,605)</b>	<b>(3,149,335)</b>	<b>106,148,203</b>
<b>EXPENDITURES</b>						
General Government	5,936,552	168,474	259,258	0	0	6,364,284
Public Safety	18,532,830	326,794	722,249	0	(985,000)	18,596,873
Public Works	8,903,435	448,608	3,065,525	0	0	12,417,568
Community Development	4,603,122	(673)	18,954	0	(688,224)	3,933,179
Culture and Recreation	7,169,928	309,800	1,018,903	0	0	8,498,631
Education	45,271,438	437,757	783,721	0	0	46,492,916
Capital Expenditures	12,422,179	0	(12,422,179)	0	0	0
Debt Service:						
Principal	6,023,288	0	0	(6,023,288)	0	0
Interest	1,832,970	(2,469)	0	9,202	0	1,839,703
Bond Issue Costs	38,270	0	0	(38,270)	0	0
Other Uses:						
Transfers to Other Funds	1,476,111	0	0	0	(1,476,111)	0
<b>Total Expenditures</b>	<b>112,210,123</b>	<b>1,688,291</b>	<b>(6,553,569)</b>	<b>(6,052,356)</b>	<b>(3,149,335)</b>	<b>98,143,154</b>
<b>Net Change for the Year</b>	<b>\$ (4,869,879)</b>	<b>\$ (2,430,923)</b>	<b>\$ 11,545,100</b>	<b>\$ 3,760,751</b>	<b>\$ 0</b>	<b>\$ 8,005,049</b>

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**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 \$649,324 in order to utilize the prior year's surplus. This is reflected as a current year's budgeted deficiency of revenue over expenditures in Exhibit F for the General Fund.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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, 2006.
6. The School elected to budget expenditures in excess of revenues by \$300,000 in order to utilize the prior year's surplus. This is reflected as current year's budgeted deficiency of revenue over expenditures in Exhibit F for the School General Fund.

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

**B. Excess of Expenditures Over Appropriations**

For the year-ended June 30, 2006, expenditures in the School "General" Fund exceeded appropriations by \$191,475. These were funded by additional unanticipated revenues and available fund balance.

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

**C. 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	\$ 478,987
Excess of Revenues Over Expenditures in Other School Special Revenue Funds	<u>187,649</u>
Change in Fund Balances – GAAP Basis – Exhibit D	<u>\$ 666,636</u>

**D. Restatement of Net Assets**

The Government-wide Financial Statements beginning balances have been restated due to retroactively recording infrastructure acquired from 1980 to 2001 as discussed in Note 1F6.

Government-Wide Financial Statements

	<u>Governmental Activities</u>
Net Assets, June 30, 2005, As Previously Reported	\$ 55,797,247
Retroactive Inclusion of Infrastructure, Net of Related Accumulated Depreciation	<u>58,711,237</u>
Net Assets, June 30, 2005, As Restated	<u>\$114,508,484</u>

The effect of this change in the June 30, 2005 financial statement would be to increase assets and net assets by \$58,711,237. The effect of this change on the June 30, 2005 Statement of Activities has not been determined.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

**Investment Policy Statement – Electric Utility Department**

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

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

- (2) Bonds, notes or other evidences of indebtedness issued or guaranteed by the Bank for Cooperatives, Federal Intermediate Credit Banks, FHLB, FNMA, GNMA, Export-Import Bank of the United States, Federal Land Banks, U.S. Postal Service, Federal Financing Bank, or any agency or instrumentality of or corporation wholly-owned by the United States of America.
- (3) New Housing Authority Bonds issued by public agencies or municipalities and fully secured by a pledge of annual contributions under annual contributions contract with the United States of America, or Project Notes issued by public agencies or municipalities and fully secured by a requisition or payment agreement with the United States of America.
- (4) Obligations of any state, commonwealth or territory of the United States of America, or the District of Columbia, or any political subdivision of the foregoing, with an investment grade rating not lower than the three highest categories by at least one nationally recognized debt rating service.
- (5) Certificate of deposit and bankers acceptances issued by banks which are members of the FDIC and each of which has a combined capital and surplus of not less than ten million dollars, provided that the time deposits in and acceptances of any bank under the resolution (a) do not exceed at any time twenty-five percent of the combined capital and surplus of the bank or (b) are fully secured by obligations described in items 1, 2, 3 and 4 of this paragraph.
- (6) Certificates of deposit and bankers acceptances issued by banks which are members of the FDIC and each of which has a combined capital and surplus of not less than ten million dollars, provided that the time deposits in and acceptances of any bank under the resolution (a) do not exceed at any time twenty-five percent of the combined capital and surplus of the bank or (b) are fully secured by obligations described in items 1, 2, 3 and 4 of this paragraph.
- (7) Repurchase contracts with banks which are described in item 5 of this paragraph, or with recognized primary dealers in government bonds, fully secured by obligations described in items 1, 2, 3 and 4 of this paragraph.

**Investment Policy Statement-Pension Fund**

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

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

**Capital Structure Targets**

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

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

**Equity Investments – Domestic Large Capitalization**

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

**Equity Investments – Domestic Mid Capitalization**

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

**Equity Investments – International**

Ordinary shares and American Depository Receipts are permitted.

**Fixed Income Investments**

- Domestic fixed income investments are permitted, subject to the guidelines reflected above, and may include U.S. Government and agency obligations, corporate bonds, debentures, commercial paper, CD's, bonds and other instruments as deemed prudent by the investment managers.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

**Real Estate**

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

**Venture Capital**

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

**Concentration**

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

**Restrictions**

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

- Investment managers are prohibited from holding or purchasing tobacco stocks & bonds.

**Investment Policy – Other Funds**

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

Cash deposits and investments as June 30, 2006 consist of the following:

Investment Type	Amount
U.S. Government Backed Mortgage Notes	\$ 11,105,616
Federal National Mortgage Association Debt	371,605
U.S. Treasuries	6,581,683
SLM Student Loan TR	927,173
CDC Mortgage Cap	51,710
Corporate Bonds	19,537,672
Common Stocks	73,200,098
Cash Equivalents Investment in U.S. Government Obligations	35,410,342
Certificates of Deposits	649,736
Demand Deposits with Financial Institutions	7,372,021
Cash on Hand	233,894
Total Deposits and Investments	\$ <u>155,441,550</u>

**Custodial Credit Risk**

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

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

<u>Deposits with Financial Institutions</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Insured - FDIC/NCUA	\$ 869,042	\$ 858,350
Uninsured, Uncollateralized - Secured by Treasury Note Repurchase Agreements Held in the Bank's Name	6,180,027	8,557,103
Uninsured, Collateralized by U.S. Government Agencies Securities	539,538	539,538
Uninsured, Uncollateralized	433,150	464,790
Cash on Hand	233,894	N/A
Total Deposits	<u>\$ 8,255,651</u>	<u>\$ 10,419,781</u>

Deposits is comprised of the following:

Cash	\$ 7,605,915
Certificates of Deposit - Investments	649,736
Total Deposits	<u>\$ 8,255,651</u>

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

A portion of Burlington Community Development Corporation's cash, in the amount of \$(594,920), is included with the City's pooled cash. The remaining \$57,422 was fully insured by the FDIC. There were no reconciling items.

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

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

**Credit Risk**

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

Corporate Bonds:

AAA	\$ 12,855,911
AA	616,178
A	946,270
BBB	2,713,607
BB	136,875
Other Rating	2,268,831

Not Rated:

Certificates of Deposit	649,736
Cash Equivalent Mutual Funds	35,410,342

Exempt from Disclosure:

U.S. Government Agency Obligations	11,105,616
FNMA Debt	371,605
U.S. Treasury Notes	6,581,683
SLM Student Loan TR	927,173
CDC Mortgage Notes	51,710

Total	\$ 74,635,537
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**Concentration of Credit Risk**

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (In Years)					Total
	0 - 1	1 - 5	5 - 10	10 - 15	15 - 20	
U.S. Treasury Notes	\$ 0	\$ 2,054,480	\$ 2,534,781	\$ 0	\$ 1,992,422	6,581,683
U.S. Government						
Agency Obligations	11,105,616	0	0	0	0	11,105,616
FNMA Debt	0	0	0	0	371,605	371,605
SLM Student Loan TR	0	0	0	927,173	0	927,173
CDC Mortgage Cap	0	0	0	0	51,710	51,710
Corporate Bonds	0	2,629,691	2,899,982	640,003	13,367,996	19,537,672
Cash Equivalent						
Mutual Funds	35,410,342	0	0	0	0	35,410,342
Certificates of Deposit	649,736	0	0	0	0	649,736
	<u>\$ 47,165,694</u>	<u>\$ 4,684,171</u>	<u>\$ 5,434,763</u>	<u>\$ 1,567,176</u>	<u>\$ 15,783,733</u>	<u>\$ 74,635,537</u>

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

**B. Restricted Cash and Investments**

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

A summary of the restricted cash and investments is as follows:

Category	Electric Utility	Airport	Telecom	Water Resources	Total
Debt Service Reserve Fund	\$ 8,818,365	\$ 902,304	\$ 0	1,191,790	\$ 10,912,459
Renewal and Replacement Funds	867,642	0	0	160,000	1,027,642
Construction Funds	2,676,580	4,016,928	11,951,028	0	18,644,536
Debt Service Funds	7,254,094	0	0	0	7,254,094
Accrued Interest Receivable	77,811	0	0	0	77,811
Total	<u>\$ 19,694,492</u>	<u>\$ 4,919,232</u>	<u>\$ 11,951,028</u>	<u>1,351,790</u>	<u>\$ 37,916,542</u>

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

**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>	<u>Component Unit - BCDC</u>
Taxes Receivable	\$ 2,516,669	\$ 0	\$ 2,516,669	\$ 0
PILOT	53,036	0	53,036	0
User Charges Receivable	0	6,341,557	6,341,557	71,833
Allowance for Doubtful Taxes/Fees	(720,000)	(308,474)	(1,028,474)	0
Police, Fire and Ambulance Fees Receivable	1,674,682	0	1,674,682	0
Allowance for Doubtful Accounts - Police, Fire and Ambulance Fees	(747,800)	0	(747,800)	0
Community Development Fees	77,375	0	77,375	0
Public Works Receivables	97,588	0	97,588	0
Recreation Fees Receivable	94,858	0	94,858	0
Traffic Fees Receivable	18,336	0	18,336	0
Marketplace Fees Receivable	15,423	0	15,423	0
Project Reimbursements Receivable	540,352	0	540,352	22,209
Allowance for Doubtful Accounts - Other	(173,326)	0	(173,326)	0
Grants Receivable	3,993,322	7,646,215	11,639,537	0
Passenger Facility Charges	0	480,877	480,877	0
Interest on Deposits	4,594	24,816	29,410	0
Other Receivables	460,759	0	460,759	0
	<u>7,905,868</u>	<u>14,184,991</u>	<u>22,090,859</u>	<u>94,042</u>
Total Receivables	\$ <u>7,905,868</u>	\$ <u>14,184,991</u>	\$ <u>22,090,859</u>	\$ <u>94,042</u>

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, 2006:

<u>Year Ended</u>	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Adjustments/ Abatements</u>	<u>Collections</u>	<u>Balance 06/30/06</u>
1985-1993	\$ 66,563	\$ 0	\$ 0	\$ 1,615	\$ 64,948
1994	10,535	0	0	114	10,421
1995	18,632	0	0	112	18,520
1996	22,041	0	935	0	22,976
1997	25,827	0	0	0	25,827
1998	31,227	0	0	0	31,227
1999	32,293	0	0	0	32,293
2000	39,202	0	0	3,260	35,942
2001	56,159	0	0	13,623	42,536
2002	84,558	0	0	18,704	65,854
2003	163,896	0	0	60,718	103,178
2004	258,601	0	0	116,137	142,464
2005	786,491	0	0	496,845	289,646
2006	0	682,387	0	49,810	632,577
Total	\$ <u>1,596,025</u>	\$ <u>682,387</u>	\$ <u>935</u>	\$ <u>760,938</u>	\$ <u>1,518,409</u>

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

Also included in taxes receivable are \$332,187 in gross receipts taxes, \$663,554 of delinquent tax penalties and interest and \$2,519 of Downtown Improvement District Taxes.

**D. Notes Receivables**

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

The Electric Departments has Notes Receivable totaling \$1,860,000 which are due from the Winooski One Partnership for engineering and from a credit union for demand side management projects.

Burlington Community Development Corporation has loaned funds to the Burlington Community Land Trust. The balance of the loans at June 30, 2006 is \$1,411,184 and will be repaid at the same terms as the offsetting notes payable.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit - BCDC</u>
Notes and Loans Receivable	\$ 14,050,583	\$ 1,860,000	\$ 15,910,583	\$ 1,411,184
Loan Discounts	(2,088,466)	0	(2,088,466)	0
Allowance for Doubtful Loans	(8,665,160)	0	(8,665,160)	0
Accrued Interest Receivable - Loans	5,416,180	0	5,416,180	8,203
Allowance for Doubtful Accrued Interest	<u>(5,002,616)</u>	<u>0</u>	<u>(5,002,616)</u>	<u>0</u>
		0		0
Net Notes and Loans Receivable	\$ <u>3,710,521</u>	\$ <u>1,860,000</u>	\$ <u>5,570,521</u>	\$ <u>1,419,387</u>

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**E. 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.

