

CITY OF BURLINGTON, VERMONT

AUDIT REPORT

JUNE 30, 2005

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 AUDIT REPORT
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Burlington, Vermont as of and for the year ended June 30, 2005, 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-nine percent (39%), forty-one percent (41%), and sixty-three percent (63%), 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and School General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Sullivan, Powers & Company

March 8, 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, 2005.

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 \$163,201,308 (total net assets). Of this amount, \$21,388,317 (unrestricted net assets) may be used by the various funds of the City to meet its ongoing obligations to its citizens and creditors.
- The City's total net assets increased by \$10,545,663 during this fiscal period. Governmental activities increased by \$6,245,367 and Business-type activities increased by \$4,300,296.
- The total net assets of a component unit of the City, the Burlington Community Development Corporation amounted to \$1,144,552, an increase of \$32,154 for the year.

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

- As of the close of the fiscal year ending June 30, 2005, the City's governmental funds reported combined ending fund balances of \$9,034,531. This consists of a fund balance in the General Fund of \$2,783,451, in the School Fund of \$818,739, and \$5,432,341 in all other governmental funds.
- The reserved portion of the governmental fund balance includes \$437,553 for inventories and prepaid expenditures and \$8,970,940 set aside for other restricted purposes.
- Management has designated \$1,316,461 of the fund balance for three purposes. \$606,570 has been designated for development of the Industrial Park near the Airport, \$96,343 has been designated for recycling costs, and \$613,548 has been designated in the School Fund for education purposes.
- The undesignated fund balance of the General Fund component of the governmental funds had a positive ending fund balance of \$303,678, an increase of \$52,003 from the previous fiscal year.
- The undesignated fund balance of the other governmental funds reported as a group amounted to a shortfall of (\$1,860,781), an increase of \$1,981,203. 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, Water, and Wastewater Utilities, and the Burlington Telecom activities 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 activity. 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 Water Fund, and the Wastewater Fund. The School Enterprise Fund and the Burlington Telecom Fund are combined under Other Proprietary Funds.

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

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

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

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

Government-Wide Financial Analysis

CITY OF BURLINGTON NET ASSETS (Refer to Exhibit A)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 30,240,999	\$ 19,036,862	\$ 88,706,961	\$ 86,827,349	\$ 118,947,960	\$ 105,864,211
Capital assets	87,809,672	82,167,386	181,237,076	173,384,069	269,046,748	255,551,455
Total Assets	118,050,671	101,204,248	269,944,037	260,211,418	387,994,708	361,415,666
Long-term liabilities outstanding	51,160,121	41,880,696	153,758,346	148,746,703	204,918,467	190,627,399
Other liabilities	11,093,303	9,771,672	8,781,630	8,360,950	19,874,933	18,132,622
Total Liabilities	62,253,424	51,652,368	162,539,976	157,107,653	224,793,400	208,760,021
Net Assets						
Investment in capital assets, net of related debt	52,306,526	46,980,521	63,674,325	65,840,434	115,980,851	112,820,955
Restricted	8,040,635	4,880,488	17,791,505	15,895,617	25,832,140	20,776,105
Unrestricted	(4,549,914)	(2,309,129)	25,938,231	21,367,714	21,388,317	19,058,585
Total Net Assets	\$ 55,797,247	\$ 49,551,880	\$ 107,404,061	\$ 103,103,765	\$ 163,201,308	\$ 152,655,645

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 \$163,201,308 at the close of fiscal year 2005. This is an increase of \$10,545,663 over 2004.

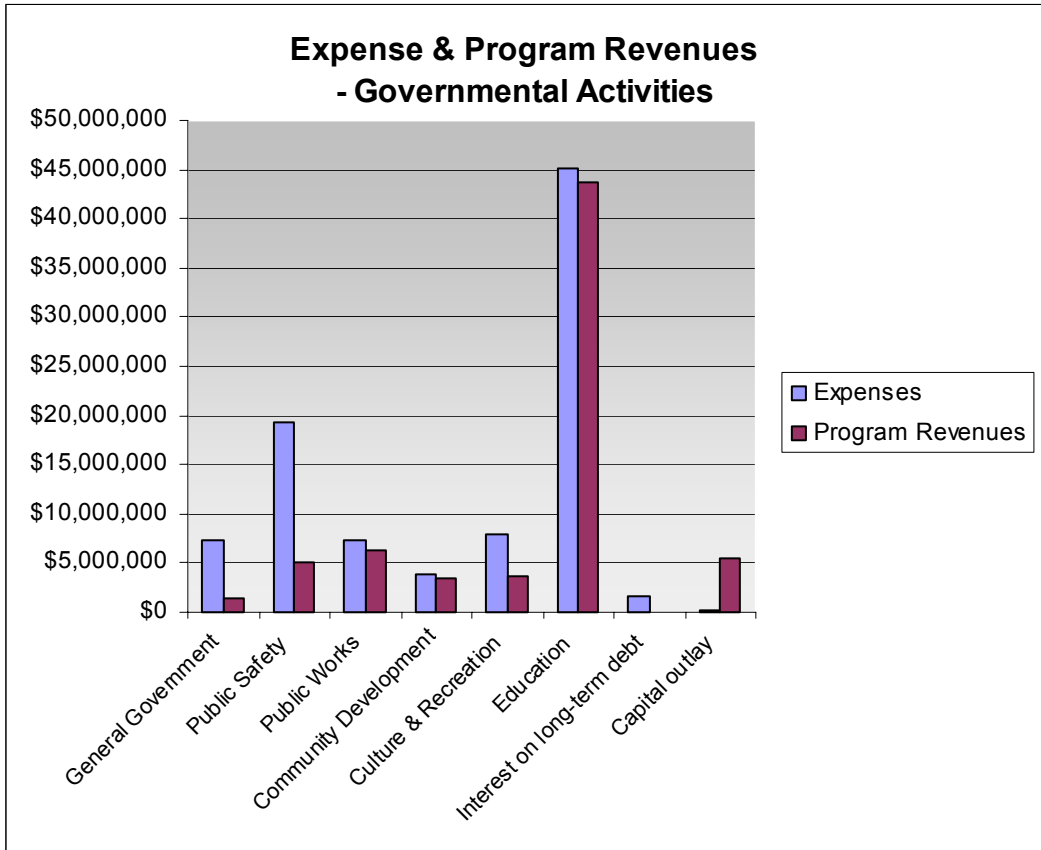
The largest portion of the City's net assets (71% or \$115,980,851) reflects its investments in capital assets (e.g., land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. This is an increase of \$3,159,896 over the previous fiscal year. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (16% or \$25,832,140) represents resources that are subject to external restriction as to how they may be used. This is an increase of \$5,056,035 from FY 2004. The remaining balance of unrestricted net assets (13% or \$21,388,317) is to be used to meet the government's ongoing obligations to citizens and creditors. Included in unrestricted net assets are amounts that management has designated for particular purposes, such as capital reserve funds, reserves for encumbrances, and reserves for expenditures in subsequent fiscal years. The unrestricted net assets increased by \$2,329,732 this year, with an increase in the business-type activities and a decrease in the governmental activities.

At the end of fiscal year 2005, 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 \$52,306,526 of investments in capital assets, net of related debt and a positive balance \$8,040,635 in net assets that are subject to external restriction. However, there is a negative balance of (\$4,549,914) in the governmental activities unrestricted net assets section. This is primarily due to 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, early retirement costs in the City's School Department and the net pension obligation. In the governmental activities section, investments in capital assets increased by \$5,326,005 from \$46,980,521, restricted net assets increased by \$3,160,187 from \$4,880,448 and unrestricted net assets decreased by \$2,240,785 from (\$2,309,129) from the ending balance of FY 2004.

The negative unrestricted net assets from Governmental Activities includes, \$1,005,627 for the School Funds, \$9,694 for the Church Street Marketplace Fund, \$84,363 for the new DPW facility, \$539,715 for the Heating Upgrades and Moran Building and \$2,910,515 for the General Fund. The total unrestricted net assets deficit increased by \$2,240,785 due to the underfunding of the pension contribution.

Governmental Activities. Governmental activities increased the City's net assets by \$6,245,367 or 12.6% during the current fiscal year to \$55,797,247 over the ending amount of \$49,551,880 in FY 2004. The major factor contributing to this increase was the addition of capital assets through receipt of capital grants and contributions during the fiscal year. Please refer to Exhibits D and E for a list of other changes in net assets of governmental activities.



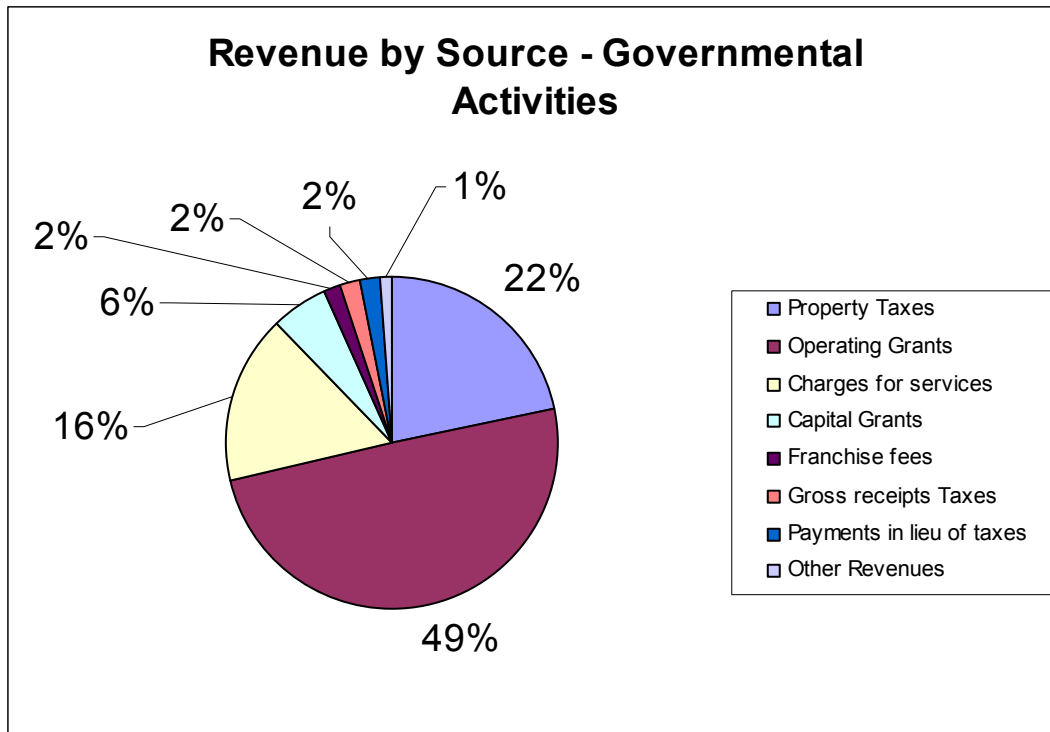
The above graph illustrates the expenses associated with the various functions of governmental activities and the revenues that are directly associated with or generated by these functions. The expenses of these functions are also funded with general revenues, such as property taxes, gross receipts taxes,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