**F. Capital Assets**

Capital asset activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 16,414,726	\$ 950,800	\$ 1,825,000	\$ 15,540,526
Construction in Progress	34,227,377	9,014,902	4,838,610	38,403,669
Antiques and Works of Art	52,000	0	0	52,000
<b>Total Capital Assets, Not Being Depreciated</b>	<b>50,694,103</b>	<b>9,965,702</b>	<b>6,663,610</b>	<b>53,996,195</b>
Capital Assets, Being Depreciated:				
Land Improvements	1,889,844	0	0	1,889,844
Buildings and Building Improvements	53,872,503	6,007,464	0	59,879,967
Vehicles, Machinery, Equipment and Furniture	17,546,319	2,414,134	629,577	19,330,876
Book Collections	2,923,747	180,193	11,398	3,092,542
Infrastructure	76,109,881	5,489,077	0	81,598,958
<b>Totals</b>	<b>152,342,294</b>	<b>14,090,868</b>	<b>640,975</b>	<b>165,792,187</b>
Less accumulated depreciation for:				
Land improvements	495,385	34,497	0	529,882
Buildings and Building Improvements	12,011,850	790,332	0	12,802,182
Vehicles, Machinery, Equipment and Furniture	9,328,533	1,694,684	586,104	10,437,113
Book Collections	2,139,130	260,576	11,398	2,388,308
Infrastructure	32,540,590	3,024,298	0	35,564,888
<b>Totals</b>	<b>56,515,488</b>	<b>5,804,387</b>	<b>597,502</b>	<b>61,722,373</b>
<b>Total Capital Assets, Being Depreciated</b>	<b>95,826,806</b>	<b>8,286,481</b>	<b>43,473</b>	<b>104,069,814</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 146,520,909</b>	<b>\$ 18,252,183</b>	<b>\$ 6,707,083</b>	<b>\$ 158,066,009</b>

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 17,089,448	\$ 1,737,957	\$ 0	\$ 18,827,405
Construction in Progress	3,519,733	11,461,248	5,346,612	9,634,369
Total Capital Assets, Not Being Depreciated	20,609,181	13,199,205	5,346,612	28,461,774
Capital Assets, Being Depreciated:				
Land Improvements	30,312,247	229,754	2,275,081	28,266,920
Buildings and Building Improvements	63,827,548	1,376,297	205,200	64,998,645
Vehicles, Machinery, Equipment and Furniture	16,977,893	653,724	67,669	17,563,948
Distribution and Collection Systems	178,732,993	16,482,229	1,292,241	193,922,981
Totals	289,850,681	18,742,004	3,840,191	304,752,494
Less Accumulated Depreciation for:				
Land Improvements	17,294,162	1,899,317	2,275,081	16,918,398
Buildings and Building Improvements	16,274,227	1,803,495	205,200	17,872,522
Vehicles, Machinery, Equipment and Furniture	9,034,996	701,724	67,669	9,669,051
Distribution and Collection Systems	86,619,401	5,060,293	930,511	90,749,183
Totals	129,222,786	9,464,829	3,478,461	135,209,154
Total Capital Assets, Being Depreciated	160,627,895	9,277,175	361,730	169,543,340
Business-Type Activities Capital Assets, Net	\$ 181,237,076	\$ 22,476,380	\$ 5,708,342	\$ 198,005,114

At June 30, 2006, \$4,794,475 and \$23,258,602 in assets were acquired through 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:		Business - Type Activities:	
General Government	\$ 195,035	Electric	\$ 3,068,738
Public Safety	722,249	Airport	3,866,318
Public Works	3,065,525	Water	683,002
Community Development	18,954	Wastewater	1,487,693
Culture and Recreation	1,018,903	Telecom	347,742
Education	783,721	School	11,336
	\$ 5,804,387		\$ 9,464,829
Total Depreciation Expense - Governmental Activities	\$ 5,804,387	Total Depreciation Expense - Business-Type Activities	\$ 9,464,829

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

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, 2006 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>

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, 2005 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.

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

A summary of the McNeil Generating Station financial statements as of and for the year ended June 30, 2006 and the Highgate Converter as of and for the year ended December 31, 2005 are as follows:

<u>Category</u>	<u>McNeil Generating Station</u>	<u>Highgate Converter</u>
Total Assets	<u>78,089,224</u>	<u>29,632,770</u>
Liabilities	557,904	5,073
Owners' Equity	<u>77,531,320</u>	<u>29,627,697</u>
Total Liabilities and Owners' Equity	<u>78,089,224</u>	<u>29,632,770</u>
Contributions by Joint Owners	21,312,218	1,001,217
Station Operating Expenses	<u>(20,545,772)</u>	<u>1,003,630</u>
Increase/(Decrease) in Owners' Equity	766,446	(2,413)
Owners' Equity Beginning of year	<u>76,764,874</u>	<u>29,630,110</u>
Owners' Equity end of year	<u>77,531,320</u>	<u>29,627,697</u>

Burlington Community Development Corporation owns three buildings. Two are at the Burlington Airport with a cost \$5,300,236 and accumulated depreciation of \$144,401. The other building is at 131 Battery Street in Burlington, Vermont with a cost of \$863,498 and accumulated depreciation of \$87,820. It also owns the land where the old police station building was located where the Onion River Food Co-op is now located and in 2006 purchased the Gilbane Lot. The land cost \$1,035,249 and the land improvements at the Co-op site cost \$342,548 with accumulated depreciation of \$22,836. The Corporation also has leasehold improvements at this site totaling \$305,810 with accumulated depreciation of \$12,232. The Corporation is also constructing a parking garage as part of the West Lake Project plus acquiring other properties which is listed as construction in progress in the amount of \$815,967. The net carrying value of the Corporation's properties are \$8,396,019. 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.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Component Unit</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 662,604	\$ 372,645	\$ 0	\$ 1,035,249
Construction in Progress	<u>268,903</u>	<u>812,524</u>	<u>265,460</u>	<u>815,967</u>
Total Capital Assets, Not Being Depreciated	<u>931,507</u>	<u>1,185,169</u>	<u>265,460</u>	<u>1,851,216</u>
Capital Assets, Being Depreciated:				
Buildings	1,513,498	4,650,236	0	6,163,734
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>4,650,236</u>	<u>0</u>	<u>6,812,092</u>
Less accumulated depreciation for:				
Leasehold Improvements	9,174	3,058	0	12,232
Buildings	202,938	29,283	0	232,221
Land Improvements	<u>17,127</u>	<u>5,709</u>	<u>0</u>	<u>22,836</u>
Totals	<u>229,239</u>	<u>38,050</u>	<u>0</u>	<u>267,289</u>
Total Capital Assets, Being Depreciated	<u>1,932,617</u>	<u>4,612,186</u>	<u>0</u>	<u>6,544,803</u>
Component Unit Capital Assets, Net	<u>\$ 2,864,124</u>	<u>\$ 5,797,355</u>	<u>\$ 265,460</u>	<u>\$ 8,396,019</u>

**G. Interfund Balances and Activity**

The composition of interfund balances at June 30, 2006, is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 0	\$ 291
Special Revenue Funds		
Traffic Fund	0	5,291
CEDO Fund	0	1,444
Marketplace Fund	0	340
Proprietary Funds		
Airport Fund	0	1,411
Water Resources Fund	0	2,717
Wastewater Fund	0	2,551
Fiduciary Funds		
Pension Trust Fund	<u>14,045</u>	<u>0</u>
Total	<u>\$14,045</u>	<u>\$14,045</u>

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

Interfund transfers for the year ended June 30, 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Southern Connector Fund	\$ 11,186	Fund Capital Outlay
General Fund	South End and Downtown Transit Center Fund	1,084	Fund Capital Outlay
General Fund	Fuel Depot Fund	9,283	Fund Capital Outlay
General Fund	STP Bike Path Fund	2,237	Fund Local Share
General Fund	Fire Capital Fund	32,823	Fund Capital Outlay
General Fund	Riverside Avenue Project Fund	38,269	Fund Capital Outlay
General Fund	Moran Building and Heating Upgrade Fund	83,081	Fund Interfund Loans
General Fund	DPW New Facility	28,120	Fund Capital Outlay
General Fund	N. Winooski Streetscape Fund	2,308	Fund Capital Outlay
General Fund	Battery Street Enhancement Fund	2,120	Fund Local Share
General Fund	North Street Project Fund	75,764	Fund Local Share
General Fund	Telecom Fund	405,000	Infrastructure
General Fund	Traffic Fund	273,620	Fund Free Parking
General Fund	Traffic Fund	40,000	Meter Replacement
General Fund	CEDO Fund	140,993	Subsidy
General Fund	Housing Trust Fund	188,869	Tax Transfer
General Fund	Marketplace Fund	11,500	Subsidy
Traffic Fund	CEDO Fund	30,000	Subsidy
Traffic Fund	General Fund	64,400	Subsidy
Cemetery Fund	General Fund	35,007	Fund Cemetery Operations
Loomis Library Fund	General Fund	447	Fund Library Operations
		<u>447</u>	
Total		\$ <u>1,476,111</u>	

There are three (3) Interfund Loans Receivable/Payable that are owed to the Electric Department Fund. The Moran building and Heating Upgrade Fund owes \$419,963 for the purchase of the Moran Building and \$72,810 for electrical upgrades to the heating system at the Library. The Telecom Fund owes \$20,716 for preliminary start-up costs. The total interfund loans are \$513,489. The City pays \$57,836 annually for principal and interest for twenty-five (25) years until May, 2017 for the Moran Building with interest at 7%. The Library Department pays \$1,710 monthly until June, 2010 with interest at 6%. The Telecom Fund pays \$27,673 annually for principal and interest for five (5) years until May, 2007 with interest at 6.5%.

The Burlington Community Development Corporation, a component unit of the City, owes three (3) separate City funds a total of \$3,314,000 related to properties held for resale and for other pieces of property, plant and equipment. \$1,104,000 of the debt was repaid in September, 2006 as the property held for resale was sold. \$810,000 of debt related to the Westlake Parking garage will be repaid during 2007 and the remaining \$1,400,000 of debt relates to a loan from the Airport Fund for financing of the Airport Support Hanger. This note will be repaid over twenty (20) years.

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

**H. Other Long-Term Assets**

The governmental activities other long-term assets, net of accumulated amortization, consist of deferred debt issuance costs of \$289,450 as of June 30, 2006.

The Proprietary Funds' other long-term assets, net of accumulated amortization, consist of the following as of June 30, 2006.

Category	Electric Utility	Airport	Water Resources	Telecom Fund	Total
Deferred Debt Issuance Costs	\$ 1,318,780	\$ 1,575,840	\$ 117,604	\$ 72,581	\$ 3,084,805
Deferred Depreciation Expense	9,758,011	0	0	0	9,758,011
Unamortized Demand Side Mgt (DSM)	3,252,390	0	0	0	3,252,390
Other Unamortized Charges	4,195,655	0	0	0	4,195,655
Non-Utility Property	775,600	0	0	0	775,600
Deferred PSB Accounting Orders	797,252	0	0	0	797,252
Deferred Preliminary Engineering	128,557	0	0	0	128,557
Other Assets	8,394	0	0	0	8,394
Franchise Costs	0	0	0	75,132	75,132
<b>Total</b>	<b>\$ 20,234,639</b>	<b>\$ 1,575,840</b>	<b>\$ 117,604</b>	<b>\$ 147,713</b>	<b>\$ 22,075,796</b>

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

In March 1990, the voters of the City of Burlington approved an \$11,300,000 bond issue to fund Demand Side Management (DSM) programs. In October 1992, the Electric Department issued revenue bonds of \$40,900,000 of which \$11,300,000 was designated to finance the costs of these programs. The costs of these programs have been deferred. Consistent with rate making treatment, the Electric Department is recovering these costs over the life of the long-term bonds and the related debt service. Other Unamortized charges at June 30, 2006 are as follows:

<u>Category</u>	<u>Amount</u>
Loss on Transfer of Moran Station	\$ 2,628,911
Costs Associated with Chase Hydro	<u>1,566,744</u>
Total	<u>\$4,195,655</u>

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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 constructed and maintains Chace Hydro, a hydroelectric generating station built on Electric Department-owned land on the Winooski River. The costs associated with Chace Hydro are being amortized over the life of the outstanding bonds which were issued to finance the Electric Department's interest in the project.

During 2005, the Department obtained two accounting orders from the VPSB enabling the Department to defer certain costs incurred during the period in which the cost will be recovered through future rates. The first order approved by the VPSB was for the deferral of rate design expenses incurred by the Department in the amount of \$80,000. This amount has been deferred and will be amortized over a period of five (5) years after the rate is approved. The second accounting order approved the deferral of the Department's 50% joint ownership share of the costs incurred related to the McNeil Station turbine overhaul. The total deferred cost is \$934,559 and amortization over 84 months began June 1, 2005.

Capital projects having a long lead time for engineering have the engineering costs deferred as preliminary survey and investigations costs. At the time the project is ready for construction, these costs are transferred to construction work in progress. If it becomes obvious the project will not be constructed, the costs would be expensed. The engineering costs deferred are \$128,557 for 2006.

#### **I. Deferred Revenue**

Deferred Revenue in the General Fund consists of \$1,230,528 of delinquent property taxes and penalties and interest on those taxes, \$111,722 of gross receipt taxes and penalty and interest on those taxes, \$292,906 in Grant Revenue and \$575,278 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 \$195,261 of prepaid recreation revenue and permit fees for fiscal year 2007. Total Deferred Revenue in the General Fund is \$2,405,695.

Deferred Revenue in the School Fund consists of \$635,816 grant revenue received in advance of expenditures and \$443,135 of grant revenue that was not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities. Total Deferred Revenue in the School Fund is \$1,078,951.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

Deferred Revenue in the Special Revenue Funds consist of \$5,429,597 of Grants and Loans Receivable and Land Held for Resale in the CEDO Fund. The Deferred Revenue from the grants consists of \$222,122 of Grant Revenue for the CEDO Fund received in advance of expenditures and \$76,928 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 and from the Land Held for Resale of will be recognized as the loans are repaid to the City and the land is sold. It also consists of \$7,085 in prepaid traffic fees in the Traffic Commission Fund and \$24,280 of prepaid vendor assessments and \$6,953 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 and \$35,530 of donations in the Church Street Marketplace Fund which will be earned in fiscal year 2007. Total Deferred Revenue in the Special Revenue Funds is \$5,802,495.

Deferred Revenue in the Capital Project Funds consists of \$920,892 of Grant Receivables not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities.

#### **J. Long-term Liabilities**

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

General obligation bonds are direct obligations and pledge the full faith and credit of the City. New bonds generally are issued as 10 to 20 year bonds. Refunding bond are issued for various terms based on the debt service of the debt refunded.

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

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

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

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

**Compensated Absences** – It is the policy of the City of Burlington, Vermont to permit employees to accumulate earned but unused benefits. The accrual for unused compensated absences time, based on current pay rates, is recorded in the government-wide financial statements and proprietary fund financial statements.

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General Obligation Bonds Payable	\$ 16,756,466	\$ 1,750,000	\$ 2,526,466	\$ 15,980,000	\$ 2,596,666
Other Debt	24,120,456	50,740	2,859,652	21,311,544	964,411
Obligations Under Capital Leases	2,802,862	615,566	762,170	2,656,258	858,390
Insurance Reserves	1,806,000	330,000	0	2,136,000	1,243,000
City Compensated Absences	1,952,798	55,567	0	2,008,365	0
School Compensated Absences	2,296,945	328,680	0	2,625,625	123,430
Landfill Post-Closure	108,000	0	9,000	99,000	19,000
School - Early Retirement Contracts	64,033	53,251	0	117,284	29,248
Net Pension Obligation	<u>1,273,841</u>	<u>1,022,545</u>	<u>27,550</u>	<u>2,268,836</u>	<u>0</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 51,181,401</u>	<u>\$ 4,206,349</u>	<u>\$ 6,184,838</u>	49,202,912	<u>\$ 5,834,145</u>
Add Unamortized Premium				89,437	
Subtract Deferred Loss on Refunding				<u>(101,216)</u>	
Total				<u>\$ 49,191,133</u>	

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**Business-type Activities**

General Obligation Bonds Payable	\$ 27,594,345	\$ 2,410,409	\$ 1,847,024	\$ 28,157,730	\$ 740,733
Revenue Bonds	130,130,000	0	7,370,000	122,760,000	8,445,000
Other Debt	900,000	3,000,000	3,900,000	0	0
Obligations Under Capital Leases	13,080,559	10,000,000	386,915	22,693,644	797,503
Other Electric Department					
Long-Term Debt	84,497	0	22,228	62,269	0
Compensated Absences	1,093,991	68,381	0	1,162,372	0
Net Pension Obligation	322,449	25,796	136,684	211,561	0

Total Business-type Activities

Long-Term Liabilities	\$ <u>173,205,841</u>	\$ <u>15,504,586</u>	\$ <u>13,662,851</u>	175,047,576	\$ <u>9,983,236</u>
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Add Unamortized Premium

2,035,425

Subtract Unamortized Discount

(141,046)

Subtract Deferred Loss on Refunding Bonds

(19,822,422)

Subtract Deferred Loss on Refunding Capital Leases

(85,050)

Total

\$ 157,034,483

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.

	Issue Date	Interest Rate %	Maturity Date	Outstanding 6/30/05	New Issue	Principal Reduction	Outstanding 6/30/06
<b>General Obligation Debt (Tax Levy Supported)</b>							
G.O. 1996 Series A Refunding Bonds	06/15/96	3.80-5.40	12/01/2009	2,635,000		600,000	2,035,000
Marketplace II 1998 Refunding Bonds	08/03/98	3.90-4.10	12/01/2005	9,000		9,000	0
Urban Renewal 1998 Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	495,000		60,000	435,000
G.O. 1998 Series B Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	103,333		13,333	90,000
General Improvements 1998 Series A	08/03/98	4.20-4.30	12/01/2008	340,000		80,000	260,000
Bike Path II 1999 Refunding Bonds	02/16/99	3.25-3.80	05/01/2006	70,000		70,000	0
General Improvements 1999 Series B	07/20/99	4.25-4.80	12/01/2009	415,000		75,000	340,000
General Improvements 2000 Series A	10/12/00	4.25-4.75	12/01/2010	495,000		75,000	420,000
General Improvements 2001 Series A	10/01/01	3.00-4.00	11/01/2011	555,000		70,000	485,000
North/South Connector 2001 Refunding Bonds	10/01/01	3.00-3.10	11/01/2006	440,000		225,000	215,000
Waterfront Imp. 2001 Refunding Bonds	10/01/01	3.00	11/01/2006	435,000		210,000	225,000
General Improvements 2002 Series A	07/30/02	3.00-4.00	09/01/2012	620,000		70,000	550,000
Fire Equipment Bond 2003A	05/01/03	3.50-4.00	11/01/2018	2,370,000		135,000	2,235,000
General Improvements 2003 Series B	10/15/03	2.00-3.75	11/01/2013	685,000		65,000	620,000
General Improvements 2004 Refunding Series B	07/15/04	2.00-3.80	12/01/2016	510,000		30,000	480,000
General Improvements 2004 Series A	07/15/04	2.25-3.75	05/01/2015	750,000		60,000	690,000
General Improvements 2005 Series A	06/28/05	3.50-3.60	11/01/2015	250,000		0	250,000
General Improvements 2005 Series B	07/06/05	3.25-3.50	11/1/2015	0	1,000,000	0	1,000,000
Subtotal				<u>11,177,333</u>	<u>1,000,000</u>	<u>1,847,333</u>	<u>10,330,000</u>
G.O. School 1996 Series A Refunding Bonds	06/15/96	3.80-5.40	12/01/2009	1,025,000		200,000	825,000
G.O. School 1996 Series B Bonds	06/15/96	5.25-5.60	12/01/2005	155,000		155,000	0
G.O. School II 1998 Series B Refunding Bonds	08/03/98	3.90-4.10	12/01/2005	10,800		10,800	0
G.O. School 1998 Series C Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	413,333		53,333	360,000
G.O. School 2002 Series Refunding Bonds	07/30/02	2.50-4.00	09/01/2013	905,000		85,000	820,000
G.O. School 2002 Series A Bonds	07/30/02	3.00-4.375	03/01/2018	800,000		30,000	770,000
G.O. School 2004 Refunding Series B Bonds	07/15/04	2.00-3.80	12/01/2016	2,270,000		145,000	2,125,000
G.O. School 2005 Series B Bonds	07/06/05	3.25-4.2	11/1/2025	0	750,000	0	750,000
Subtotal				<u>5,579,133</u>	<u>750,000</u>	<u>679,133</u>	<u>5,650,000</u>

**CITY OF BURLINGTON, VERMONT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**Certificates of Participation**

Downtown Parking - Certificate of Participation	06/01/99	4.30-4.80	12/01/2018	3,960,000		380,000	3,580,000
Waterfront Refunding - Certificate of Participation	06/01/99	4.30-4.80	12/01/2018	1,095,000		55,000	1,040,000
Capital Projects - Certificate of Participation	06/27/00	5.375-5.75	12/01/2020	3,575,000		145,000	3,430,000
Police Facility - Certificate of Participation Refunding	07/30/02	3.00-4.25	05/01/2015	1,670,000		140,000	1,530,000
Downtown Parking - Certificate of Participation	6/7/2005	4.0-4.375	05/01/2025	7,870,000		0	7,870,000
Subtotal				<u>18,170,000</u>	<u>0</u>	<u>720,000</u>	<u>17,450,000</u>

**Other Notes Payable**

Pease Grain Lot & Central Garage Mortgage	05/10/98	7.20	05/15/2008	546,000		42,000	504,000
Winooski Main Street Lot Mortgage	05/10/98	5.00	05/15/2008	169,000		13,000	156,000
HUD Section 108 - US Guaranteed Notes 1999	04/28/99	5.40-6.20	08/01/2017	1,405,000		120,000	1,285,000
HUD Section 108 - US Guaranteed Notes 2003	02/12/03	3.25	08/01/2022	3,602,000		1,800,000	1,802,000
VEDA/State Infrastructure loan	03/08/05	2.50	03/08/2012	103,456	50,740	39,652	114,544
Bond Anticipation Note	06/30/05	3.43	08/15/2005	125,000	0	125,000	0
Subtotal				<u>5,950,456</u>	<u>50,740</u>	<u>2,139,652</u>	<u>3,861,544</u>

Add Unamortized Premium				89,138	7,171	6,872	89,437
Subtract Deferred Loss on Refunding				(110,418)		(9,202)	(101,216)
<b>Total Governmental Activities</b>				<u>40,855,642</u>	<u>1,807,911</u>	<u>5,383,789</u>	<u>37,279,764</u>

**Revenue Supported**

**Revenue Anticipation Notes Payable-Enterprise:**

Wastewater Revenue Anticipation Notes	6/30/2005	3.77	6/30/2006	900,000		900,000	0
Subtotal				<u>900,000</u>	<u>0</u>	<u>900,000</u>	<u>0</u>

**Airport Commission:**

Airport 2001 Refunding Bonds	10/01/01	3.00	11/01/2005	250,000		250,000	0
				250,000	0	250,000	0

Add Unamortized Premium				982		(982)	0
Subtract Deferred Loss on Refunding				(3,603)		3,603	0
Subtotal				<u>247,379</u>	<u>0</u>	<u>252,621</u>	<u>0</u>

**Electric Department:**

Nuclear Units #3	06/01/79	5.75	05/01/2008	150,000		50,000	100,000
Electric 1996 Series A Refunding Bonds	06/15/96	3.80-5.40	12/01/2009	250,000		50,000	200,000
Electric 1996 Capital Series C	07/01/96	5.00-6.00	12/01/2016	15,000		15,000	0
Electric 1998 Series B Refunding Bonds	08/03/98	3.90-4.10	12/01/2005	16,200		16,200	0
Electric 1998 Series C Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	103,333		13,333	90,000
Electric 2001 Capital Refunding Bonds	10/01/01	3.00-3.10	11/01/2006	90,000		45,000	45,000
Electric 2002 Series A Refunding Bonds	07/30/02	2.50-3.50	09/01/2008	85,000		20,000	65,000
Electric 2004 Series B Refunding Bonds	07/15/04	2.00-3.80	12/01/2016	490,000		30,000	460,000
Electric 2005 Series A Bonds	06/28/05	3.50-4.20	11/01/2025	1,000,000		0	1,000,000
Electric 2005 Series B Bonds	07/06/05	3.25-4.20	11/01/2025	0	1,000,000	0	1,000,000
Subtotal				<u>2,199,533</u>	<u>1,000,000</u>	<u>239,533</u>	<u>2,960,000</u>

Add Unamortized Premium				7,031	0	(708)	6,323
Subtract Unamortized Discount				0	(1,547)	0	(1,547)
Subtract Deferred Loss on Refunding				(47,774)	0	8,905	(38,869)
Subtotal				<u>2,158,790</u>	<u>998,453</u>	<u>247,730</u>	<u>2,925,907</u>

**Water Resources:**

Water 1998 Series B Refunding Bonds	08/03/98	3.90-4.10	12/01/2005	9,000		9,000	0
Subtotal				<u>9,000</u>	<u>0</u>	<u>9,000</u>	<u>0</u>

Subtract Deferred Loss on Refunding				(1,238)	0	(1,238)	0
Subtotal				<u>7,762</u>	<u>0</u>	<u>7,762</u>	<u>0</u>

**Wastewater:**

Wastewater 1999 Series A Refunding Bonds	02/16/99	3.25-3.80	05/01/2006	1,020,000		1,020,000	0
State of VT-EPA 1990 Series 1	12/06/90	0.00	12/01/2010	4,974,751		134,453	4,840,298
State of VT-EPA 1991 Series 1	02/12/92	0.00	12/01/2014	18,839,456		194,038	18,645,418
State of VT-EPA 2006 Series 1	09/06/06	2.00	02/01/2027	0	41,458		41,458
State of VT-EPA 2001 Series 1	07/01/00	2.00	10/01/2026	301,605	1,368,951	0	1,670,556
Subtotal				<u>25,135,812</u>	<u>1,410,409</u>	<u>1,348,491</u>	<u>25,197,730</u>