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

CITY OF BURLINGTON, VERMONT CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for Services	\$ 15,776,228	\$ 16,464,540	\$ 66,090,530	\$ 61,676,204	\$ 81,866,758	\$ 78,140,744
Operating Grants and Contributions	47,629,906	39,436,570	64,966	126,789	47,694,872	39,563,359
Capital Grants and Contributions	5,482,836	7,072,097	6,205,030	2,403,600	11,687,866	9,475,697
General revenues						
Property Taxes	20,953,069	22,888,063	-	-	20,953,069	22,888,063
Rooms and Meals Taxes	1,831,635	1,874,300	-	-	1,831,635	1,874,300
Payments in Lieu of Taxes	1,905,338	1,459,189	-	-	1,905,338	1,459,189
Street Franchise Fees	1,555,617	1,692,757	-	-	1,555,617	1,692,757
Development Impact Fees	595,706	83,199	-	-	595,706	83,199
Interest & Penalties on Delinquent Taxes	267,114	270,581	-	-	267,114	270,581
Addition to Permanent Funds	36,700	37,368	-	-	36,700	37,368
Restricted Contributions	-	-	-	-	-	-
Unrestricted Investment Earnings	127,622	36,033	920,279	505,818	1,047,901	541,851
Other Revenues	63,539	128,006	4,000	130,472	67,539	258,478
Airport Passenger Facility Charges	-	-	2,808,977	2,248,630	2,808,977	2,248,630
Gain (loss) on Sale of Capital Assets/ Associated Companies	9,000	-	-	-	9,000	-
	-	-	-	68,630	-	68,630
Total Revenues	\$ 96,234,310	\$ 91,442,703	\$ 76,093,782	\$ 67,160,143	\$ 172,328,092	\$ 158,602,846
Expenses						
Governmental Activities						
General Government	7,319,954	6,879,347	-	-	7,319,954	6,879,347
Public Safety	19,274,154	15,777,673	-	-	19,274,154	15,777,673
Public Works	7,292,137	6,435,329	-	-	7,292,137	6,435,329
Community Development	3,776,803	3,961,961	-	-	3,776,803	3,961,961
Culture and Recreation	7,950,136	6,872,724	-	-	7,950,136	6,872,724
Education	45,044,913	41,473,649	-	-	45,044,913	41,473,649
Interest on Long-Term Debt	1,581,811	1,802,800	-	-	1,581,811	1,802,800
Capital Outlay	220,578	1,190,381	-	-	220,578	1,190,381
Business Type Activities						
Electric Utility	-	-	43,978,731	39,964,164	43,978,731	39,964,164
Airport	-	-	12,824,500	11,622,861	12,824,500	11,622,861
Water	-	-	4,337,013	4,408,160	4,337,013	4,408,160
Wastewater	-	-	4,975,847	4,831,740	4,975,847	4,831,740
Telecom	-	-	1,214,849	306,743	1,214,849	306,743
School Enterprise	-	-	1,991,003	1,911,056	1,991,003	1,911,056
Total Expenses	92,460,486	84,393,864	69,321,943	63,044,724	161,782,429	147,438,588
Changes in Net Assets before Transfers	3,773,824	7,048,839	6,771,839	4,115,419	10,545,663	11,164,258
Transfers	2,471,543	2,766,995	(2,471,543)	(2,766,995)	-	-
Change in Net Assets	6,245,367	9,815,834	4,300,296	1,348,424	10,545,663	11,164,258
Net Assets - Beginning of Year	49,551,880	39,736,046	103,103,765	101,755,341	152,655,645	141,491,387
Net Assets - End of Year	\$ 55,797,247	\$ 49,551,880	\$ 107,404,061	\$ 103,103,765	\$ 163,201,308	\$ 152,655,645

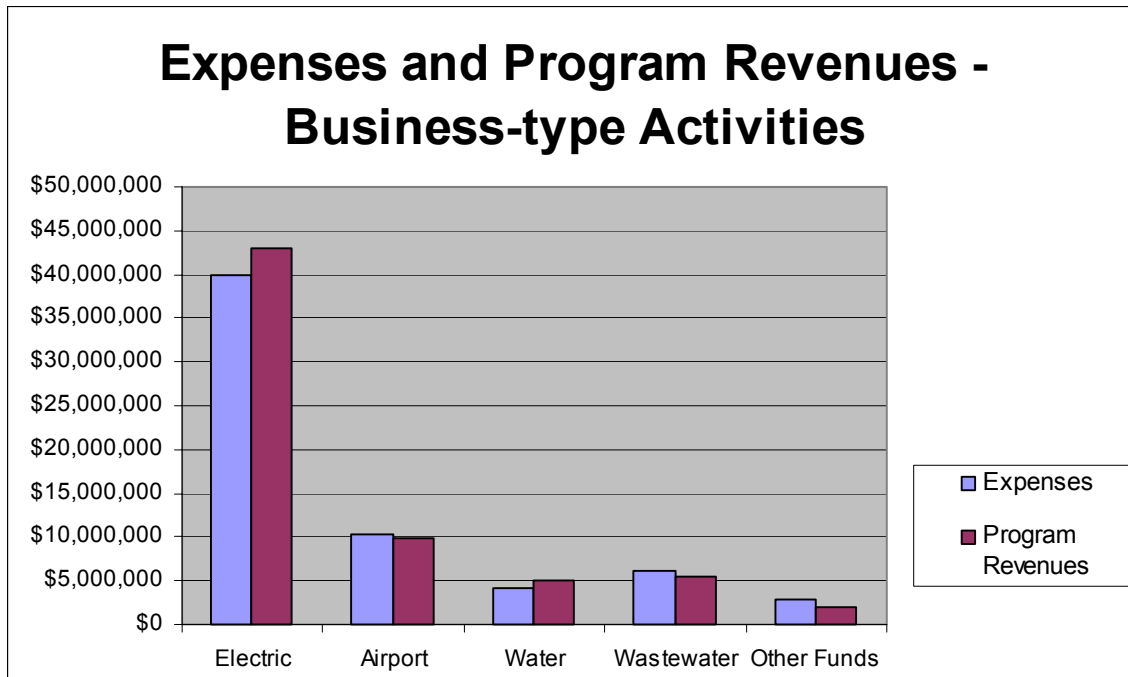
The table below shows the percentages of revenue by each type of revenue of governmental activities. The largest sources are property taxes (22% of total), operating grants (49%), and charges for services (16%).



Business-type activities. Business-type activities also increased the net assets of the City this year in the amount of \$4,300,296 from \$103,103,765 to \$107,404,061. Key elements of this change are as follows:

- Operating Income for all Business-type activities amounted to \$2,304,260. This contrasts with an operating income amount of \$4,810,407 in FY 2004. The major operating revenue source is charges for services at \$61,952,769, an increase of \$3,881,376 over the prior fiscal year. Operating Expenses increased to \$63,058,799, an increase of 11% from the previous year. Some of the factors leading to these increases were the increased cost of purchased power for Burlington Electric, costs at the Airport associated with the opening of a new section of the terminal, and the operating costs of Burlington Telecom which are included for the first time this year. All of these areas experienced increases in the costs of the employee pension system.
- Included in the operating expenses is depreciation and amortization in the amount of \$10,749,216 which compares to \$9,112,003 charged in FY 2004 for all business-type activities.
- There was a positive change in net assets for the Airport, Water and Wastewater Funds. However, Burlington Electric, and the other proprietary funds (Telecom and Schools) experienced small decreases this year. The changes in net assets by fund follow below:

<u>Fund</u>	<u>Change in Net Assets</u>
Electric Utility	\$ (84,377)
Airport	4,652,258
Water Resources	284,474
Wastewater	158,336
Other Proprietary Funds	(710,396)
Total	<u>\$ 4,300,295</u>



Program revenues for business-type activities amounted to \$65,363,059 for the year. Almost all (94.8%) of the program revenues for business-type activities come from charges for services. The remainder of the program revenues consists of operating grants and capital grants for Airport and Water projects.

Financial Analysis of the Government's Funds

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

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

- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,034,531, an increase of \$6,782,553 or 300% over the previous fiscal year. Much of this increase is due to the issuance of certificates of participation in June, 2005 for the Lakeview Garage project. The City has designated \$1,316,741 of the fund balance for three purposes. \$606,570 has been designated for development of the Industrial Park near the Airport, \$96,343 has been designated for recycling costs, and \$613,548 has been designated in the School Fund for education purposes. The reserved portion of the governmental fund balance includes \$437,553 for inventories and prepaid expenditures and \$8,970,940 set aside for other restricted purposes such as capital and grant-funded projects. The undesignated, unreserved fund balance of all governmental funds amounts to a shortfall of (\$1,328,430). The General Fund balance component had a positive undesignated fund balance of \$303,678, an increase of 21% from the previous fiscal year. This is .72% of expenditures, which again leaves the City with limited flexibility to deal with contingencies. The undesignated balance in the school fund was (\$133,230), and that of the other governmental funds reported as a group amounted to (\$1,860,781). 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 \$2,783,451, an increase of \$793,279 or 39.8% during this reporting period. Some of the key factors concerning this fund follow below:

- Several revenue categories performed well during the year. FY 2005 revenues were generally consistent with the amounts anticipated in the budget. Due to the strong local economy, there were several revenue sources that were particularly sound this year. These were permit fees collected by Planning and Zoning (about \$372,200 above anticipated), building trades permits (\$376,260 over), and rooms & meals taxes (\$178,400 above anticipated).
- However, several revenue sources failed to meet expectations. These were property taxes (short by \$226,500) which had an increase of the deferred amount due to an increase in uncollected taxes, the State Pilot payment which came in at \$61,000 less than anticipated, and reimbursements from other City funds for Health and worker's compensation costs (short by \$258,000)

- There were other one-time revenues collected which are to be used for specific purposes. One of these is impact fees of \$595,706 which will be used for allowed capital needs of the Police, Parks, Library and Fire Departments. Another was the issuance of a \$250,000 General Obligation bond in June, the proceeds of which will fund improvements to Leddy Park Arena and the Gosse Court Armory.
- Expenditures were generally within budget for the year. The only Department which deviated significantly from budget was Parks & Recreation which exceeded its budget by about \$221,000. The department presented a plan to the Board of Finance in FY 2006 to attempt to correct this problem.
- City-wide health benefits costs rose to \$5,122,569 which was an increase of \$827,000 over FY 2004 or 19.2%. Management had recognized this and even with the increase, this category remained within its budget. However, there continues to be a trend toward more expense in the General Fund due to the increase number of safety services employees and away from other City funds where personnel levels are stable.