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

<b>Total Revenue Supported</b>		<u>28,449,743</u>	<u>2,408,862</u>	<u>2,756,604</u>	<u>28,123,637</u>		
<b>Total General Obligation Debt</b>		<u>69,305,385</u>	<u>4,216,773</u>	<u>8,140,393</u>	<u>65,403,401</u>		
<b>Revenue Debt</b>							
Electric Department:							
Revenue Bonds 1996 Series A	04/01/96	3.80-6.38	12/01/2012	32,575,000	0	3,325,000	29,250,000
Revenue Bonds 2001 Series A	12/01/01	2.30-4.60	07/01/2014	10,155,000		570,000	9,585,000
Revenue Bonds 2002 Series A	04/01/02	5.00-5.375	07/01/2014	19,275,000		980,000	18,295,000
Revenue Bonds 2004 Series A	04/15/04	4.27	07/01/2024	10,000,000		345,000	9,655,000
Subtotal				<u>72,005,000</u>	0	<u>5,220,000</u>	<u>66,785,000</u>
Add Unamortized Premium				1,847,952		154,285	1,693,667
Subtract Unamortized Discount				(66,364)		(4,085)	(62,279)
Subtract Deferred Loss on Refunding				<u>(21,076,352)</u>		<u>(1,541,496)</u>	<u>(19,534,856)</u>
Subtotal				<u>52,710,236</u>	0	<u>3,828,704</u>	<u>48,881,532</u>
Water Resources:							
Revenue Bonds 1997 Series A	07/10/97	4.10-5.00	12/01/2012	9,015,000		955,000	8,060,000
Subtotal				<u>9,015,000</u>	0	<u>955,000</u>	<u>8,060,000</u>
Subtract Deferred Loss on Refunding				(290,147)		(41,450)	(248,697)
Subtotal				<u>8,724,853</u>	0	<u>913,550</u>	<u>7,811,303</u>
Airport:							
Revenue Bonds 1997 Series A	05/01/97	3.85-5.60	07/01/2017	9,455,000		520,000	8,935,000
Revenue Bonds 1997 Series B	05/01/97	4.00-5.75	07/01/2017	5,715,000		310,000	5,405,000
Revenue Bonds 2000 Series A	05/17/00	4.80-6.20	07/01/2020	9,140,000		365,000	8,775,000
Revenue Bonds 2003 Series A and B	06/11/03	2.00-5.00	07/01/2028	24,800,000		0	24,800,000
Subtotal				<u>49,110,000</u>	0	<u>1,195,000</u>	<u>47,915,000</u>
Add Unamortized Premium				361,819		26,384	335,435
Subtract Unamortized Discount				(88,451)		(11,231)	(77,220)
Subtotal				<u>49,383,368</u>	0	<u>1,210,152</u>	<u>48,173,216</u>
<b>Total Revenue Debt</b>				<u>110,818,457</u>	0	<u>5,952,406</u>	<u>104,866,051</u>
<b>Total General Obligation and Revenue Debt</b>				<u>180,123,842</u>	<u>4,216,773</u>	<u>14,092,799</u>	<u>170,269,452</u>

Maturities are expected as follows:

Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
June 30				
2006	3,561,077	1,492,136	9,185,733	6,229,298
2007	4,130,456	1,353,347	9,874,827	5,810,543
2008	3,220,511	1,174,634	10,310,169	5,227,037
2009	2,960,000	1,044,898	10,866,178	4,861,874
2010	2,324,166	935,435	15,252,738	4,317,617
2011-2015	10,133,334	3,359,496	64,556,201	13,302,641
2016-2020	7,790,000	1,399,500	16,169,917	5,523,626
2021-2025	3,172,000	280,418	9,931,967	2,389,708
2026-2029	0	0	4,770,000	365,500
Total	<u>37,291,544</u>	<u>11,039,864</u>	<u>150,917,730</u>	<u>48,027,844</u>

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

The City is the lessee of various equipment under capital leases expiring in various years through 2020. Future minimum payments under the capital leases consisted of the following as of June 30, 2006.

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2007	953,766	1,979,845
2008	822,011	2,373,148
2009	488,508	2,373,148
2010	302,161	2,307,092
2011	167,650	2,252,081
2012-2016	117,812	11,260,407
2017-2021	<u>0</u>	<u>8,600,334</u>
Total Minimum Lease Payments	2,851,908	31,146,055
Less Amounts Representing Interest	<u>(195,650)</u>	<u>(8,452,411)</u>
Net Present Value of Future Payments	2,656,258	22,693,644
Deferred Loss on Lease Refunding	<u>0</u>	<u>(85,050)</u>
Net Capital Lease Payable	<u><u>2,656,258</u></u>	<u><u>22,608,594</u></u>

Two of the capital leases, for \$12,600,000 and \$10,000,000, are for the Telecom Fund. The lease repayments are to be paid back from Telecom revenues. If these revenues are insufficient, the other City funds are not obligated in any manner to repay these leases. These leases are not supported by the general taxing authority of the City.

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

Revenue Bonds have been issued pursuant to General Bond Resolutions and are collateralized by a pledge of revenues. Pursuant to the General Bond Resolutions, revenues (as defined) means all rates, fees, charges or other income and includes rentals, proceeds of insurance or condemnation or other disposition of assets, proceeds of bonds or notes and earnings from the investment of revenues. On an annual basis, revenues must be sufficient after deducting operating expenses (as defined) to meet minimum debt service coverage requirements (as defined). If minimum debt service coverage requirements are not met, the City must take timely corrective action. For the year ended June 30, 2006, revenues (as defined) exceeded debt service requirements.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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 three notes payable with TD BankNorth, N.A. on the buildings it owns at the Airport, at 131 Battery Street and for the Gilbane property totaling \$1,314,798 which are secured by mortgages. The loans are for ten years and one loan has a variable interest rate currently at 6.75% and one (1) loan has a fixed rate of 6.11%.

The Corporation also has four (4) notes payable with Chittenden Investment Services, Inc. with a balance of \$1,411,183 which are offset by notes receivable from Champlain Housing Trust and will be repaid as the notes receivable are collected. Interest rates are between 5% and 6%.

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

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

The Corporation also has borrowed \$1,104,000 from the City's CEDO Fund to purchase the former Turner property. This note is due when BCDC concludes the sale of this property to Burlington Co-Housing, Inc., a local nonprofit, which was completed subsequent to year end. The interest rate is based on the three (3) month LIBOR rate plus .2% and is paid quarterly. Burlington Co-Housing, Inc. reimburses BCDC for all interest costs. This is reported as due to primary government.

The Corporation also owes a City Capital Project Fund \$810,000 for its share of the Westlake Parking Garage. The amount will be paid in 2007 when the Corporation secures permanent financing from a bank. This liability is reported as due to primary government.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 196,011	\$ 412,912
2008	209,741	399,082
2009	553,330	380,156
2010	230,506	343,754
2011	246,625	327,635
2012-2016	1,290,921	1,374,619
2017-2021	1,589,824	877,339
2022-2026	1,681,323	293,138
2027-2029	<u>47,700</u>	<u>2,821</u>
Total	<u>\$ 6,045,981</u>	<u>\$ 4,411,456</u>

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 51,882	\$ 41,290
2008	53,460	39,712
2009	55,086	38,086
2010	56,761	36,411
2011	58,488	34,684
2012-2016	320,232	145,628
2017-2021	371,985	93,875
2022-2026	<u>432,106</u>	<u>33,754</u>
Total	<u>\$ 1,400,000</u>	<u>\$ 463,440</u>

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

**K. Restricted and Designated Fund Balances/Net Assets**

The City's General Fund Fund Balance as of June 30, 2006 was \$3,126,105. The City's General Fund designated fund balance was reduced by the \$1,230,520 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, 2006 consisted of the following:

**GENERAL FUND**

**Reserved**

Inventory & Prepaid Expenses	\$ 304,825
Parking Fund by Charter	23,000
Health Insurance Reserve *	364,716
Library Books & Small Grants	119,012
Public Records Restoration Grants	23,436
Impact Fees	518,539
Police Equitable Sharing Funds	288,894
Total Reserved	1,642,422

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

**Unreserved - Designated  
 Designated Tax Items**

Debt Service Tax	11,263
Insurance Reserve	290,303
Employee Benefit Reserve	423,311
Capital and Working Capital Funds	87,101
Conservation Legacy	155,068
Parks – Greenbelt Dedicated Taxes	47,806
Cemetery Capital	13,531
Gosse Court/Leddy Park Capital	278,878
South End Transit Center Reserve – TIF	135,364
Street Repaving	11,552
Lakeview Garage Maintenance Reserve - TIF	246,828
Subtotal Designated Items	1,701,005
Less: Uncollected Taxes, Penalties, and Interest	(1,230,528)
Total Designated Tax Items	470,477

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

**Designated - Other**

Recycling Funds	80,512
Total Designated – Other	80,512
<b>Unreserved – Undesignated</b>	932,694
<b>Total Fund Balance – General Fund</b>	<b>\$3,126,105</b>

The reserved fund balance in the School Department Fund consists of \$395,443 reserved for school programs by agreements or outside grants and \$66,594 reserved for prepaid expenses. The unreserved fund balance of \$1,023,338 consists of a designated fund balance of the School’s general fund of \$200,000 and \$849,033 of other school unrestricted monies less deficits in other school funds of \$25,695 which will be funded as grant receivables are collected in fiscal year 2007.

The reserved fund balances in the Special Revenue Funds are reserved for Traffic Fund expenditures by City Charter in the amount of \$544,536, reserved for CEDO Fund in the amount of \$73,616 by grant agreements, and reserved for the Mary E. Wadell Fund in the amount of \$12,628 by trust agreement. The Traffic Fund also has a balance reserved for inventory and prepaid expenses of \$168,609.

The unreserved fund balance of \$134,531 in the Special Revenue Funds consists of a \$41,953 deficit in the Church Street Marketplace Fund which will be funded next year with increased revenue collection efforts and decreased expenses. This amount is offset by an unreserved fund balance of \$176,484 which is designated for Housing Trust Fund activities.

The reserved fund balances of \$254,434 in the Capital Project Funds consist of reserved Debt Proceeds for the Lakeview Garage and Municipal Garage renovations and Westlake redevelopment projects.

The negative unreserved fund balances of \$2,598,852 in the Capital Projects Funds consist of \$132,591 for the Southern Connector, \$89,952 for the South End and Downtown Transit Centers, \$18 for the Duel Depot, \$5,785 for the Bike Path, \$382,309 for the Riverside Avenue Project, \$492,773 for the Heating Upgrades and Moran Building, \$56,243 for the DPW New Facility, \$52,552 for the Englesby Brook Project, \$9,995 for the North Winooski Streetscape and Battery Street Projects, \$28,299 for the North Street Project, \$173,326 for the Firehouse Center and \$1,175,009 for the School Capital Projects. The DPW New Facility, Heating Upgrades and Moran Building will be funded annually by transfers from the General Fund. The Riverside Avenue Project will be funded through reimbursement from utility companies if possible or transfers from the General Fund. All other City funds with deficits will be funded as Grant Receivables are collected in Fiscal Year 2007 or with a transfer from the General Fund. The School Capital Project Fund deficit will be funded in 2007 with proceeds of long-term debt.

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

The reserved fund balances of \$963,670 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 \$205,945.

**V. OTHER INFORMATION**

**A. PROPERTY TAXES**

The City is responsible for assessing and collecting its own property taxes, as well as education property taxes for the State. Property taxes are assessed based on property valuations as of April 1 annually. Taxes are collected four (4) times per year. During the tax year ended June 30, 2006, taxes became due and payable on August 12, 2005, November 12, 2005, March 12, 2006 and June 12, 2006. Taxes unpaid after each due date are considered to be late and are subject to 1% interest added on the next day, an additional 4% interest added after the tenth (10<sup>th</sup>) day late and an additional 1% per month thereafter. Taxes unpaid ten (10) days after the June due date are delinquent and are subject to an 8% penalty and interest calculated at twelve percent (12%). Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale.

The amount of taxes the City may levy is subject to charter limitations. These limits and the rates assessed for 2005-2006 are as follows:

<u>Category</u>	<u>Charter Limits</u>	<u>Rate per \$100 of Assessed Value Residential</u>	<u>Rate per \$100 of Assessed Value Non-Residential</u>
General City	\$0.2277	\$ 0.2277	\$0.2277
Highways (charter-prescribed minimum)	0.0312	0.0312	0.0312
Police/Fire	0.0789	0.0789	0.0789
Parks (charter-prescribed minimum)	0.0250	0.0250	0.0250
County Tax	Actual	0.0040	0.0040
General Long-Term Debt Retirement & Interest	Actual	0.0683	0.0683
Retirement Contribution	Actual	0.1086	0.1086
Chittenden County Transportation Authority	Actual	0.0299	0.0299
Streets-Special	0.0408	0.0408	0.0408
Housing Trust Fund	0.0100	0.0053	0.0053
Library Tax	0.0050	0.0050	0.0050
Open Space	0.0100	<u>0.0053</u>	<u>0.0053</u>
City Total		0.6300	0.6300

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

Schools	Actual	<u>0.9295</u>	<u>1.2201</u>
Total Tax Rate		<u>\$1.5595</u>	<u>\$ 1.8501</u>

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

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

Total Property Taxes Assessed		
School (Homestead)	\$	14,319,408
School (Non-Residential)		20,659,442
City Real		22,224,130
City Personal		926,780
Total Taxes Assessed		<u>58,129,760</u>
Less: Current Year Collections		<u>57,497,183</u>
<b>Delinquent Taxes</b>		<b><u><u>632,577</u></u></b>
Percentage of Current Tax Collections to Total Levies		<b><u><u>98.91%</u></u></b>

The City had to send \$34,978,850 in tax revenues to the School District and State of Vermont for education purposes based on the State’s funding formula.

The City also assessed an \$ .08 tax levy on the commercial values of properties within the “Downtown Improvement District” to assist in funding two hours of free parking in the downtown garages. The City assessed \$235,322 in taxes and collected \$233,619.

**B. 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 revenues, expense and changes in net assets.

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

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

McNeil Generating Station and Gas Turbine	35.0%
Northeast Utilities	17.0%
NYPA	4.0%
NYSEG	16.0%
VEPPI	6.0%
Duke Energy Trading	19.0%
Other	<u>3.0%</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 \$12,979,120 for the year ended June 30, 2006. Future commitments under these contracts totaled approximately \$28 million at June 30, 2006. The remainder of energy requirements are satisfied through short-term purchases, generation at the McNeil Station, which the Department is a 50% owner, and the gas turbine, which the Department wholly owns.

2. The joint owners of the McNeil Station have entered into a contract with New England Central Railway for the transportation of wood chips to the McNeil Station. The contract expires in December, 2006, and under terms of the contract, minimum payments of \$166,036 are required to be made in fiscal year 2007. During 2006, the Department paid \$611,212 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, minimum payments of \$92,250 are required to be made by the Department in fiscal year 2007. During 2006, the Department paid \$348,972 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 City believes that the likelihood of any liability material to the financial position of the City is remote and, as such, no liability has been accrued as of June 30, 2006.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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, 2006, the Department has a remaining liability of \$66,694 which will be reduced as cash payments are made to participants through fiscal year 2010.
  
6. As part of the Department’s various Demand Side Management (DSM) programs, the Department’s electric customers are able to finance the costs of various energy efficiency improvements made to their home or business through a loan program with a financial institution. Customers repay the loan directly to the bank. In the event of default by a customer, the Department, as guarantor, pays the bank the remaining balance and assumes the responsibility of collecting the unpaid balance from the customer. The total exposure to the Department for all DSM loans outstanding to the bank as of June 30, 2006 was \$19,806.
  
7. Regulatory Matters  
  
On September 8, 2004, the Vermont Public Service Board (VPSB) approved a rate case filed by the Department increasing the Department’s rates by 7.19%. With the approval of the Department’s rate increase by the VPSB, the VPSB required the Department to initiate a cost allocation and rate design plan. This cost allocation and rate design is designed to be, in total, revenue neutral. As of June 30, 2006, the cost allocation and rate design plan had been approved by the VPSB and Phase I will begin to be implemented on July 1, 2006 with Phase II being implemented on July 1, 2007.
  
8. Proceeds from Settlement of Long-Term Purchase Power Contract  
  
In fiscal year 2006, the Department received \$2,362,560 in connection with the termination of long-term purchase power contract with a thirty party. In accordance with the VPSB’s approval of the Department’s electric rate increase, effective July 1, 2006, the VPSB did not require the proceeds received from the settlement to be refunded to customers through the reduction of future rates. Accordingly, the proceeds have been reported in the accompanying statements of revenues, expenses and changes in net assets as nonoperating revenue for the fiscal year ended June 30, 2006.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**OTHER FUNDS**

**CONTINGENT LIABILITY**

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

**LAKE CHAMPLAIN BARGE CANAL**

The City 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.

**NORTH/SOUTH CONNECTOR PROJECT**

In the 1980's, the City undertook a major project to construct connector highways on the north and south boundaries of the City. The northern part was completed in 1987. However, due to the fact that the southern route was to go through a hazardous waste "superfund" site known as the Barge Canal, construction in the south side has been delayed. The scope and route for the road has changed much over the years. The City, working with the State of Vermont has redesigned the route of the highway and a plan is under consideration. Engineering and administrative fees in the amount of \$487,949 were expended in FY 2006. Federal and State permitting and final design are ongoing and construction will not begin until at least 2009.

**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.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**GRANT PROGRAMS**

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for or including the year ended June 30, 2006, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although, the City expects such amounts, if any, to be immaterial.

**CONSTRUCTION COMMITMENTS**

The Airport has commitments for ongoing Airport Improvement Projects as well as the completion of construction in progress funded from the restricted assets. Airport Improvement Projects in progress include runway construction and improvement, land acquisition and mitigation and security enhancement.

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

On May 19, 2003, the City entered into a development agreement with Westlake Development to provide for the construction of a hotel and parking facility on the southeast corner of Battery and Cherry Streets. The City exercised its right to purchase this land and is responsible for the construction of a parking garage containing 200 public spaces known as the Westlake Garage. As part of the agreement, the City financed and added two decks to the existing Lakeview Parking Garage adjacent to the hotel site in 2005. This was financed by funding in the form of \$7,870,000 of certificates of participation. Repayment will come from additional property taxes that will accrue to the City within its tax increment financing district. Westlake's responsibilities included the construction of a hotel on this site and residential condominiums on the land adjacent to the Lakeview Garage. Also included is \$750,000 in repairs to the College Street Parking Garage behind the Wyndham Hotel. The first phase of these repairs on this garage was completed in the fall of 2006 with additional repairs projected for the summer of 2007.

**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 Vermont Agency of Transportation, the Burlington Business Association, Burlington City Council, the Department of Public Works, and the Burlington Planning Commission to evaluate the City's position and options relative to the project. This task force presented a plan that evaluates five locations for the transportation center. The City Council has reviewed these alternatives and expects to act further in fiscal year 2007.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

**BURLINGTON TELECOM**

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

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

In that regard, the service was initiated in a defined area in the south end of the City in February, 2006. Construction and expansion of the system continues with the entire City projected to be connected sometime in 2008. The original \$2,600,000 was refinanced at a lower interest rate at this time also. During this time period, the City received Certificates of Public Good (CPG's) to be able to operate cable television and telephone operations within the City. In June, 2005, the City purchased a building on 200 Church Street to house the equipment and administration for this service. In January, 2006 an additional \$10,000,000 in financing was secured to cover construction and hookup costs to expand Phase III of the system. City Council approved the release of \$2,000,000 of these funds then and in June 2006, they approved the release of the final \$8,000,000 of these proceeds. The additional funding needs for this project are being evaluated with additional borrowing expected in the Spring of 2007.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**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, 2006, the outstanding balance owed to BED on this note was \$419,963.

In March, 2005, voters rejected a proposal on an advisory referendum which would have allowed the YMCA to locate on this site. In the interim period, the Community & Economic Development Office surveyed citizens regarding potential uses of the site. From the list of suggested uses, an advisory survey is scheduled to be presented to the voters on March 7, 2006. The opinions sought were to be whether the building should be removed or be repaired, and if repaired, which use is most preferred.

The public process on the future of Moran held in 2005 provided a shortlist of potential uses that were voted on in the March 2006 Moran Ballot Survey, now shown in concept drawings. On September 30, 2006 over 130 people came to the Moran Plant to view a these concept drawings based on the list of potential uses. Many ideas were received and discussed. In the future, The City Council Parks Arts and Culture Committee is moving the public process forward, and oversaw the completion of the concept drawings and comparative estimates for each use listed on the ballot. The concept drawings and estimates should reinvigorate public interest in the future of Moran and assist in providing information to the City Council and the public. There is no established timeline for action; however, the condition of the building is deteriorating. Taking care of the building is a continuing expense to the City. Now that the concept drawings are complete, the Mayor and full City Council will revisit the issue and provide direction for next steps.

**C. INSURANCE RESERVES**

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

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

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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 based on the terms of the agreement.

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

The liability recorded at June 30, 2006 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.

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

The City self-insures for health insurance. The Plan is administered by a third party administrator that is responsible for approval, processing and payment of claims, after which they bill the City for reimbursement. The City has reinsurance for individual claims in excess of \$125,000 for the 2006 policy year. The School is a member of Vermont Educational Health Initiative (VEHI). VEHI is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont school districts and is owned by the participating members. The agreement does not permit VEHI to make additional assessments to its members.

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

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

<u>Type</u>	<u>Allocation Method</u>
Worker's Compensation	Gross Payroll by W/C category and experience
Health & Dental	Premiums estimated by the third party administrator
Liability	Operating Budgets
Property	Insured Value of City Structures

At June 30, 2006, the City has recorded a liability of \$280,884 included in accounts payable which represents reported health, dental, property, liability and worker's compensation claims incurred on or before June 30, 2006, but were not paid by the City as of that date. A reserve of \$2,136,000 is included for claims incurred but not reported. This consists of \$1,785,000 for property, liability and workers' compensation claims, \$334,000 for health claims and \$17,000 for dental claims. \$334,000 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 \$72,751 and \$95,315, respectively, in unemployment claims during fiscal year 2006.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

**D. BONDS/DEBT ISSUED**

1. On July 6, 2005, the City issued \$2,750,000 General Obligations Bonds for the purpose of financing various capital improvements and for working capital for the General Fund, School Fund and Electric Fund.
2. At various points during the year, the City received a total of \$1,410,409 from the State of Vermont Special Environmental Revolving Fund for the purpose of financing various Wastewater Plant upgrades.
3. At various points during the year, the City received a total of \$50,740 from the Vermont Economic Development Authority for the purpose of financing infrastructure upgrades within the City.
4. At various points during the year, the City issued and repaid \$18,450,000 of tax anticipation notes. The Airport Fund also issued and repaid a \$3,000,000 revenue anticipation note.

**E. RELATED PARTY TRANSACTIONS**

Burlington Community Development Corporation (BCDC) is a related non-profit corporation that was organized to carry out the industrial and economic development of the City of Burlington. The Board of Directors of the Corporation must all be members of the City of Burlington's Board of Finance. The City's Treasurer's Office prepares all accounting data for BCDC. In 2001, BCDC received \$133,000 of Certificates of Participation from the City to assist in financing leasehold improvements at the Onion River Co-op. The intent is for BCDC to repay the entire balance plus interest, however there is no formal obligation to do so. The amount of the advance still outstanding is \$111,292. This office space is rented to the City. BCDC also owns two (2) buildings on Airport property. BCDC owes the Airport \$1,400,000 as of June 30, 2006 for financing of the recently constructed Aviation Support Hanger. BCDC also owes the CEDO Fund \$1,104,000 as of June 30, 2006 for financing the acquisition of the Turner property. BCDC also owes a City Capital Project Fund \$810,000 for its share of the new Westlake Parking Garage.

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, 2006 was \$63,014.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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, 2006, the Burlington City Arts Foundation, Inc. owed the City Capital Project Funds \$173,326 and the City's CEDO Fund \$203,000 for capital expenditures on the Firehouse Center Project.

A City Councilor rented office space from the Telecom Fund during the year. The amount paid to the City was \$4,775.

**F. LEASE REVENUE**

The Airport leases office, operating and ground space to various airport related businesses, including airlines, car lease companies, a restaurant and gift shop and governmental agencies, among others. The lease rates vary and are computed based upon square footage, percentages of gross revenues and combinations of the two. The leases expire at varying dates through 2011.

Lease revenue for the year ended June 30, 2006 was \$5,538,237 which includes contingent rentals approximating \$2,270,120. Minimum future lease revenue estimated to be received in each of the next five years under these agreements are as follows:

Year ending June 30,

2007	\$5,619,000
2008	\$5,675,000
2009	\$5,732,000
2010	\$5,790,000
2011	\$5,841,000

**G. 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, 2006 was \$8,556,115 and \$25,107,702 respectively. The City's total payroll, except for school teachers, was \$39,235,075.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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 .

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 thirty (30) year period from date of establishment. The contribution rate for normal cost is determined using the projected unit credit cost method with costs allocated based on earnings of plan members. For 2005, the City did not fund the total annual required contribution creating a net pension obligation of \$1,596,290. For 2006, the City did not fund the total annual required contribution creating a current year net pension obligation of \$756,403. The cumulative net pension obligation for the City is \$2,480,397 which includes \$127,704 of accrued interest expense.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

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

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

The total contribution to the system for 2006 of \$4,659,847 included \$3,931,747 contributed by the City which was eighty-four (84%) percent of the actuarially determined requirements computed through an actuarial valuation performed as of June 30, 2004. All funds, other than the General Fund and School Department Fund, contributed \$1,649,244 (14.36% percent of current covered payroll). Class A employees contributed \$728,100 (8.8% percent of current covered payroll). The total required system contributions include past service cost amortization of the unfunded past service cost of \$905,446.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

<b>Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Excess/ (Deficiency) of Assets over AAL (a-b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>Excess/ (Deficiency) as a Percentage of Covered Payroll ((a-b)/c)</b>
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)%
6/30/04	107,648,941	117,669,439	(10,020,498)	91.48%	29,369,106	34.12%
6/30/05	105,424,671	129,033,794	(23,609,123)	81.70%	30,575,851	(77.21)%

CITY OF BURLINGTON, VERMONT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2006

**SCHEDULE OF EMPLOYER CONTRIBUTION**

<b>Year Ended</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution</b>	<b>Percentage Contributed</b>
6/30/02	767,446	875,764	114%
6/30/03	1,079,911	1,164,935	108%
6/30/04	2,461,840	2,523,928	103%
6/30/05	4,563,111	2,966,821	65%
6/30/06	4,688,150	3,931,747	84%

**SCHEDULE OF ANNUAL PENSION COST**

<b>Year Ended</b>	<b>Annual Pension Cost</b>	<b>Percentage Contributed</b>	<b>Net Pension Obligation</b>
6/30/04	2,461,840	103%	0
6/30/05	4,563,111	65%	\$1,596,290
6/30/06	4,688,150	84%	756,403

**SCHOOL DEPARTMENT PENSION**

All School Department employees with proof of certification are eligible for participation in the Vermont State Teacher's Retirement System, at either the Class A or Class C level. The system is funded 100 percent by the State of Vermont. Employees participating in the Class A level contribute 5.5 percent and Class C employees contribute 3.54 percent of the total gross wages through a payroll deduction plan. The School has no liability to the system. The premise of this plan is to provide a retirement plan covering teachers at a uniform state-wide contribution rate based upon an actuarial valuation of all State of Vermont teachers. Activity in these plans is done in the aggregate, not by school district. Due to the nature of these plans, net assets available for benefits as well as present value of vested and non-vested plan benefits by district are not determinable.