The School's General Fund balance decreased this year to \$818,739 from \$1,442,794 in the prior year. This was due primarily to lower level of intergovernmental revenues than anticipated (\$173,100) and expenditures for education of \$518,800 over the amount authorized in the budget.

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

Net assets for the Electric Utility fund amounted to \$43,909,696, those for the Airport fund amounted to \$44,706,546, those for the Water Resources fund amounted to \$8,070,716, those for Wastewater fund amounted to \$12,444,208, those for the School Enterprise Funds amounted to \$416,456, and those for the Telecom Fund amounted to a deficit of \$2,140,561. 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 net assets of the Electric Utility Fund decreased by \$84,377. This was primarily due to the recording of a net pension obligation that was not anticipated. However, the unrestricted assets of the Airport, Water Resources, and Wastewater Funds increased by \$4,652,258, \$284,474, and \$158,366 respectively. The Airport increase is due to construction projects and the Water and Wastewater increases are due to rate increases. 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:

Several revenue categories performed well during the year. FY 2005 revenues were generally consistent with the amounts anticipated in the budget. Due to the strong local economy, there were several revenue sources that were particularly sound this year, These were permit fees collected by Planning and Zoning (about \$372,200 above anticipated), building trades permits (\$376,260 over), and rooms & meals taxes (\$178,400 above anticipated). However, several revenue sources failed to meet expectations. These were property taxes (short by \$226,500) which had an increase of the deferred amount due to an increase in uncollected taxes, the State Pilot payment which came in at \$61,000 less than anticipated, and reimbursements from other City funds for Health and worker's compensation costs (short by \$258,000). There were other one-time revenues collected which are to be used for specific purposes. One of these is impact fees of \$595,706 which will be used for allowed capital needs of the Police, Parks, Library and Fire Departments. Another was the issuance of a \$250,000 General Obligation bond in June, the proceeds of which will fund improvements to Leddy Park Arena and the Gosse Court Armory.

Expenditures:

Expenditures were generally within budget for the year. The only Department which deviated significantly from budget was Parks & Recreation which exceeded its budget by about \$221,000. The department presented a plan to the Board of Finance in FY 2006 to attempt to correct this problem. City-wide health benefits costs rose to \$5,122,569 which was an increase of \$827,000 over FY 2004 or 19.2%. Management had recognized this and even with the increase, this category remained within its budget. However, there continues to be a trend toward more expense in the General Fund due to the increase number of safety services employees and away from other City funds where personnel levels are stable.

Funds designated in FY 2004 of \$220,000 for completion of the City-wide reappraisal project were drawn down in FY 2005. The amount expended on the reappraisal in FY 2005 was \$633,887. These came from State funds allocated for maintenance of the City's Grand List and from Small Working Capital bond proceeds allocated to this project.

Fiduciary Funds.

The net assets of the Retirement Fund increased by \$5,406,671 due mainly to an increase in value of the investments in the pension portfolio to \$100,366,377. This is still down significantly from its peak year-end value of \$116,125,927 at June 30, 2000. At June 30, 2004, the actuarial value of accrued liabilities in the system exceeded the actuarial value of assets by \$17,859,542 which represents an unfunded liability in the system. The City has recorded a Net pension Obligation of \$1,596,290 this year for the first time. While the amount contributed by the City through the tax rate and utility fees has increased significantly, the actuarial requirement has increased more than the actual contribution. The City is working to find solutions to this problem. Please refer to the audit footnotes in the Financial Statement for additional information regarding this issue. The actuarial values for the period ending June 30, 2005 will be available in April, 2006.

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, 2005, amounted to \$115,980,851 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, water and wastewater distribution systems, electric generating and transmissions capital assets and land, land improvements and buildings at the Burlington International Airport.

In the governmental area, the total amounted to \$52,306,526, an increase of \$4,798,416 over the FY 2004 level. The capital assets of the City's business-type activities increased by \$2,166,109 to a net of \$63,674,325.

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

- The expenditure of \$749,407 of Engineering and Administrative fees relating to the Southern Connector Project. A new design has been completed with construction date to be set soon.
- Completion of the North Street project with expenditures of \$3,399,572 during fiscal year 2005. This included the lighting, paving, and the placement of underground of the utility lines on one of the major streets in the New North End of Burlington.
- The start of the Lakeview and Westlake development project downtown. Briefly, this includes expansion of the Lakeview Parking garage, the construction of a hotel and condominiums by a private developer, and the repair to the City's College Street Garage. A Certificate of participation in the amount of \$7,870,000 was issued in June, 2005 to fund this project. Total Expenditures amounted to \$1,828,684 through June 30, 2005.

- Work on other Capital Projects proceeded as follows:

<u>Project</u>	<u>Amount Expended</u>
South End Transit Center	\$ 4,029
Bike Path	13,653
Fire Vehicles	39,758
Riverside Avenue Project	19,899
Engelsby Brook Cleanup	48,740
Firehouse Center	25,613
School Capital Projects	70,802
Fuel Depot & N. Winooski	<u>13,305</u>
Total	<u>\$ 235,799</u>

- Equipment purchased via capital lease included the following items:

Police Department - Nine Police Vehicles and radio equipment at a cost of \$177,247.

Department of Public Works - Heavy Equipment for the Street Division at a cost of \$279,322.

Parks & Recreation - One automobile, three pickup trucks, two tractors, a zamboni ice resurfacer, and associated equipment at a cost of \$249,924.

Church Street Marketplace – John Deere Ride-On Tractor at a cost of \$13,110.

Code Enforcement – a photocopier (shared with DPW) at a cost of \$23,190.

Water Division – two Ford Model F-350 dump trucks and a radio meter reader device at a cost of \$240,835.

Traffic Parking Garage – replacement of the elevator at the Church Street Parking Garage at a cost of \$256,682

- General Street and sidewalk repaving and reconstruction, including curbs, catch basins and median upgrades in the amount of \$1,604,123 funded primarily with the dedicated Street property tax.

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

	Governmental Activities		Busines-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	\$ 16,414,726	\$ 16,414,726	\$ 17,089,448	\$ 13,783,051	\$ 33,504,174	\$ 30,197,777
Construction in Progress	9,622,868	5,864,402	3,519,733	5,952,342	13,142,601	11,816,744
Antiques and Works of Art	52,000	52,000	-	-	52,000	52,000
Land Improvements	1,159,887	938,643	30,312,247	29,733,813	31,472,134	30,672,456
Buildings and Building Improvements	53,872,503	53,171,168	63,756,127	53,518,066	117,628,630	106,689,234
Vehicles, Machinery, Equipment and Furniture	17,286,207	16,628,612	17,044,636	16,814,213	34,330,843	33,442,825
Book Collections	2,923,747	2,908,338	-	-	2,923,747	2,908,338
Roads, Curbs, and Sidewalks *	10,883,302	8,095,994	-	-	10,883,302	8,095,994
Distributions and Collections Systems	-	-	178,737,671	174,177,590	178,737,671	174,177,590
Total Assets	\$ 112,215,240	\$ 104,073,883	\$ 310,459,862	\$ 293,979,075	\$ 422,675,102	\$ 398,052,958

* Roads, Curbs, and Sidewalks reflect the activity of the 2002 - 2005 reporting periods only. The City will incorporate the activity from past fiscal periods in its 2006 financial statements.

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

Long-term debt. At the end of the current year, the City of Burlington had total bonds, notes, and capital leases payable of \$215,384,688. Of this, \$43,679,784 applies to governmental activities and \$171,704,904 (prior to unamortized premiums, discounts, and deferred loss on refunding) applies to business-type activities. The table below presents the components of this category for the current and past fiscal years:

	Governmental Activities		Busines-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	\$ 16,756,466	\$ 18,003,166	\$ 27,594,345	\$ 28,131,321	\$ 44,350,811	\$ 46,134,487
Revenue Bonds	-	-	130,130,000	136,835,000	130,130,000	136,835,000
Bond/Revenue Anticipation & Notes Payable	24,120,456	15,562,815	900,000	600,000	25,020,456	16,162,815
Obligations Under Capital Leases	2,802,862	2,579,327	13,080,559	2,733,615	15,883,421	5,312,942
Totals	\$ 43,679,784	\$ 36,145,308	\$ 171,704,904	\$ 168,299,936	\$ 215,384,688	\$ 204,445,244

The City's total bonds, notes, and capital leases increased by \$10,939,444 during the year. General obligation bonds outstanding had a net increase of \$1,783,676 to 44,350,811. There were several new General Obligation bonds issued including a \$750,000 small capital and working capital bond for the City, a \$250,000 small capital and working capital bond for the City, and a \$1,000,000 General Obligation Bond for Burlington Electric. The predominant use of the City funds was \$400,000 to fund improvements to the exterior of City Hall, \$250,000 to repair and upgrade both the Leddy Park Arena and the Gosse Court Armory, \$100,000 for other Parks upgrades, \$50,000 for the Zoning Ordinance Rewrite program and \$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 June, 2005.

There were no new revenue bonds issued during the year. However, the outstanding amount of revenue bonds decreased by \$6,705,000 to \$130,130,000. The decrease was due to repayments of principal.

The balances due for the various revenue bonds at June 30, 2005 (exclusive of unamortized discounts, premiums, and deferred losses on refunding) were as follows:

Electric Department	\$ 72,005,000
Water Resources	9,015,000
Airport	<u>49,110,000</u>
Total Revenue Bonds	<u>\$130,130,000</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 \$983,628 and funded some heavy equipment for public works, nine Police vehicles, vehicles and equipment for Parks & Recreation, trucks and meter reading devices for the Water Division, and several other items. There was also a separate lease for a new elevator at a downtown parking garage of \$256,682.

There was a significant new lease dealing with the City's telecommunication project. A new \$10,000,000 lease entered into with Koch Financial to provide financing for a City-wide network to bring cable television, telephone service, and internet access to Burlington. This is known as Phase III of the project. In addition, the City renegotiated its lease on the City's municipal network (known as Phase I) which links City Departments together. This amounts to \$2,600,000.