The State makes retirement contributions of approximately 5.36% of all eligible covered salaries on-behalf of the School District. The Schools' total payroll was \$30,234,956, while its eligible covered payroll was \$21,140,643 resulting in an estimated \$1,133,138 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, 2006

**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 contributed to one City employee's deferred compensation account for a portion of the year. The expense for the year ending June 30, 2006 was \$1,296. Deferred compensation is not available to employees until termination, retirement, or death. The City has no liability for losses under the plans, but does have the duty of due care that would be required of an ordinary prudent investor.

**POST EMPLOYMENT HEALTH BENEFITS**

The City also provides post-employment health benefits to all eligible unionized Class A employees. This amount is funded monthly by the Retirement Fund and is equal to 1% of each employee's gross pay. The expense for the year ended June 30, 2006 was \$63,134. 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, 2006 is \$312,076.

The School District pays for half of the cost of health benefits to retired educators with 15 years of service until they reach the age of 62. The School District also pays for half of the cost of health benefits for administrative assistants who have 15 years of service with the District and have reached the age of 55. There are currently thirteen (13) retired teachers and one administrative assistant receiving the benefit. The amount needed to fund post employment health benefits liability today is estimated to be \$117,284.

**H. SUBSEQUENT EVENTS**

1. On July 3, 2006, the City issued a tax anticipation note for \$5,750,000 with TD BankNorth, N.A. This note was paid in full on August 15, 2006.
2. On September 25, 2006, the City issued \$6,365,000 of General Obligation Bonds for the purpose of financing various capital improvements within the City, School and Electric Department.
3. On September 28, 2006, the City received proceeds of long-term debt in the amount of \$1,635,440 from the State of Vermont's Special Environmental Revolving Loan Fund for the purpose of financing Wastewater plant improvements.

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

4. On October 10, 2006, the City issued \$2,215,000 of general obligation refunding bonds for the purpose of refinancing other bonds to reduce future debt service.
5. On August 14, 2006, the Electric Department entered into an agreement with VELCO whereby the Department agreed to purchase 97,239 Class A units and 123,759 Class B units for a sum of \$2,209,980. The purchase of the Class A and Class B units occurred on September 29, 2006.
6. On December 1, 2006, the City issued a revenue anticipation note for \$2,000,000 for the Electric Department. Interest is at 3.56% and is due June 30, 2007.
7. On October 19, 2006, BCDC sold their 131 Battery Street Building for \$1,300,000. \$594,824 of the proceeds were used to pay off debt service and closing costs.
8. On September 12, 2006, BCDC sold its asset held for resale for \$1,104,000. BCDC assigned its \$1,104,000 Section 108 Note Payable to Burlington Co-Housing, Inc. as part of the sale.
9. On January 10, 2007, BCDC terminated its sub-lease at the Onion River Co-op and received \$300,000 as compensation for its leasehold improvements previously made.

**I. SEGMENT INFORMATION**

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

CONDENSED STATEMENT OF NET ASSETS

Assets:

Current Assets	\$ 1,264,062
Other Non-Current Assets	117,604
Restricted Assets	1,351,790
Capital Assets	<u>14,330,361</u>
Total Assets	<u>17,063,817</u>

Liabilities:

Current Liabilities	1,346,276
Noncurrent Liabilities	<u>7,170,038</u>
Total Liabilities	<u>8,516,314</u>

Net Assets: \$ 8,547,503

CITY OF BURLINGTON, VERMONT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2006

CONSENSUED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Water Charges (Pledged Against Bonds)	\$ 5,064,550
Depreciation Expense	(683,002)
Other Operating Expenses	<u>(3,480,261)</u>
Operating Income/(Loss)	901,287
Nonoperating Revenues/(Expenses):	
Investment Earnings	42,671
Interest Expense	(447,217)
Amortization of Bond Issue Costs	<u>(19,954)</u>
Change in Net Assets	476,787
Beginning Net Assets	<u>8,070,716</u>
Ending Net Assets	<u>\$ 8,547,503</u>

CONDENSED STATEMENT OF CASH FLOWS

Net Cash Provided/(Used) by:	
Operating Activities	\$ 1,465,275
Capital and Related Financing Activities	(1,553,161)
Investing Activities	<u>20,236</u>
Net Increase (Decrease)	(67,650)
Beginning Cash and Cash Equivalents	<u>349,911</u>
Ending Cash and Cash Equivalents	<u>\$ 282,261</u>

The General Fund has one operating lease for office space.

**J OPERATING LEASES**

The General Fund has an operating lease for office space.

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

<u>Year ending</u> <u>June 30</u>	<u>General</u> <u>Fund</u>	<u>Electric</u>
2007	\$27,048	\$19,787
2008	0	19,248
2009	<u>0</u>	<u>12,514</u>
Total	<u>\$27,048</u>	<u>\$51,549</u>

CITY OF BURLINGTON, VERMONT  
COMBINING BALANCE SHEET  
SCHOOL FUND  
JUNE 30, 2006

	General	Title I, II, III, IV, V Grants	Other Grant Special Revenue	Vocational Center	Other Special Revenue	Total
<u>ASSETS</u>						
Cash	\$ 4,375,856	\$ 447,688	\$ 674,552	\$ 320,933	\$ 353,038	\$ 6,172,067
Investments	0	0	0	0	47,040	47,040
Receivables	417,440	0	138,511	0	0	555,951
Prepaid Expenses	0	0	0	66,594	0	66,594
Total Assets	<u>\$ 4,793,296</u>	<u>\$ 447,688</u>	<u>\$ 813,063</u>	<u>\$ 387,527</u>	<u>\$ 400,078</u>	<u>\$ 6,841,652</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities						
Accounts Payable	\$ 307,729	\$ 20,077	\$ 66,661	\$ 8,360	\$ 4,635	\$ 407,462
Accrued Payroll and Benefits	3,019,094	375,882	309,435	165,453	0	3,869,864
Deferred Revenue	417,440	51,729	462,662	147,120	0	1,078,951
Total Liabilities	<u>3,744,263</u>	<u>447,688</u>	<u>838,758</u>	<u>320,933</u>	<u>4,635</u>	<u>5,356,277</u>
Fund Balance/(Deficit):						
Reserved for:						
Prepaid Expenses	0	0	0	66,594	0	66,594
Other Purposes	0	0	0	0	395,443	395,443
Unreserved:						
Designated	200,000	0	0	0	0	200,000
Undesignated	849,033	0	(25,695)	0	0	823,338
Total Fund Balance/(Deficit)	<u>1,049,033</u>	<u>0</u>	<u>(25,695)</u>	<u>66,594</u>	<u>395,443</u>	<u>1,485,375</u>
Total Liabilities and Fund Balance	<u>\$ 4,793,296</u>	<u>\$ 447,688</u>	<u>\$ 813,063</u>	<u>\$ 387,527</u>	<u>\$ 400,078</u>	<u>\$ 6,841,652</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 BALANCE  
 SCHOOL FUND  
 FOR THE YEAR ENDED JUNE 30, 2006

	General	Title I, II, III, IV, V Grants	Other Grant Special Revenue	Vocational Center	Other Special Revenue	Total
<b>Revenues:</b>						
Payments in Lieu of Taxes	\$ 1,194,567	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,194,567
Intergovernmental	34,393,395	3,429,125	4,427,292	1,467,870	219,101	43,936,783
Charges for Services	359,040	0	696,936	347,618	233,017	1,636,611
Other	314,007	0	0	0	0	314,007
Investment Income	160,035	0	0	0	675	160,710
<b>Total Revenues</b>	<b>36,421,044</b>	<b>3,429,125</b>	<b>5,124,228</b>	<b>1,815,488</b>	<b>452,793</b>	<b>47,242,678</b>
<b>Expenditures:</b>						
Education	34,069,219	3,429,125	5,652,567	2,087,187	439,273	45,677,371
Debt Service:						
Bond and Note Principal Retirement	666,370	0	0	12,763	0	679,133
Interest Charges	216,616	0	0	2,922	0	219,538
<b>Total Expenditures</b>	<b>34,952,205</b>	<b>3,429,125</b>	<b>5,652,567</b>	<b>2,102,872</b>	<b>439,273</b>	<b>46,576,042</b>
Excess/(Deficiency) of Revenue Over Expenditures	1,468,839	0	(528,339)	(287,384)	13,520	666,636
<b>Other Financing Sources/(Uses):</b>						
Transfer In	0		635,874	353,978	0	989,852
Transfer Out	(989,852)		0	0	0	(989,852)
<b>Total Other Financing Sources/(Uses)</b>	<b>(989,852)</b>	<b>0</b>	<b>635,874</b>	<b>353,978</b>	<b>0</b>	<b>0</b>
Net Change in Fund Balance	478,987	0	107,535	66,594	13,520	666,636
Fund Balance/(Deficit) - July 1, 2005	570,046	0	(133,230)	0	381,923	818,739
Fund Balance/(Deficit) - June 30, 2006	\$ 1,049,033	\$ 0	\$ (25,695)	\$ 66,594	\$ 395,443	\$ 1,485,375

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

CITY OF BURLINGTON, VERMONT  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
<b><u>ASSETS:</u></b>				
Cash	\$ 324,258	\$ (2,006,597)	\$ 755,095	\$ (927,244)
Investments	18,211	607,362	203,981	829,554
Receivables (Net of Allowance for Doubtful Accounts)	1,154,259	1,773,317	0	2,927,576
Loans Receivable	3,296,957	0	0	3,296,957
Land Held for Resale	615,076	0	0	615,076
Accrued Interest Receivable	413,564	0	4,594	418,158
Due From Component Unit	1,104,000	810,000	0	1,914,000
Inventories	165,841	0	0	165,841
Other Current Assets	3,168	0	0	3,168
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	\$ <u>7,095,334</u>	\$ <u>1,184,082</u>	\$ <u>963,670</u>	\$ <u>9,243,086</u>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>				
Liabilities:				
Accounts and Contracts Payable	\$ 301,957	\$ 2,114,835	\$ 0	\$ 2,416,792
Accrued Liabilities	49,887	0	0	49,887
Due to Other Funds	7,075	0	0	7,075
Interfund Loan Payable	0	492,773	0	492,773
Deferred Revenue	5,802,495	920,892	0	6,723,387
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	6,161,414	3,528,500	0	9,689,914
Fund Balances/(Deficit):				
Reserved for:				
Inventory and Prepaid Expenses	168,609	0	0	168,609
Reserved for Restricted Purposes	630,780	254,434	963,670	1,848,884
Unreserved	134,531	(2,598,852)	0	(2,464,321)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances/(Deficit)	933,920	(2,344,418)	963,670	(446,828)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balances	\$ <u>7,095,334</u>	\$ <u>1,184,082</u>	\$ <u>963,670</u>	\$ <u>9,243,086</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, 2006

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
<b>REVENUES:</b>				
Intergovernmental Revenues	\$ 4,180,539	\$ 2,205,483	\$ 0	\$ 6,386,022
Charges for Services	3,584,077	0	0	3,584,077
Licenses and Permits	581,233	0	0	581,233
Loan Repayments	304,314	0	0	304,314
Interest	76,920	137,075	35,769	249,764
Other Revenues	127,742	4,027	30,125	161,894
	<u>8,854,825</u>	<u>2,346,585</u>	<u>65,894</u>	<u>11,267,304</u>
<b>EXPENDITURES:</b>				
Current expenditures				
Public works	3,883,243	1,643,092	0	5,526,335
Public safety	0	7,701	0	7,701
Community Development	4,449,833	0	0	4,449,833
Capital expenditures	55,367	8,049,300	0	8,104,667
Debt service expenditures				
Bond and Note Principal	1,909,995	39,652	0	1,949,647
Lease Principal	37,817	0	0	37,817
Interest	88,901	355,398	0	444,299
Bond Issue Costs	0	17,577	0	17,577
	<u>10,425,156</u>	<u>10,112,720</u>	<u>0</u>	<u>20,537,876</u>
Excess/(Deficiency) of Revenues Over Expenditures	<u>(1,570,331)</u>	<u>(7,766,135)</u>	<u>65,894</u>	<u>(9,270,572)</u>
<b>OTHER FINANCING SOURCES/(USES):</b>				
Proceeds of Long-term Debt	0	750,000	0	750,000
Sale of Capital Assets	1,800,000	0	0	1,800,000
Transfers in	684,982	286,275	0	971,257
Transfers out	(94,400)	0	(35,454)	(129,854)
	<u>2,390,582</u>	<u>1,036,275</u>	<u>(35,454)</u>	<u>3,391,403</u>
Net Change in Fund Balances	820,251	(6,729,860)	30,440	(5,879,169)
Fund Balances - July 1, 2005	<u>113,669</u>	<u>4,385,442</u>	<u>933,230</u>	<u>5,432,341</u>
Fund Balances/(Deficit) - June 30, 2006	<u>\$ 933,920</u>	<u>\$ (2,344,418)</u>	<u>\$ 963,670</u>	<u>\$ (446,828)</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, 2006