The City issued \$7,000,000 in tax anticipation notes during the year, all of which were paid in full by June 30, 2005. The City also issued a bond anticipation note in the amount of \$125,000 for the City's computer upgrade. It was paid back in August, 2005. There was a \$600,000 Wastewater revenue anticipation note issued and paid back during the year, as well as a \$900,000 note issued on June 30, 2005 which is due on June 30, 2006.

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

Economic Factors and Next Year's Budgets and Rates

Listed below are some of the factors that were factored in formulating the budget for fiscal year 2006:

- The City, at the direction of the State of Vermont, undertook a City-wide reappraisal of all City properties in FY 2005. Its results are effective in the FY 2006 fiscal year. The municipal Grand List grew to \$3,563,571,719 from the previous level of \$1,872,160,738. There was a significant shift in value from the commercial properties to the residential and rental property groups reflecting changes in the market.
- As the result of the reappraisal, the City's tax rate decreased by about 43 cents to 63 cents per hundred dollars of value from about \$1.06.
- Wages and Benefits are a major driver of the City's overall FY 06 Budget – an increase of over \$800,000 has been included in the budget. Negotiations are scheduled with both the AFSCME and Police Unions during the year.
- Employee Benefit costs are projected to increase by 15.4%, or by nearly \$800,000 City-wide.
- The Employee Retirement plan suffered a significant loss of the market value of its assets over a three-year period. This is acting to greatly increase the amount of City contribution to keep the fund healthy. In both FY 2005 and FY 2006, the City will contribute less than the amount recommended by the outside actuary. The funding of the pension system is the greatest challenge in FY 2006 and in the foreseeable future.

2006 City Budget

The City of Burlington approved a general fund budget for fiscal year 2006 in the amount of \$46,756,420. This represents an increase of 4.7% over the previous fiscal year. Again this year, there was an increase in the dedicated tax for the employee pension fund, although not at the level recommended by the actuary. These additional taxes were necessary due to the loss in market value of pension investments due to overall economic conditions in the country. Benefit levels are also being examined with the objective of maintaining as strong a benefit as can reasonably be afforded.

Due to reappraisal, tax rates were decreased to reflect the higher value of properties in the City. The changes in the tax rates are shown in the table below:

Tax Rate Item	FY05 Tax Rate per \$100	FY06 Approved Tax Rate	Change
Revenue Neutral Rates:			
General City	0.3888	0.2277	-0.1611
Police/Fire	0.1492	0.0789	-0.0703
Housing Trust	0.0100	0.0053	-0.0047
Open Space	0.0000	0.0053	0.0053
Streets	0.0771	0.0408	-0.0365
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	0.0546	0.0299	-0.0247
County Tax	0.0090	0.0040	-0.0050
Retirement	0.1803	0.1086	-0.0717
Debt Service	<u>0.1264</u>	<u>0.0683</u>	<u>-0.0581</u>
Total	1.0566	0.6300	-0.4266

As stated last year, rates for the Water and Wastewater Utilities were increased in 2005 for the first time since 1994 at the rates of 5.5% and 7.6% respectively. The Electric Department rates were increased by 7.1% on January 1, 2004 to cover the increased costs of purchased power and overhead. Airport charges for landing fees, terminal rent, and parking were reviewed and increased during this fiscal year.

Requests for Information

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

CITY OF BURLINGTON, VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2005

Exhibit A

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Burlington Community Development Corporation
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 8,042,957	\$ 5,746,270	\$ 13,789,227	\$ (524,121)
Investments	8,319,785	20,000	8,339,785	0
Receivables (Net of Allowance for Uncollectibles):	7,551,375	10,714,227	18,265,602	0
Notes and Loans Receivable	4,660,482	1,920,000	6,580,482	1,451,798
Accrued Interest Receivable	17,609	15,004	32,613	8,451
Estimated Unbilled Revenues	0	2,618,576	2,618,576	0
Inventories	393,275	3,399,134	3,792,409	0
Other Current Assets	625,583	200,113	825,696	0
Interfund Loans Receivable/Payable	(539,715)	539,715	0	0
Due from Component Unit	0	258,316	258,316	0
Restricted Cash and Investments	0	37,578,575	37,578,575	0
Investments in Associated Companies	0	1,437,124	1,437,124	0
Other Long-Term Assets, Net of Accumulated Amortization	282,447	24,259,907	24,542,354	0
Assets Held for Resale	887,201	0	887,201	1,179,851
Capital Assets				
Land	16,414,726	17,089,448	33,504,174	662,604
Construction in Progress	9,622,868	3,519,733	13,142,601	268,903
Antiques and Works of Art	52,000	0	52,000	0
Other Capital Assets, (Net of Accumulated Depreciation)	61,720,078	160,627,895	222,347,973	1,932,617
Total Assets	118,050,671	269,944,037	387,994,708	4,980,103
<u>LIABILITIES</u>				
Accounts Payable	4,943,673	4,596,627	9,540,300	2,225
Accrued Payroll and Benefits Payable	4,562,348	744,197	5,306,545	0
Due to Fiduciary Funds	3,951	4,531	8,482	0
Accrued Interest Payable	248,853	1,280,044	1,528,897	8,450
Deferred Revenue	1,334,478	0	1,334,478	0
Payable from Restricted Assets	0	2,156,231	2,156,231	0
Due to Primary Government	0	0	0	258,316
Noncurrent Liabilities:				
Due within One Year	7,222,882	10,501,361	17,724,243	109,043
Due in More than One Year	43,937,239	143,256,985	187,194,224	3,457,517
Total Liabilities	62,253,424	162,539,976	224,793,400	3,835,551
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	52,306,526	63,674,325	115,980,851	1,595,046
Restricted for:				
Traffic	556,663	0	556,663	0
Community Development	5,502,075	0	5,502,075	0
Perpetual Care	933,230	0	933,230	0
Debt Service/Renewal and Replacements	0	17,791,505	17,791,505	0
Other Purposes	1,048,667	0	1,048,667	0
Unrestricted/(Deficit):	(4,549,914)	25,938,231	21,388,317	(450,494)
Total Net Assets	\$ 55,797,247	\$ 107,404,061	\$ 163,201,308	\$ 1,144,552

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

CITY OF BURLINGTON, VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

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	
Functions/Programs								
Primary Government:								
Governmental Activities:								
General Government	\$ 7,319,954	\$ 1,239,594	\$ 159,319	\$ 0	\$ (5,921,041)	\$ 0	\$ (5,921,041)	\$ 0
Public Safety	19,274,154	4,117,967	886,132	0	(14,270,055)	0	(14,270,055)	0
Public Works	7,292,137	5,965,312	289,286	0	(1,037,539)	0	(1,037,539)	0
Community Development	3,776,803	225,453	3,167,724	0	(383,626)	0	(383,626)	0
Culture and Recreation	7,950,136	2,986,749	635,299	0	(4,328,088)	0	(4,328,088)	0
Education	45,044,913	1,191,192	42,492,146	0	(1,361,575)	0	(1,361,575)	0
Interest on Long-Term Debt	1,581,811	0	0	0	(1,581,811)	0	(1,581,811)	0
Capital Outlay	220,578	49,961	0	5,482,836	5,312,219	0	5,312,219	0
Total Governmental Activities	92,460,486	15,776,228	47,629,906	5,482,836	(23,571,516)	0	(23,571,516)	0
Business-Type Activities:								
Electric	43,978,731	43,639,505	0	942,810	0	603,584	603,584	0
Airport	12,824,500	9,864,237	64,966	7,319,459	0	4,424,162	4,424,162	0
Water	4,337,013	4,958,023	0	0	0	621,010	621,010	0
Wastewater	4,975,847	5,565,981	0	751,738	0	1,341,872	1,341,872	0
Telecom	1,214,849	143,746	0	0	0	(1,071,103)	(1,071,103)	0
School	1,991,003	1,919,038	0	0	0	(71,965)	(71,965)	0
Total Business-Type Activities	69,321,943	66,090,530	64,966	9,014,007	0	5,847,560	5,847,560	0
Total Primary Government	\$ 161,782,429	\$ 81,866,758	\$ 47,694,872	\$ 14,496,843	(23,571,516)	5,847,560	(17,723,956)	0
Component Unit:								
Burlington Community Development Corporation								
	\$ 292,620	\$ 168,018	\$ 85,244	\$ 71,000	0	0	0	31,642
General Revenues:								
Property Taxes					20,953,069	0	20,953,069	0
Gross Receipts Taxes					1,831,635	0	1,831,635	0
Payment in Lieu of Taxes					1,905,338	0	1,905,338	0
Franchise Fees					1,555,617	0	1,555,617	0
Impact Fees					595,706	0	595,706	0
Interest and Penalties on Delinquent Taxes					267,114	0	267,114	0
Addition to Permanent Funds					36,700	0	36,700	0
Unrestricted Investment Earnings					127,622	920,279	1,047,901	512
Other Revenues					63,539	4,000	67,539	0
Gain on Sale of Capital Assets					9,000	0	9,000	0
Transfers					2,471,543	(2,471,543)	0	0
Total General Revenues and Transfers					29,816,883	(1,547,264)	28,269,619	512
Change in Net Assets					6,245,367	4,300,296	10,545,663	32,154
Net Assets, July 1, 2004					49,551,880	103,103,765	152,655,645	1,112,398
Net Assets, June 30, 2005					\$ 55,797,247	\$ 107,404,061	\$ 163,201,308	\$ 1,144,552

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

CITY OF BURLINGTON, VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash	\$ 3,161,906	\$ 4,751,022	\$ 130,029	\$ 8,042,957
Investments	186,285	43,412	8,090,088	8,319,785
Receivables (Net of Allowance for Uncollectibles)	3,694,361	1,381,591	2,475,423	7,551,375
Notes Receivable	0	0	4,660,482	4,660,482
Accrued Interest Receivable	0	0	17,609	17,609
Due from Other Funds	0	0	36,561	36,561
Land Held for Resale	0	0	887,201	887,201
Inventories	241,348	0	151,927	393,275
Other Current Assets	622,979	0	2,604	625,583
Total Assets	\$ 7,906,879	\$ 6,176,025	\$ 16,451,924	\$ 30,534,828
<u>LIABILITIES</u>				
Liabilities:				
Accounts Payable	1,966,000	300,072	2,677,601	4,943,673
Accrued Payroll and Benefits Payable	586,150	3,928,796	47,402	4,562,348
Due to Other Funds	128	0	40,384	40,512
Interfund Loans Payable	0	0	539,715	539,715
Deferred Revenue	2,322,150	1,128,418	7,714,481	11,165,049
Insurance Reserves - Funded	249,000	0	0	249,000
Total Liabilities	5,123,428	5,357,286	11,019,583	21,500,297
Fund Balances/(Deficit):				
Reserved for				
Inventories and Prepaid Expenditures	283,159	0	154,394	437,553
Other Purposes	1,493,701	338,511	7,138,728	8,970,940
Unreserved, Reported In				
General Fund	1,006,591	0	0	1,006,591
Special Revenue Funds	0	480,228	(532,351)	(52,123)
Capital Project Funds	0	0	(1,328,430)	(1,328,430)
Total Fund Balances	2,783,451	818,739	5,432,341	9,034,531
Total Liabilities and Fund Balances	\$ 7,906,879	\$ 6,176,025	\$ 16,451,924	
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.				87,809,672
Other Assets are not Available to Pay for Current-Period Expenditures, and, Therefore, are Deferred in the Funds.				10,113,018
Long-Term and Accrued Liabilities, Including Bonds Payable, are not Due or Payable in the Current Period and, Therefore, are Not Reported in the Funds.				(51,159,974)
Net Assets of Governmental Activities				\$ 55,797,247

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, 2005

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 22,455,610	\$ 0	\$ 0	\$ 22,455,610
Payments in Lieu of Taxes	2,552,753	1,822,147	0	4,374,900
Intergovernmental Revenues	2,569,154	41,705,489	8,652,276	52,926,919
Charges for Services	7,627,642	797,718	3,319,681	11,745,041
Fines and Forfeits	1,365,957	0	0	1,365,957
Licenses and Permits	4,525,322	0	626,726	5,152,048
Investment Income	0	92,007	129,577	221,584
Other Revenue	951,095	393,474	958,024	2,302,593
Total Revenues	42,047,533	44,810,835	13,686,284	100,544,652
EXPENDITURES:				
General Government	12,292,705	0	0	12,292,705
Safety Services	14,072,385	0	0	14,072,385
Public Works	1,654,893	0	4,167,047	5,821,940
Community Development	0	0	6,767,356	6,767,356
Culture & Recreation	5,628,142	0	0	5,628,142
Education	0	44,550,949	0	44,550,949
Capital Outlay	3,838,097	0	6,122,861	9,960,958
Debt Service -				
Bond and Note Principal Retirement	2,568,505	611,015	99,995	3,279,515
Lease Principal Retirement	697,344	42,560	35,882	775,786
Interest Charges	1,176,728	222,126	130,191	1,529,045
Bond Issue Costs	27,855	56,805	86,939	171,599
Total Expenditures	41,956,654	45,483,455	17,410,271	104,850,380
Excess/(Deficiency) of Revenues Over Expenditures	90,879	(672,620)	(3,723,987)	(4,305,728)
OTHER FINANCING SOURCES/(USES):				
Transfers In	90,148	0	997,811	1,087,959
Transfers Out	(1,390,484)	(10,000)	(120,148)	(1,520,632)
Refunding Bonds Issued	530,000	2,370,000	0	2,900,000
Payment to Refunding Bond Escrow Agent	(517,407)	(2,317,213)	0	(2,834,620)
Sales of Capital Assets	9,000	0	0	9,000
Proceeds of Long-Term Debt	1,971,095	0	9,433,682	11,404,777
Net Premium/(Discount) on Debt	10,498	5,778	25,521	41,797
Total Other Financing Sources	702,850	48,565	10,336,866	11,088,281
Net Change in Fund Balances	793,729	(624,055)	6,612,879	6,782,553
Fund Balances/(Deficit), July 1, 2004	1,989,722	1,442,794	(1,180,538)	2,251,978
Fund Balances, June 30, 2005	\$ 2,783,451	\$ 818,739	\$ 5,432,341	\$ 9,034,531

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, 2005

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)	\$ 6,782,553
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	6,017,581
In the Statement of Activities, the loss on the disposition/sale of capital assets is reported whereas in the Governmental Funds, the disposition of capital assets is not reflected and the sale proceeds of assets sold increases other financial resources. Thus, the change in net assets differs from the changes in fund balances by the gain/loss on the disposition of capital assets	(166,677)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,902,373
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.	(7,306,036)
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>(1,984,427)</u>
Change in net assets of governmental activities (Exhibit B)	<u><u>\$ 6,245,367</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, 2005

	General Fund				School "General Fund"		
	Budget		Actual	Variance with Final Budget	Budget	Actual	Variance with Final Budget
	Original	Final					
Revenues:							
Taxes and Special Assessments	\$ 22,501,170	\$ 22,503,670	\$ 22,455,610	\$ (48,060)	\$ 0	\$ 0	\$ 0
Payments in Lieu of Taxes	1,866,580	1,866,580	1,822,147	(44,433)	1,727,271	1,822,147	94,876
Permits and Licenses	3,694,090	3,704,090	4,525,322	821,232	0	0	0
Intergovernmental Revenues	1,209,620	1,459,720	2,029,142	569,422	31,329,373	31,156,273	(173,100)
Charges for Services	5,672,070	5,730,740	6,499,054	768,314	588,566	617,341	28,775
Fines and Forfeits	1,248,000	1,270,970	1,365,957	94,987	0	0	0
Investment Income	0	0	0	0	70,000	91,705	21,705
Miscellaneous Revenues	2,350,330	2,562,760	2,835,867	273,107	0	52,812	52,812
Total Revenues	38,541,860	39,098,530	41,533,099	2,434,569	33,715,210	33,740,278	25,068
Expenditures:							
Current:							
General Administration	14,022,410	13,695,590	13,323,800	371,790	0	0	0
Safety Services	12,991,550	13,688,760	14,460,278	(771,518)	0	0	0
Public Works	2,048,220	2,048,220	2,291,238	(243,018)	0	0	0
Cultural and Recreation	5,514,600	5,675,420	5,892,510	(217,090)	0	0	0
Education	0	0	0	0	33,870,210	34,389,018	(518,808)
Debt Service	2,336,000	2,336,000	2,478,726	(142,726)	0	0	0
Capital Outlay	2,868,650	2,998,360	2,756,898	241,462	0	0	0
Total Expenditures	39,781,430	40,442,350	41,203,450	(761,100)	33,870,210	34,389,018	(518,808)
Excess/(Deficiency) of Revenues Over Expenditures	(1,239,570)	(1,343,820)	329,649	1,673,469	(155,000)	(648,740)	(493,740)
Other Financing Sources/(Uses):							
Proceeds of Long-Term Debt	750,000	750,000	1,125,000	375,000	0	0	0
Operating Transfers In	4,484,260	4,484,260	4,128,690	(355,570)	0	0	0
Operating Transfers Out	(4,214,690)	(4,217,190)	(4,789,610)	(572,420)	0	0	0
Total Other Financing Sources/(Uses)	1,019,570	1,017,070	464,080	(552,990)	0	0	0
Net Change in Fund Balances	\$ (220,000)	\$ (326,750)	\$ 793,729	\$ 1,120,479	\$ (155,000)	\$ (648,740)	\$ (493,740)

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

CITY OF BURLINGTON, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Electric Utility Fund	Airport Fund	Water Resources Fund	Wastewater Fund	Other Proprietary Funds	Total
ASSETS						
Current Assets:						
Cash	\$ 1,888,355	\$ 5,244,982	\$ 349,911	\$ (240,175)	\$ (1,496,803)	\$ 5,746,270
Investments	0	20,000	0	0	0	20,000
Restricted Cash and Investments	1,899,976	37,500	218,755	0	0	2,156,231
Receivables (Net of Allowance for Uncollectible Accounts)	3,586,668	5,597,310	396,294	928,954	205,001	10,714,227
Notes Receivable - Current	60,000	0	0	0	0	60,000
Interfund Receivables	71,661	0	0	0	0	71,661
Accrued Interest Receivable	0	12,409	2,595	0	0	15,004
Estimated Unbilled Revenues	1,502,315	290,990	414,387	410,884	0	2,618,576
Inventories	2,927,949	203,078	155,634	109,709	2,764	3,399,134
Other Current Assets	191,791	0	1,781	241	6,300	200,113
Total Current Assets	12,128,715	11,406,269	1,539,357	1,209,613	(1,282,738)	25,001,216
Noncurrent Assets:						
Restricted Cash and Investments Due From Burlington Community Development Corporation	20,602,887	5,620,392	1,112,638	0	8,086,427	35,422,344
Notes Receivable - Long Term	0	258,316	0	0	0	258,316
Advances to Other Funds	1,860,000	0	0	0	0	1,860,000
Investment in Associated Company	513,489	0	0	0	0	513,489
Other Long Term-Assets, Net of Accumulated Amortization	1,437,124	0	0	0	0	1,437,124
Capital Assets	22,310,822	1,674,830	137,558	0	136,697	24,259,907
Land	653,074	15,379,372	51,250	847,952	157,800	17,089,448
Construction in Progress	338,767	873,188	0	1,509,480	798,298	3,519,733
Land Improvements	0	30,312,247	0	0	0	30,312,247
Buildings and Building Improvements	0	62,491,227	0	0	1,264,900	63,756,127
Vehicles, Machinery and Equipment	0	3,939,209	1,116,883	11,584,509	404,035	17,044,636
Production, General and Other Plant	56,284,444	0	0	0	0	56,284,444
Transmission and Distribution Plant	44,223,563	0	33,359,144	42,745,698	2,124,822	122,453,227
Less Accumulated Depreciation	(54,720,399)	(35,748,838)	(19,600,799)	(18,540,598)	(612,152)	(129,222,786)
Total Noncurrent Assets	93,503,771	84,799,943	16,176,674	38,147,041	12,360,827	244,988,256
Total Assets	105,632,486	96,206,212	17,716,031	39,356,654	11,078,089	269,989,472