	Traffic Commission Fund	Community and Economic Development Fund	Housing Trust Fund	Church Street Marketplace Fund	Mary E. Wadell Fund	Total
<b>ASSETS:</b>						
Cash	\$ 582,196	\$ (519,598)	\$ 222,911	\$ 26,121	\$ 12,628	\$ 324,258
Investments	18,211	0	0	0	0	18,211
Receivables (Net of Allowance for Doubtful Accounts)	18,336	1,120,500	0	15,423	0	1,154,259
Loans Receivable	0	3,296,957	0	0	0	3,296,957
Interest Receivable	0	413,564	0	0	0	413,564
Due From Component Unit	0	1,104,000	0	0	0	1,104,000
Land Held For Resale	0	615,076	0	0	0	615,076
Inventories	165,841	0	0	0	0	165,841
Other Current Assets	2,768	400	0	0	0	3,168
<b>Total Assets</b>	<b>\$ 787,352</b>	<b>\$ 6,030,899</b>	<b>\$ 222,911</b>	<b>\$ 41,544</b>	<b>\$ 12,628</b>	<b>\$ 7,095,334</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts and Contracts Payable	\$ 35,922	\$ 208,155	\$ 41,750	\$ 11,930	\$ 0	\$ 297,757
Accrued Liabilities	25,909	19,037	477	4,464	0	49,887
Other Liabilities	0	0	4,200	0	0	4,200
Due to Other Funds	5,291	1,444	0	340	0	7,075
Deferred Revenue	7,085	5,728,647	0	66,763	0	5,802,495
<b>Total Liabilities</b>	<b>74,207</b>	<b>5,957,283</b>	<b>46,427</b>	<b>83,497</b>	<b>0</b>	<b>6,161,414</b>
<b>Fund Balances/(Deficit):</b>						
<b>Reserved for:</b>						
Inventory and Prepaid Expenses	168,609	0	0	0	0	168,609
Reserved for Restricted Purposes	544,536	73,616	0	0	12,628	630,780
Unreserved	0	0	176,484	(41,953)	0	134,531
<b>Total Fund Balances/(Deficit)</b>	<b>713,145</b>	<b>73,616</b>	<b>176,484</b>	<b>(41,953)</b>	<b>12,628</b>	<b>933,920</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 787,352</b>	<b>\$ 6,030,899</b>	<b>\$ 222,911</b>	<b>\$ 41,544</b>	<b>\$ 12,628</b>	<b>\$ 7,095,334</b>

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, 2006

	Traffic Commission Fund	Community and Economic Development Fund	Housing Trust Fund	Church Street Marketplace Fund	Mary E. Wadell Fund	Total
<b>Revenues:</b>						
Intergovernmental	\$ 0	\$ 4,180,539	\$ 0	\$ 0	\$ 0	\$ 4,180,539
Charges for Services	3,196,012	328,736	25,125	34,204	0	3,584,077
Licenses and Permits	0	0	0	581,233	0	581,233
Loan Repayments	0	304,314	0	0	0	304,314
Interest Income	24,289	52,136	0	0	495	76,920
Other Revenues	0	52,447	0	75,295	0	127,742
<b>Total Revenues</b>	<u>3,220,301</u>	<u>4,918,172</u>	<u>25,125</u>	<u>690,732</u>	<u>495</u>	<u>8,854,825</u>
<b>Expenditures:</b>						
<b>Current:</b>						
Public Works	3,183,365	0	0	699,878	0	3,883,243
Community Development	0	4,245,706	204,127	0	0	4,449,833
<b>Capital Outlay:</b>						
Public Works	51,660	0	0	1,897	0	53,557
Community Development	0	1,810	0	0	0	1,810
<b>Debt Service:</b>						
Bond and Note Principal Retirement	49,995	1,860,000	0	0	0	1,909,995
Lease Principal Retirement	21,759	3,984	0	12,074	0	37,817
Interest Charges	53,484	34,405	0	1,012	0	88,901
<b>Total Expenditures</b>	<u>3,360,263</u>	<u>6,145,905</u>	<u>204,127</u>	<u>714,861</u>	<u>0</u>	<u>10,425,156</u>
Excess/(Deficiency) of Revenue Over Expenditures	<u>(139,962)</u>	<u>(1,227,733)</u>	<u>(179,002)</u>	<u>(24,129)</u>	<u>495</u>	<u>(1,570,331)</u>
<b>Other Financing Sources/(Uses):</b>						
Sale of Capital Assets	0	1,800,000	0	0	0	1,800,000
Transfers In	313,620	170,993	188,869	11,500	0	684,982
Transfers Out	(94,400)	0	0	0	0	(94,400)
<b>Total Other Financing Sources/(Uses)</b>	<u>219,220</u>	<u>1,970,993</u>	<u>188,869</u>	<u>11,500</u>	<u>0</u>	<u>2,390,582</u>
<b>Net Change in Fund Balance</b>	<u>79,258</u>	<u>743,260</u>	<u>9,867</u>	<u>(12,629)</u>	<u>495</u>	<u>820,251</u>
<b>Fund Balances/(Deficit) - July 1, 2005</b>	<u>633,887</u>	<u>(669,644)</u>	<u>166,617</u>	<u>(29,324)</u>	<u>12,133</u>	<u>113,669</u>
<b>Fund Balances/(Deficit) - June 30, 2006</b>	<u>\$ 713,145</u>	<u>\$ 73,616</u>	<u>\$ 176,484</u>	<u>\$ (41,953)</u>	<u>\$ 12,628</u>	<u>\$ 933,920</u>

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

CITY OF BURLINGTON, VERMONT  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS FUNDS  
 JUNE 30, 2006

	City Capital Projects						
	Southern Connector	South End & Downtown Transit Centers	Fuel Depot	STP Bike Path	Fire Vehicle Bond	Riverside Avenue Project	Moran Building & Heating Upgrades
<u>ASSETS:</u>							
Cash	\$ (53,024)	\$ (97,193)	\$ (2,641)	\$ 437	\$ 54,219	\$ 21,718	\$ 0
Investments	0	0	0	0	0	0	0
Due from Component Unit	0	0	0	0	0	0	0
Receivables	213,087	99,282	2,641	5,785	0	367,026	0
<b>Total Assets</b>	<b>\$ 160,063</b>	<b>\$ 2,089</b>	<b>\$ 0</b>	<b>\$ 6,222</b>	<b>\$ 54,219</b>	<b>\$ 388,744</b>	<b>\$ 0</b>
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 79,567	\$ 1,435	\$ 0	\$ 6,222	\$ 54,219	\$ 771,053	\$ 0
Interfund Loan Payable	0	0	0	0	0	0	492,773
Deferred Revenue	213,087	90,606	18	5,785	0	0	0
<b>Total Liabilities</b>	<b>292,654</b>	<b>92,041</b>	<b>18</b>	<b>12,007</b>	<b>54,219</b>	<b>771,053</b>	<b>492,773</b>
Fund Balance/(Deficit):							
Reserved for Restricted Purposes	0	0	0	0	0	0	0
Unreserved	(132,591)	(89,952)	(18)	(5,785)	0	(382,309)	(492,773)
<b>Total Fund Balance/(Deficit)</b>	<b>(132,591)</b>	<b>(89,952)</b>	<b>(18)</b>	<b>(5,785)</b>	<b>0</b>	<b>(382,309)</b>	<b>(492,773)</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 160,063</b>	<b>\$ 2,089</b>	<b>\$ 0</b>	<b>\$ 6,222</b>	<b>\$ 54,219</b>	<b>\$ 388,744</b>	<b>\$ 0</b>

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

						School Capital Projects	
DPW New Facility	Engelsby Brook	N. Winooski Streetscape & Battery St. Projects	Firehouse Center	North Street Project	Lakeview and College St. Garages & Westlake Projects	School Bond Capital Projects	Total
\$ 0	\$ (472,151)	\$ (9,118)	\$ (173,326)	\$ (22,488)	\$ (433,087)	\$ (819,943)	\$ (2,006,597)
0	0	0	0	0	607,362	0	607,362
0	0	0	0	0	810,000	0	810,000
<u>0</u>	<u>502,625</u>	<u>9,995</u>	<u>0</u>	<u>28,299</u>	<u>0</u>	<u>544,577</u>	<u>1,773,317</u>
\$ <u>0</u>	\$ <u>30,474</u>	\$ <u>877</u>	\$ <u>(173,326)</u>	\$ <u>5,811</u>	\$ <u>984,275</u>	\$ <u>(275,366)</u>	\$ <u>1,184,082</u>
\$ 56,243	\$ 54,501	\$ 877	\$ 0	\$ 5,811	\$ 729,841	\$ 355,066	\$ 2,114,835
0	0	0	0	0	0	0	492,773
<u>0</u>	<u>28,525</u>	<u>9,995</u>	<u>0</u>	<u>28,299</u>	<u>0</u>	<u>544,577</u>	<u>920,892</u>
<u>56,243</u>	<u>83,026</u>	<u>10,872</u>	<u>0</u>	<u>34,110</u>	<u>729,841</u>	<u>899,643</u>	<u>3,528,500</u>
0	0	0	0	0	254,434	0	254,434
<u>(56,243)</u>	<u>(52,552)</u>	<u>(9,995)</u>	<u>(173,326)</u>	<u>(28,299)</u>	<u>0</u>	<u>(1,175,009)</u>	<u>(2,598,852)</u>
<u>(56,243)</u>	<u>(52,552)</u>	<u>(9,995)</u>	<u>(173,326)</u>	<u>(28,299)</u>	<u>254,434</u>	<u>(1,175,009)</u>	<u>(2,344,418)</u>
\$ <u>0</u>	\$ <u>30,474</u>	\$ <u>877</u>	\$ <u>(173,326)</u>	\$ <u>5,811</u>	\$ <u>984,275</u>	\$ <u>(275,366)</u>	\$ <u>1,184,082</u>

CITY OF BURLINGTON, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006

	City Capital Projects						
	Southern Connector	South End & Downtown Transit Centers	Fuel Depot	STP Bike Path	Fire Vehicle Bond	Riverside Avenue Projects	Moran Building & Heating Upgrades
Revenues:							
Intergovernmental Revenue	\$ 370,617	\$ 8,676	\$ 8,703	\$ 20,615	\$ 0	\$ 0	\$ 0
Investment Income	0	0	0	0	0	0	0
Other Income	0	3,907	0	0	0	0	0
<b>Total Revenues</b>	<b>370,617</b>	<b>12,583</b>	<b>8,703</b>	<b>20,615</b>	<b>0</b>	<b>0</b>	<b>0</b>
Expenditures:							
Construction/Purchases	0	0	0	0	77,792	0	0
Engineering and Administrative Fees	487,949	100,396	10,902	10,347	0	0	0
Legal and Miscellaneous Expenses	0	0	0	0	0	0	0
Sub-Grant Expense	0	0	0	0	0	420,578	0
Debt Service:							
Principal	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	36,139
Bond Issue Costs	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>487,949</b>	<b>100,396</b>	<b>10,902</b>	<b>10,347</b>	<b>77,792</b>	<b>420,578</b>	<b>36,139</b>
Excess/(Deficiency) of Revenues Over Expenditures	(117,332)	(87,813)	(2,199)	10,268	(77,792)	(420,578)	(36,139)
Other Financing Sources:							
Proceeds of Long-Term Debt	0	0	0	0	0	0	0
Transfers In	11,186	1,084	9,283	2,237	32,823	38,269	83,081
<b>Total Other Financing Sources</b>	<b>11,186</b>	<b>1,084</b>	<b>9,283</b>	<b>2,237</b>	<b>32,823</b>	<b>38,269</b>	<b>83,081</b>
Net Changes in Fund Balance	(106,146)	(86,729)	7,084	12,505	(44,969)	(382,309)	46,942
Fund Balance/(Deficit) - July 1, 2005	(26,445)	(3,223)	(7,102)	(18,290)	44,969	0	(539,715)
Fund Balance/(Deficit) - June 30, 2006	\$ (132,591)	\$ (89,952)	\$ (18)	\$ (5,785)	\$ 0	\$ (382,309)	\$ (492,773)

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

						School Capital Projects	
DPW New Facility	Engelsby Brook	N. Winooski Streetscape & Battery St. Projects	Firehouse Center	North Street Project	Lakeview and College St. Garages & Westlake Projects	School Bond Capital Projects	Total
\$ 0	\$ 1,058,653	\$ 7,715	\$ 0	\$ 730,504	\$ 0	\$ 0	\$ 2,205,483
0	0	0	0	0	137,075	0	137,075
0	120	0	0		0	0	4,027
0	1,058,773	7,715	0	730,504	137,075	0	2,346,585
0	0	0	0	318,086	5,224,598	1,896,481	7,516,957
0	0	22,138	0	0	0	0	631,732
0	0	0	0	0	29,819	0	29,819
0	1,101,007	0	0	0	0	0	1,521,585
0	0	0	0	39,652	0	0	39,652
0	10,318	0	9,125	2,689	297,127	0	355,398
0	0	0	0	0	0	17,577	17,577
0	1,111,325	22,138	9,125	360,427	5,551,544	1,914,058	10,112,720
0	(52,552)	(14,423)	(9,125)	370,077	(5,414,469)	(1,914,058)	(7,766,135)
0	0	0	0	0	0	750,000	750,000
28,120	0	4,428	0	75,764	0	0	286,275
28,120	0	4,428	0	75,764	0	750,000	1,036,275
28,120	(52,552)	(9,995)	(9,125)	445,841	(5,414,469)	(1,164,058)	(6,729,860)
(84,363)	0	0	(164,201)	(474,140)	5,668,903	(10,951)	4,385,442
\$ (56,243)	\$ (52,552)	\$ (9,995)	\$ (173,326)	\$ (28,299)	\$ 254,434	\$ (1,175,009)	\$ (2,344,418)