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

CITY OF BURLINGTON, VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Electric Utility Fund	Airport Fund	Water Resources Fund	Wastewater Fund	Other Proprietary Funds	Total
LIABILITIES						
Current Liabilities:						
Accounts and Contracts Payable	\$ 3,125,943	\$ 443,497	\$ 122,159	\$ 745,001	\$ 160,027	\$ 4,596,627
Accrued Payroll and Benefits Payable	686,566	14,320	22,349	10,330	10,632	744,197
Accrued Interest Payable	0	1,200,056	31	6,460	73,497	1,280,044
Due to Other Funds	0	0	3,666	865	0	4,531
Payable from Restricted Assets -						
Accrued Interest Payable	1,899,976	0	218,755	0	0	2,118,731
Accounts and Contracts Payable	0	37,500	0	0	0	37,500
Interfund Payables	0	0	0	0	24,720	24,720
General Obligation Bonds						
Payable - Current Portion	239,533	247,379	7,762	1,348,491	0	1,843,165
Revenue Notes and Bonds Payable -						
Current Portion	5,220,000	1,195,000	955,000	900,000	0	8,270,000
Capital Leases Payable - Current Portion	18,301	0	75,751	22,806	271,338	388,196
Total Current Liabilities	11,190,319	3,137,752	1,405,473	3,033,953	540,214	19,307,711
Noncurrent Liabilities:						
General Obligation Bonds Payable	1,919,257	0	0	23,787,321	0	25,706,578
Revenue Bonds Payable	47,490,236	48,188,368	7,769,853	0	0	103,448,457
Capital Leases Payable	58,464	0	285,775	17,351	12,239,423	12,601,013
Advances from Other Funds	0	0	0	0	20,715	20,715
Accrued Compensated Absences Payable	743,464	137,260	154,091	57,334	1,842	1,093,991
Other Noncurrent Liabilities	66,694	0	0	0	0	66,694
Net Pension Obligation	239,553	36,286	30,123	16,487	0	322,449
Deferred Credit	17,803	0	0	0	0	17,803
Total Noncurrent Liabilities	50,535,471	48,361,914	8,239,842	23,878,493	12,261,980	143,277,700
Total Liabilities	61,725,790	51,499,666	9,645,315	26,912,446	12,802,194	162,585,411
NET ASSETS						
Investment in Capital Assets, Net of Related Debt	11,359,554	33,916,003	5,969,895	12,357,019	71,854	63,674,325
Restricted - Debt Service/Renewal and Replacements	15,774,201	902,304	1,115,000	0	0	17,791,505
Unrestricted	16,772,941	9,888,239	985,821	87,189	(1,795,959)	25,938,231
Total Net Assets	43,906,696	44,706,546	8,070,716	12,444,208	(1,724,105)	107,404,061
Total Liabilities and Net Assets	\$ 105,632,486	\$ 96,206,212	\$ 17,716,031	\$ 39,356,654	\$ 11,078,089	\$ 269,989,472

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, 2005

	Electric Utility Fund	Airport Fund	Water Resources Fund	Wastewater Fund	Other Proprietary Funds	Total
OPERATING REVENUES:						
Charges for Services	\$ 39,708,596	\$ 9,789,836	\$ 4,864,337	\$ 5,565,981	\$ 2,024,019	\$ 61,952,769
Miscellaneous	<u>3,298,729</u>	<u>17,225</u>	<u>93,686</u>	<u>0</u>	<u>650</u>	<u>3,410,290</u>
Total Operating Revenues	<u>43,007,325</u>	<u>9,807,061</u>	<u>4,958,023</u>	<u>5,565,981</u>	<u>2,024,669</u>	<u>65,363,059</u>
OPERATING EXPENSES:						
Operating, Maintenance, and General and Administrative Expenses	33,400,152	6,605,334	3,162,860	3,430,609	2,443,985	49,042,940
Depreciation and Amortization	4,723,400	3,629,477	667,227	1,431,404	297,708	10,749,216
Payments in Lieu of Taxes	<u>1,717,003</u>	<u>0</u>	<u>355,678</u>	<u>1,193,962</u>	<u>0</u>	<u>3,266,643</u>
Total Operating Expenses	<u>39,840,555</u>	<u>10,234,811</u>	<u>4,185,765</u>	<u>6,055,975</u>	<u>2,741,693</u>	<u>63,058,799</u>
Operating Income /(Loss)	<u>3,166,770</u>	<u>(427,750)</u>	<u>772,258</u>	<u>(489,994)</u>	<u>(717,024)</u>	<u>2,304,260</u>
NONOPERATING REVENUES (EXPENSES):						
Other Income/(Expense) - Net	483,184	57,176	0	0	19,919	560,279
Dividends from Associated Companies	148,996	0	0	0	0	148,996
Grant Income	0	64,966	0	0	0	64,966
Passenger Facility Charges	0	2,808,977	0	0	0	2,808,977
Investment Income	666,627	224,096	19,130	10,426	18,195	938,474
Interest Expense	(3,863,424)	(2,423,026)	(486,960)	(108,925)	(461,993)	(7,344,328)
Amortization of Bond Issue Costs	(1,596,477)	(98,990)	(19,954)	(4,909)	(2,166)	(1,722,496)
Gain/(Loss) on Sale of Capital Assets	(32,863)	4,000	0	0	0	(28,863)
Grant Expense	<u>0</u>	<u>(67,673)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(67,673)</u>
Total Nonoperating Revenues (Expenses)	<u>(4,193,957)</u>	<u>569,526</u>	<u>(487,784)</u>	<u>(103,408)</u>	<u>(426,045)</u>	<u>(4,641,668)</u>
Income (Loss) Before Contributions and Transfers	(1,027,187)	141,776	284,474	(593,402)	(1,143,069)	(2,337,408)
Capital Contributions	942,810	4,510,482	0	751,738	0	6,205,030
Transfers In	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>432,673</u>	<u>432,673</u>
Change in Net Assets	(84,377)	4,652,258	284,474	158,336	(710,396)	4,300,295
Total Net Assets, July 1, 2004	<u>43,991,073</u>	<u>40,054,288</u>	<u>7,786,242</u>	<u>12,285,872</u>	<u>(1,013,709)</u>	<u>103,103,766</u>
Total Net Assets, June 30, 2005	<u>\$ 43,906,696</u>	<u>\$ 44,706,546</u>	<u>\$ 8,070,716</u>	<u>\$ 12,444,208</u>	<u>\$ (1,724,105)</u>	<u>\$ 107,404,061</u>

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

CITY OF BURLINGTON, VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Electric Utility Fund	Airport Fund	Water Resources Fund	Wastewater Fund	Other Proprietary Funds	Total
Cash Flows From Operating Activities:						
Receipts from Customers and Users	\$ 39,716,540	\$ 9,640,892	\$ 4,754,211	\$ 5,516,679	\$ 1,859,635	\$ 61,487,957
Receipts for Interfund Services	0	0	180,671	0	0	180,671
Other Receipts	3,617,087	0	0	0	650	3,617,737
Payments to Suppliers	(31,422,116)	(3,854,564)	(1,119,015)	(1,745,386)	(1,483,787)	(39,624,868)
Payment in Lieu of Taxes	(1,717,003)	0	(355,678)	(1,193,962)	0	(3,266,643)
Payments for Wages and Benefits	(2,146,871)	(1,879,194)	(1,504,436)	(901,937)	(844,953)	(7,277,391)
Payments for Interfund Services	0	(896,431)	(509,577)	(720,948)	(27,937)	(2,154,893)
Net Cash Provided by Operating Activities	8,047,637	3,010,703	1,446,176	954,446	(496,392)	12,962,570
Cash Flows From Noncapital Financing Activities:						
Operating Grant Income	0	64,966	0	0	0	64,966
Operating Grant Expenses	0	(67,673)	0	0	0	(67,673)
Other Income/Deductions, Net	0	57,176	0	0	(3,468)	53,708
Net Increase in Revenue Anticipation Note	0	0	0	300,000	0	300,000
Increase in Due From BCDC	0	(258,316)	0	0	0	(258,316)
Receipt of Interfund Transfer	0	0	0	0	432,673	432,673
Interest Paid on Miscellaneous Items	0	0	0	(13,658)	(39,432)	(53,090)
Net Cash Provided/(Used) by Noncapital Financing Activities	0	(203,847)	0	286,342	389,773	472,268
Cash Flows From Capital and Related Financing Activities:						
Proceeds from Bonds, Notes & Leases Payable	1,030,000	0	240,989	235,905	10,233,615	11,740,509
Proceeds from Sale of Capital Assets	24,320	4,000	0	0	0	28,320
Acquisition and Construction of Capital Assets	(3,833,424)	(9,324,603)	(317,446)	(818,444)	(2,436,182)	(16,730,099)
Capital Grants/Contributions	465,618	2,784,502	0	301,605	0	3,551,725
Passenger Facility Charges	0	2,802,747	0	0	0	2,802,747
Proceeds from Insurance Settlement	112,250	0	0	0	0	112,250
Increase in Deferred Charges	0	0	0	0	(61,565)	(61,565)
Increase in Franchise Costs	0	0	0	0	(75,132)	(75,132)
Net Cost Associated with Bond and Lease Refinancing	(41,292)	0	0	0	(49,116)	(90,408)
Principal Paid on:						
General Obligation Bonds	(367,300)	(250,000)	(11,000)	(1,174,581)	0	(1,802,881)
Revenue Bonds	(4,655,000)	(1,140,000)	(910,000)	0	0	(6,705,000)
Capital Lease Obligations	(8,604)	0	(46,290)	(20,778)	(127,911)	(203,583)
Interest Paid on:						
General Obligation Bonds	(58,733)	(11,250)	(592)	(75,620)	0	(146,195)
Revenue Bonds	(3,795,466)	(2,427,055)	(457,985)	0	0	(6,680,506)
Capital Lease Obligations	0	0	(6,207)	(3,787)	(345,964)	(355,958)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(11,127,631)	(7,561,659)	(1,508,531)	(1,555,700)	7,137,745	(14,615,776)
Cash Flows From Investing Activities:						
Net (Additions)/Reductions to Restricted Cash and Investments	2,147,853	3,863,746	(22,163)	0	(8,086,427)	(2,096,991)
Increase in Investment in Associated Companies	(1,031,940)	0	0	0	0	(1,031,940)
Other Income/Deductions, Net	483,184	0	0	0	0	483,184
Receipt of Interest & Dividends	658,850	190,564	17,123	7,891	18,195	892,623
Net Cash Provided/(Used) by Investing Activities	2,257,947	4,054,310	(5,040)	7,891	(8,068,232)	(1,753,124)
Net Increase/(Decrease) in Cash	(822,047)	(700,493)	(67,395)	(307,021)	(1,037,106)	(2,934,062)
Cash - July 1, 2004	2,710,402	5,945,475	417,306	66,846	(459,697)	8,680,332
Cash - June 30, 2005	\$ 1,888,355	\$ 5,244,982	\$ 349,911	\$ (240,175)	\$ (1,496,803)	\$ 5,746,270

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, 2005

	Electric Utility Fund	Airport Fund	Water Resources Fund	Wastewater Fund	Other Proprietary Funds	Total
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:						
Operating Income/(Loss)	\$ 3,166,770	\$ (427,750)	\$ 772,258	\$ (489,994)	\$ (717,024)	\$ 2,304,260
Depreciation and Amortization	4,913,163	3,629,477	667,227	1,431,404	297,708	10,938,979
Loss on Disposal of Capital Assets	32,863	0	0	0	0	32,863
(Increase)/Decrease in Other Receivables	(113,074)	(134,169)	25,477	(12,368)	(164,384)	(398,518)
(Increase)/Decrease in Unbilled Revenues	(63,632)	(51,383)	(63,297)	(36,934)	0	(215,246)
(Increase)/Decrease in Inventory	(80,455)	(67,446)	(35,291)	1,850	7,363	(173,979)
Increase/(Decrease) in Accounts Payable	244,291	35,632	48,161	51,188	77,771	457,043
Increase in Net Pension Obligation	239,553	36,286	30,123	16,487	0	322,449
Increase/(Decrease) in Accrued Payroll And Benefits	0	(25,599)	(10,728)	(8,450)	0	(44,777)
Increase/(Decrease) in Other Operating Assets/Liabilities	(291,842)	15,655	12,246	1,263	2,174	(260,504)
Net Cash Provided/(Used) by Operating Activities	\$ 8,047,637	\$ 3,010,703	\$ 1,446,176	\$ 954,446	\$ (496,392)	\$ 12,962,570

Non-Cash Financing Activities:

The Electric Utility Department Entered into a Capital Lease for Equipment in the Amount of \$75,924.