CITY OF BURLINGTON, VERMONT  
 COMBINING SCHEDULE OF NET ASSETS  
 OTHER PROPRIETARY FUNDS  
 JUNE 30, 2006

	Water Fund	School Food Service Enterprise Fund	School Other Enterprise Funds	Total
<u>ASSETS</u>				
Current Assets:				
Cash	\$ 282,261	\$ 385,126	\$ 19,241	\$ 686,628
Restricted Investments	1,191,790	0	0	1,191,790
Receivables (Net of Allowance for Uncollectible Accounts)	489,361	61,233	0	550,594
Unbilled Receivables	335,325	0	0	335,325
Accrued Interest Receivables	4,633	0	0	4,633
Inventory	150,402	0	0	150,402
Other Current Assets	2,080	2,050	0	4,130
Total Current Assets	<u>2,455,852</u>	<u>448,409</u>	<u>19,241</u>	<u>2,923,502</u>
Noncurrent Assets:				
Restricted Investments	160,000	0	0	160,000
Deferred Charges	117,604	0	0	117,604
Capital Assets				
Land	51,250	0	0	51,250
Vehicles, Machinery and Equipment	1,087,634	268,040	0	1,355,674
Transmission and Distribution Plant	33,422,782	0	0	33,422,782
Less Accumulated Depreciation	<u>(20,231,305)</u>	<u>(197,763)</u>	<u>0</u>	<u>(20,429,068)</u>
Total Noncurrent Assets	<u>14,607,965</u>	<u>70,277</u>	<u>0</u>	<u>14,678,242</u>
Total Assets	<u>\$ 17,063,817</u>	<u>\$ 518,686</u>	<u>\$ 19,241</u>	<u>\$ 17,601,744</u>
<u>LIABILITIES</u>				
Current Liabilities:				
Accounts Payable	\$ 37,436	\$ 2,852	\$ 240	\$ 40,528
Accrued Payroll and Benefits	14,304	0	0	14,304
Due to Other Funds	2,717	0	0	2,717
Deferred Revenue	21,698	0	0	21,698
Payable From Restricted Assets:				
Accrued Interest Payable	196,790	0	0	196,790
Revenue Bonds Payable - Current Portion	995,000	0	0	995,000
Capital Leases Payable - Current Portion	<u>78,331</u>	<u>0</u>	<u>0</u>	<u>78,331</u>
Total Current Liabilities	<u>1,346,276</u>	<u>2,852</u>	<u>240</u>	<u>1,349,368</u>
Noncurrent Liabilities:				
Accrued Compensated Absences Payable	125,489	0	0	125,489
Net Pension Obligation	20,802	0	0	20,802
Revenue Bonds Payable	6,816,303	0	0	6,816,303
Capital Leases Payable	<u>207,444</u>	<u>0</u>	<u>0</u>	<u>207,444</u>
Total Noncurrent Liabilities	<u>7,170,038</u>	<u>0</u>	<u>0</u>	<u>7,170,038</u>
Total Liabilities	<u>8,516,314</u>	<u>2,852</u>	<u>240</u>	<u>8,519,406</u>
<u>NET ASSETS</u>				
Investment in Capital Assets, Net of Related Debt	6,350,887	70,277	0	6,421,164
Restricted	1,155,000	0	0	1,155,000
Unrestricted	<u>1,041,616</u>	<u>445,557</u>	<u>19,001</u>	<u>1,506,174</u>
Total Net Assets	<u>8,547,503</u>	<u>515,834</u>	<u>19,001</u>	<u>9,082,338</u>
Total Liabilities and Net Assets	<u>\$ 17,063,817</u>	<u>\$ 518,686</u>	<u>\$ 19,241</u>	<u>\$ 17,601,744</u>

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

CITY OF BURLINGTON, VERMONT  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 OTHER PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Water Fund	School Food Service Enterprise Fund	School Other Enterprise Funds	Total
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 4,964,772	\$ 1,849,388	\$ 66,717	\$ 6,880,877
Miscellaneous	<u>99,778</u>	<u>0</u>	<u>0</u>	<u>99,778</u>
Total Operating Revenues	<u>5,064,550</u>	<u>1,849,388</u>	<u>66,717</u>	<u>6,980,655</u>
<b>OPERATING EXPENSES:</b>				
Operating, Maintenance, and General and Administrative Expenses	3,262,344	1,717,237	69,153	5,048,734
Depreciation	683,002	11,336	0	694,338
Payments in Lieu of Taxes	<u>217,917</u>	<u>0</u>	<u>0</u>	<u>217,917</u>
Total Operating Expenses	<u>4,163,263</u>	<u>1,728,573</u>	<u>69,153</u>	<u>5,960,989</u>
Operating Income /(Loss)	<u>901,287</u>	<u>120,815</u>	<u>(2,436)</u>	<u>1,019,666</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Investment Income	42,671	0	0	42,671
Interest Expense	(447,217)	0	0	(447,217)
Amortization of Debt Issue Costs	<u>(19,954)</u>	<u>0</u>	<u>0</u>	<u>(19,954)</u>
Total Nonoperating Revenues (Expenses)	<u>(424,500)</u>	<u>0</u>	<u>0</u>	<u>(424,500)</u>
Change in Net Assets	476,787	120,815	(2,436)	595,166
Net Assets - July 1, 2005	<u>8,070,716</u>	<u>395,019</u>	<u>21,437</u>	<u>8,487,172</u>
Net Assets - June 30, 2006	<u>\$ 8,547,503</u>	<u>\$ 515,834</u>	<u>\$ 19,001</u>	<u>\$ 9,082,338</u>

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

CITY OF BURLINGTON, VERMONT  
 COMBINING SCHEDULE OF CASH FLOWS  
 OTHER PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2006

	Water Fund	School Food Service Enterprise Fund	School Other Enterprise Funds	Total
<b>Cash Flows From Operating Activities:</b>				
Receipts from Customers and Users	\$ 4,888,605	\$ 1,961,658	\$ 66,717	\$ 6,916,980
Receipts for Interfund Services	160,722	0	0	160,722
Payments to Suppliers	(1,313,597)	(980,528)	(45,450)	(2,339,575)
Payments for Wages and Benefits	(1,551,585)	(755,637)	(25,444)	(2,332,666)
Payments for Interfund Services	(500,953)	0	0	(500,953)
Payments in Lieu of Taxes	(217,917)	0	0	(217,917)
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b>1,465,275</b>	<b>225,493</b>	<b>(4,177)</b>	<b>1,686,591</b>
<b>Cash Provided by Noncapital Financing Activities:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Acquisition and Construction of Capital Assets	(86,885)	(9,759)	0	(96,644)
Principal Paid on:				
General Obligation Bonds	(9,000)	0	0	(9,000)
Revenue Bonds	(955,000)	0	0	(955,000)
Capital Lease Obligations	(75,751)	0	0	(75,751)
Interest Paid on:				
General Obligation Bonds	(586)	0	0	(586)
Revenue Bonds	(415,545)	0	0	(415,545)
Capital Lease Obligations	(10,394)	0	0	(10,394)
<b>Net Cash Provided/(Used) by Capital and Related Financing Activities</b>	<b>(1,553,161)</b>	<b>(9,759)</b>	<b>0</b>	<b>(1,562,920)</b>
<b>Cash Flows From Investing Activities:</b>				
Net (Additions)/Reductions to Restricted Cash and Investments	(20,397)	0	0	(20,397)
Receipt of Interest & Dividends	40,633	0	0	40,633
<b>Net Cash Provided by Investing Activities</b>	<b>20,236</b>	<b>0</b>	<b>0</b>	<b>20,236</b>
<b>Net Increase/(Decrease) in Cash</b>	<b>(67,650)</b>	<b>215,734</b>	<b>(4,177)</b>	<b>143,907</b>
Cash - July 1, 2005	349,911	169,392	23,418	542,721
Cash - June 30, 2006	\$ 282,261	\$ 385,126	\$ 19,241	\$ 686,628
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>				
Operating Income/(Loss)	\$ 901,287	\$ 120,815	\$ (2,436)	\$ 1,019,666
Depreciation	683,002	11,336	0	694,338
(Increase)/Decrease in Receivables	(93,067)	112,270	0	19,203
(Increase)/Decrease in Unbilled Revenues	79,062	0	0	79,062
(Increase)/Decrease in Inventory	5,232	714	0	5,946
Increase/(Decrease) in Accounts Payable	(61,807)	(15,420)	(1,741)	(78,968)
Increase/(Decrease) in Net Pension Obligation	(18,392)	0	0	(18,392)
Increase/(Decrease) in Accrued Payroll And Benefits	(8,045)	0	0	(8,045)
Increase/(Decrease) in Other Operating Assets/Liabilities	(21,997)	(4,222)	0	(26,219)
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b>\$ 1,465,275</b>	<b>\$ 225,493</b>	<b>\$ (4,177)</b>	<b>\$ 1,686,591</b>

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

CITY OF BURLINGTON, VERMONT  
COMBINING BALANCE SHEET  
PERMANENT FUNDS  
JUNE 30, 2006

	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	\$ 720,327	\$ 10,948	\$ 10,278	\$ 11,508	\$ 0	\$ 2,034	\$ 755,095
Investments	200,000	0	0	0	3,981	0	203,981
Accrued Interest Receivable	4,594	0	0	0	0	0	4,594
	<u>924,921</u>	<u>10,948</u>	<u>10,278</u>	<u>11,508</u>	<u>3,981</u>	<u>2,034</u>	<u>963,670</u>
<u>LIABILITIES AND FUND BALANCE</u>							
<u>LIABILITIES:</u>							
	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
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	924,921	10,948	2,486	1,603	3,981	1,000	944,939
Reserved for Restricted Purposes	0	0	7,792	9,905	0	1,034	18,731
Total Fund Balance	<u>924,921</u>	<u>10,948</u>	<u>10,278</u>	<u>11,508</u>	<u>3,981</u>	<u>2,034</u>	<u>963,670</u>
Total Liabilities and Fund Balance	<u>\$ 924,921</u>	<u>\$ 10,948</u>	<u>\$ 10,278</u>	<u>\$ 11,508</u>	<u>\$ 3,981</u>	<u>\$ 2,034</u>	<u>\$ 963,670</u>

The accompanying notes are 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, 2006

	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	\$ 35,007	\$ 447	\$ 53	\$ 106	\$ 76	\$ 80	\$ 35,769
Sale of Endowments	<u>30,125</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,125</u>
Total Revenues	<u>65,132</u>	<u>447</u>	<u>53</u>	<u>106</u>	<u>76</u>	<u>80</u>	<u>65,894</u>
EXPENDITURES:							
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues Over Expenditures	<u>65,132</u>	<u>447</u>	<u>53</u>	<u>106</u>	<u>76</u>	<u>80</u>	<u>65,894</u>
OTHER FINANCING SOURCES/(USES):							
Transfers to Cemetery Department	(35,007)	0	0	0	0	0	(35,007)
Transfers to Library Department	<u>0</u>	<u>(447)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(447)</u>
Total Other Financing Sources/(Uses)	<u>(35,007)</u>	<u>(447)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(35,454)</u>
Net Change in Fund Balances	30,125	0	53	106	76	80	30,440
Fund Balances, July 1, 2005	<u>894,796</u>	<u>10,948</u>	<u>10,225</u>	<u>11,402</u>	<u>3,905</u>	<u>1,954</u>	<u>933,230</u>
Fund Balances, June 30, 2006	<u>\$ 924,921</u>	<u>\$ 10,948</u>	<u>\$ 10,278</u>	<u>\$ 11,508</u>	<u>\$ 3,981</u>	<u>\$ 2,034</u>	<u>\$ 963,670</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, 2006

	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	\$ 27,129	\$ 1,750	\$ 0	\$ 0	\$ 0	\$ 4,139	\$ 607	\$ 1,565	\$ 35,190
Investments	0	5,352	10,768	17,594	136,982	0	0	0	170,696
Interest Receivable	0	59	0	0	0	0	0	0	59
Total Assets	<u>\$ 27,129</u>	<u>\$ 7,161</u>	<u>\$ 10,768</u>	<u>\$ 17,594</u>	<u>\$ 136,982</u>	<u>\$ 4,139</u>	<u>\$ 607</u>	<u>\$ 1,565</u>	<u>\$ 205,945</u>
<u>LIABILITIES AND FUND BALANCE</u>									
LIABILITIES:	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
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	26,629	5,161	10,768	17,594	136,982	705	607	1,565	200,011
Total Fund Balance	<u>27,129</u>	<u>7,161</u>	<u>10,768</u>	<u>17,594</u>	<u>136,982</u>	<u>4,139</u>	<u>607</u>	<u>1,565</u>	<u>205,945</u>
Total Liabilities and Fund Balance	<u>\$ 27,129</u>	<u>\$ 7,161</u>	<u>\$ 10,768</u>	<u>\$ 17,594</u>	<u>\$ 136,982</u>	<u>\$ 4,139</u>	<u>\$ 607</u>	<u>\$ 1,565</u>	<u>\$ 205,945</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, 2006

	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	\$ 132	\$ 75	\$ 162	\$ 455	\$ 3,831	\$ 162	\$ 3	\$ 8	\$ 4,828
Total Operating Revenues	132	75	162	455	3,831	162	3	8	4,828
OPERATING EXPENSES:									
Miscellaneous	0	0	0	0	1,857	0	0	0	1,857
Total Operating Expenses	0	0	0	0	1,857	0	0	0	1,857
Net Income/(Loss)	132	75	162	455	1,974	162	3	8	2,971
Fund Balance - July 1, 2005	26,997	7,086	10,606	17,139	135,008	3,977	604	1,557	202,974
Fund Balance - June 30, 2006	\$ 27,129	\$ 7,161	\$ 10,768	\$ 17,594	\$ 136,982	\$ 4,139	\$ 607	\$ 1,565	\$ 205,945

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