The Electric Utility Department Recorded Capital Assets in the Amount of \$477,192 Related to Utility Poles that were Donated to Them.

The Airport Department Sold/Disposed of Fully Depreciated Machinery and Equipment with a Cost of \$23,961 for \$4,000.

The Airport Department Recorded Capital Assets in the Amount of \$285,000 Related to a Building that was Donated to Them.

The Water Resources Department Disposed of Fully Depreciated Vehicles and Equipment with a Cost of \$160,345.

CITY OF BURLINGTON, VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Funds</u>	<u>Agency Fund - Student Activities</u>
<u>ASSETS</u>			
Cash	\$ 224,877	\$ 34,876	\$ 260,560
Investments	100,366,377	168,039	0
Accrued Interest Receivable	312,524	59	0
Due from Other Funds	<u>8,482</u>	<u>0</u>	<u>0</u>
Total Assets	<u>100,912,260</u>	<u>202,974</u>	<u>260,560</u>
<u>LIABILITIES</u>			
Accounts Payable	95,839	0	0
Accrued Liabilities	301,666	0	0
Compensated Absences	9,347	0	0
Due to Student Organizations	<u>0</u>	<u>0</u>	<u>260,560</u>
Total Liabilities	<u>406,852</u>	<u>0</u>	<u>260,560</u>
<u>NET ASSETS</u>			
Held in Trust For:			
Employees' Pension Benefits	100,505,408	0	0
Individuals and Organizations	<u>0</u>	<u>202,974</u>	<u>0</u>
Total Net Assets	<u>\$ 100,505,408</u>	<u>\$ 202,974</u>	<u>\$ 0</u>

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

B. Basis of Presentation

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

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

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

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating revenues consists of sales of electricity, rents of electric property, fees to transmit electricity of others, rent of airport terminal space and buildings, concessions, commissions, parking garage receipts, sales of water, wastewater user charges, 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.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

Additionally, the City reports the following fund types:

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

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

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

C. Measurement Focus

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

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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.

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.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

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

E. Use of Estimates

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

F. Assets, Liabilities and Equity

1. Cash

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

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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.

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".

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.

The City is responsible for assessing and collecting its own property taxes, as well as state property taxes for the School. Property taxes are assessed based on property valuations as of April 1 annually. Taxes are collected four (4) times per year. During the tax year ended June 30, 2005, taxes became due and payable on August 12, 2004, November 12, 2004, March 12, 2005 and June 12, 2005. Taxes unpaid after each due date are considered to be late and are subject to 1% interest added on the next day, an additional 4% interest added after the tenth (10th) day late and an additional 1% per month thereafter. Taxes unpaid ten (10) days after the June due date are delinquent and are subject to an 8% penalty and interest calculated at twelve percent (12%). Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale.

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

The amount of taxes the City may levy is subject to charter limitations. These limits and the rates assessed for 2004-2005 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	\$0.3888	\$.3888	\$.3888
Highways (charter-prescribed minimum)	0.0242	.0312	.0312
Police/Fire	0.1492	.1492	.1492
Parks (charter-prescribed minimum)	0.0100	.0250	.0250
County Tax	Actual	.0090	.0090
General Long-Term Debt Retirement & Interest	Actual	.1264	.1264
Retirement Contribution Chittenden County	Actual	.1803	.1803
Transportation Authority	Actual	.0546	.0546
Streets-Special	0.0771	.0771	.0771
Housing Trust Fund	0.0100	.0100	.0100
Library Tax	0.0050	<u>.0050</u>	<u>.0050</u>
City Total		1.0566	1.0566
Schools	Actual	<u>1.6596</u>	<u>2.2784</u>
Total Tax Rate		<u>\$2.7162</u>	<u>\$ 3.335</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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:

Tax Category

School Department Taxes: (Residential)

Appraised Valuation	
Real Estate	\$ 775,086,002
Less: Tax Increment Exemption	(2,777,900)
Less: Veteran's Exemption	<u>(1,226,000)</u>
 Total Appraised Valuation	 \$ <u><u>771,082,102</u></u>
 Property Tax Revenue	
Basis (1% of Valuation)	\$ 7,710,821
Tax Rate	<u>1.6596</u>
Property Taxes Assessed	<u>12,796,879</u>
Plus: Grand List Adjustents and Reconciling Items	<u>68,982</u>
 Total School Taxes Assessed (Residential)	 \$ <u><u>12,865,861</u></u>

School Department Taxes: (Non-Residential)

Appraised Valuation	
Real Estate	\$ 857,863,176
Less: Increment Exemption	(25,667,940)
Personal Property	<u>2,156,300</u>
 Total Appraised Valuation	 \$ <u><u>834,351,536</u></u>
 Property Tax Revenue	
Basis (1% of Valuation)	\$ 8,343,515
Tax Rate	<u>2.2784</u>
Property Taxes Assessed	<u>19,009,865</u>
Plus: Grand List Adjustents and Reconciling Items	<u>394,227</u>
 Total School Taxes Assessed (Non-Residential)	 <u><u>19,404,092</u></u>
 Total School Taxes	 \$ <u><u>32,269,953</u></u>

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

City Taxes:

Appraised Valuation	
Real Estate	\$ 1,788,033,728
Plus: 120% Classification	85,090,781
Less: Veteran's Exemption	<u>(1,226,000)</u>
 Total Appraised Valuation	 \$ <u><u>1,871,898,509</u></u>
Real Property Tax Revenue	
Basis (1% of Valuation)	\$ 18,718,985
Tax Rate	<u>1.0566</u>
Real Property Taxes Assessed	19,778,480
Less: Grand List Adjustments and Reconciling Items	<u>(731,982)</u>
 Total City Real Taxes Assessed	 \$ <u><u>19,046,498</u></u>
 Personal Property Appraised Valuation	
Personal Property	\$ 126,731,667
Plus: 120% Classification	<u>25,346,333</u>
 Total Appraised Valuation	 \$ <u><u>152,078,000</u></u>
 Personal Property Tax Revenue	
Basis (1% of Valuation)	\$ 1,520,780
Tax Rate	1.0566
Personal Property Taxes Assessed	1,606,856
Plus: Grand List Adjustments and Reconciling Items	<u>(1,030)</u>
 Total City Personal Property Taxes Assessed	 \$ <u><u>1,605,826</u></u>

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

Summary:

Total Property Taxes Assessed		
School	\$	32,269,953
City Real		19,046,498
City Personal		<u>1,605,826</u>
 Total Property Taxes Assessed		 52,922,277
 Less: Current Year Collections		 <u>52,135,786</u>
 Delinquent Taxes		 <u><u>786,491</u></u>
 Percentage of Current Tax Collections to Total Levies		 <u><u>0.9851</u></u>

The City had to send \$32,269,953 in tax revenues to the School District and State of Vermont for education purposes based on the State’s funding formula.

The City also assessed a \$.12 tax levy on the commercial values of properties within the “Downtown Improvement District” to assist in funding two hours of free parking in the downtown garages. The City assessed \$236,997 in taxes and collected \$235,040.

The City, through various state and federal grants, has extended loans for the development or rehabilitation of residential and commercial properties within the City and small business loans for new Burlington businesses. The repayment terms of these loans and interest rates all vary and are contingent on numerous factors outside of the control of the City, such as the financial viability of the projects. It is the City's policy to recognize the grant revenues when the loans are repaid. These loans amounted to \$9,381,279 less an allowance for doubtful loans of \$3,157,226 and loan discounts of \$1,563,571 in the Governmental Activities.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The Electric Departments has Notes Receivable totaling \$1,920,000 which are due from the Winooski One Partnership for engineering and other entities for demand side management projects.

Burlington Community Development Corporation has loaned funds to the Burlington Community Land Trust. The balance of the loans at June 30, 2005 is \$1,451,798 and will be repaid at the same terms as the offsetting notes payable.

4. Inventories and Prepaid Items

Inventory quantities are determined by physical count and are valued at the lower of cost or market. Inventories in the Proprietary Funds consist of fuel and materials. Inventories in the Governmental Funds consist of expendable supplies held for consumption. Reported inventories of governmental funds in the fund financial statements are offset by a fund balance reserve which indicates that they do not constitute "available expendable resources" even through they are a component of net assets.

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

5. Restricted Assets

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

6. Capital Assets

Capital assets, excluding infrastructure acquired before July 1, 2001, are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. As allowed by GASB, the City will retroactively record infrastructure acquired from 1980 to 2001 in their 2006 financial statements. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

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

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight line method of calculating depreciation. The Electric Department depreciates the McNeil & Highgate Converter Stations using the sinking fund method. Under this method, yearly depreciation is equal to the recovery through rates of the principal payment related to the debt issued for the construction of the stations. The excess of straight-line depreciation over the sinking fund method is \$1,171,205 for the year and is deferred to future years to be recovered through rates. The total deferred depreciation at June 30, 2005 was \$10,971,922.

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
Roads, Curbs and Sidewalks	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, 2005

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 \$108,000. Actual payments will take place through the year 2012.

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

9. Liabilities to be Paid from Restricted Assets

The balance in these liabilities represent accrued interest payable on the Revenue Bonds. The restricted assets will be used for additional construction of certain assets, including certain costs in accounts and contracts payable.

10. Long-term Liabilities

Long-term liabilities include bonds and notes payable, and capital leases payable. Long-Term liabilities also include other obligations such as insurance reserves, compensated absences, 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, 2005

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.

12. Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded. To the extent that transactions represent lending/borrowing arrangements between funds, these are referred to as Interfund loans receivable/payable.

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

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

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

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

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

	Balance Sheet	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Elimination of Interfund Balances	Statement of Net Assets
ASSETS						
Cash	\$ 8,042,957	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,042,957
Investments	8,319,785	0	0	0	0	8,319,785
Receivables	7,551,375	0	0	0	0	7,551,375
Notes Receivable	4,660,482	0	0	0	0	4,660,482
Accrued Interest Receivable	17,609	0	0	0	0	17,609
Due From Other Funds	36,561	0	0	0	(36,561)	0
Interfund Loan Payable	(539,715)	0	0	0	0	(539,715)
Land Held For Resale	887,201	0	0	0	0	887,201
Inventories	393,275	0	0	0	0	393,275
Other Current Assets	625,583	0	0	0	0	625,583
Other Long-Term Assets	0	0	0	282,447	0	282,447
Capital Assets	0	0	87,809,672	0	0	87,809,672
Total Assets	29,995,113	0	87,809,672	282,447	(36,561)	118,050,671
LIABILITIES						
Accounts Payable	4,943,673	0	0	0	0	4,943,673
Accrued Payroll and Benefits Payable	4,562,348	0	0	0	0	4,562,348
Accrued Compensated Absences Payable	0	4,313,776	0	0	0	4,313,776
Accrued Interest Payable	0	248,853	0	0	0	248,853
Due to Other Funds	40,512	0	0	0	(36,561)	3,951
Deferred Revenue	11,165,049	(9,830,571)	0	0	0	1,334,478
Insurance Reserves	249,000	1,557,000	0	0	0	1,806,000
Net Pension Obligation	0	1,273,841	0	0	0	1,273,841
Noncurrent Liabilities	0	108,000	0	43,658,504	0	43,766,504
Total Liabilities	20,960,582	(2,329,101)	0	43,658,504	(36,561)	62,253,424
NET ASSETS						
Invested in Capital Assets	0	0	84,846,249	(32,539,723)	0	52,306,526
Other	9,034,531	2,329,101	2,963,423	(10,836,334)	0	3,490,721
Total Net Assets	\$ 9,034,531	\$ 2,329,101	\$ 87,809,672	\$ (43,376,057)	\$ 0	\$ 55,797,247

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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

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

	Statement of Revenue, Expenditures and Changes in Fund Balances	Long-term Revenues/ Expenses	Capital Related Items	Long-term Debt Transactions	Reclassifications and Elimination of Interfund Activity	Statement of Activities
REVENUES						
Taxes	\$ 22,455,610	\$ 329,094	\$ 0	\$ 0	\$ 0	\$ 22,784,704
PILOT	4,374,900		0	0	(2,469,562)	1,905,338
Intergovernmental Revenues	52,926,919	(426,346)	122,621	0	(434,654)	52,188,540
Charges for Services	11,745,041	(36,511)	0	0	(978,933)	10,729,597
Fines and Forfeits	1,365,957	136,816	0	0	0	1,502,773
Licenses and Permits	5,152,048	0	0	0	0	5,152,048
Investment Income	221,584	0	0	4,675	0	226,259
Other Revenues	2,302,593	(513,613)	0	0	(52,929)	1,736,051
Other Sources:						
Proceeds of Debt and						
Lease Financing	14,304,777	0	0	(14,304,777)	0	0
Bond Premium	41,797	0	0	(41,797)	0	0
Proceeds of Asset Sales	9,000	0	0	0	0	9,000
Transfers from Other Funds	2,123,993	0	0	0	780,223	2,904,216
Total Revenues	<u>117,024,219</u>	<u>(510,560)</u>	<u>122,621</u>	<u>(14,341,899)</u>	<u>(3,155,855)</u>	<u>99,138,526</u>
EXPENDITURES						
General Government	12,292,705	1,713,358	448,199	4,984	(7,139,292)	7,319,954
Safety Services	14,072,385	108,321	492,310	5,393	4,595,745	19,274,154
Public Works	5,821,940	25,812	213,210	0	1,231,175	7,292,137
Community Development	6,767,356	(3,375,152)	(698,411)	0	1,083,010	3,776,803
Culture and Recreation	5,628,142	19,200	361,011	0	1,941,783	7,950,136
Education	44,550,949	203,068	284,818	6,078	0	45,044,913
Capital Expenditures	9,960,958	0	(6,996,097)	0	(2,744,283)	220,578
Debt Service:						
Principal	6,889,921	0	0	(6,889,921)	0	0
Interest	1,529,045	43,564	0	9,202	0	1,581,811
Bond Issue Costs	171,599	0	0	(171,599)	0	0
Other Uses:						
Transfers to Other Funds	2,556,666	0	0	0	(2,123,993)	432,673
Total Expenditures	<u>110,241,666</u>	<u>(1,261,829)</u>	<u>(5,894,960)</u>	<u>(7,035,863)</u>	<u>(3,155,855)</u>	<u>92,893,159</u>
Net Change for the Year	\$ <u>6,782,553</u>	\$ <u>751,269</u>	\$ <u>6,017,581</u>	\$ <u>(7,306,036)</u>	\$ <u>0</u>	\$ <u>6,245,367</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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 \$326,750 in order to utilize the prior year's surplus. This is reflected as a current year deficiency of revenue over expenditures in Exhibit F for the General Fund.

CITY OF BURLINGTON, VERMONT
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The City follows these procedures in establishing the budgetary data reflected in the financial statements for the School Department General Fund:

1. In December, the Superintendent submits recommendations based upon the budget prioritization team spending priority list to the School Board. The operating budget includes proposed expenditures and estimated revenues.
2. In December, public hearings are conducted to obtain taxpayer comments and the budget is formally approved by the School Board in January.
3. Any tax increase requested by the School Board must be submitted to the City Council during the first week of January so that they can put it on the March ballot.
4. The School Board is authorized to transfer budgeted amounts between line items, however, any revisions that alter the total expenditures in excess of total revenues plus budgeted fund balance designated for subsequent years' expenditures must be authorized by the legal voters of the City.
5. The budget that is adopted is only for the School's "General Fund". Budgets for the School's other funds were not formally adopted for the year ended June 30, 2005.
6. The School elected to budget expenditures in excess of revenues by \$155,000 in order to utilize the prior year's surplus. This is reflected as current year deficiency of revenue over expenditures in Exhibit F for the School General Fund.

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

B. Excess of Expenditures Over Appropriations

For the year-ended June 30, 2005, expenditures in the General Fund exceeded appropriations by \$1,333,520. These were funded by additional unanticipated revenues.

For the year-ended June 30, 2005, expenditures in the School "General" Fund exceeded appropriations by \$518,808. These were funded by additional unanticipated revenues and available fund balance.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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	\$ (648,740)
Excess of Revenues Over Expenditures in Other School Special Revenue Funds	<u>24,685</u>
Change in Fund Balances – GAAP Basis – Exhibit D	<u>\$ (624,055)</u>

D Reclassification/Restatement of Fund Balance and Net Assets

The Government-wide and Fund Financial Statements beginning balances have been reclassified/restated due to the Telecom Fund being reclassified as a Proprietary Fund rather than a Capital Projects Fund.

Government-Wide Financial Statements

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Assets, June 30, 2004, As Previously Reported	\$49,190,344	\$104,605,895
Transfer of Fund Deficit from Fund Financial Statements	889,125	(889,125)
Transfer of Property, Plant and Equipment	(3,023,997)	3,023,997
Transfer of Capital Lease Obligations	2,496,408	(2,496,408)
Understatement of Deferred Charges	0	47,500
Overstatement of Property, Plant and Equipment	<u>0</u>	<u>(1,188,094)</u>
Net Assets, June 30, 2004, As Reclassified/Restated	<u>\$49,551,880</u>	<u>\$103,103,765</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Fund Financial Statements

	Total Governmental Funds	Other Proprietary Funds
Fund Balances/Net Assets, June 30, 2004, As Previously Reported	\$1,362,853	\$ 488,421
Transfer of Telecom Fund Deficit to a Proprietary Fund	889,125	(889,125)
Transfer of Property, Plant and Equipment	0	3,023,997
Transfer of Capital Lease Obligations	0	(2,496,408)
Understatement of Deferred Charges	0	47,500
Overstatement of Property, Plant and Equipment	0	(1,188,094)
Fund Balances/Net Assets/(Deficit), June 30, 2004, As Reclassified/Restated	<u>\$2,251,978</u>	<u>\$(1,013,709)</u>

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Investment Policy Statement – Electric Utility Department

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

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

CITY OF BURLINGTON, VERMONT
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- (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
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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>
<u>Equity</u>	<u>60%</u>	40-70%
Domestic-Large Cap	35%	25-45%
Domestic-Mid Cap		10-15%
Growth	5%	
Value	5%	
International	15%	10-20%
<u>Fixed Income</u>	<u>35%</u>	30-45%
Domestic	35%	20-35%
International	0%	0-10%
<u>Cash Equivalents</u>	<u>1%</u>	0-10%
<u>Other/Venture Capital</u>	<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.

CITY OF BURLINGTON, VERMONT
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Fixed Income Investments

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Restrictions

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

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

Investment Policy – Other Funds

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

Cash deposits and investments as June 30, 2005 consist of the following:

Cash and Investments Consist of:

	Amount
U.S. Treasury Notes	\$ 2,771,206
U.S. Government Agency Obligations	13,904,941
Federal National Mortgage Association Debt	1,741,249
Loans	20,000
Corporate Bonds	15,513,786
Cash Equivalent Mutual Funds	40,908,452
Common Stock	72,961,957
Certificates of Deposit	641,882
Unsettled Trades	(2,110,011)
Venture Capital	226
Deposits with Financial Institutions	14,309,540
Total Deposits and Investments	\$ 160,663,228

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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:

Interest Rate Risk

<u>Investment Type</u>	<u>Remaining Maturity (In Years)</u>				<u>Total</u>
	<u>0 - 1</u>	<u>1 - 5</u>	<u>5 - 10</u>	<u>20+</u>	
U.S. Treasury Notes	\$ 0	\$ 473,363	\$ 1,070,315	\$ 1,227,528	\$ 2,771,206
U.S. Government					
Agency Obligations	6,430,838	7,222,987	0	251,116	13,904,941
FNMA Debt	0	0	0	1,741,249	1,741,249
Corporate Bonds	3,258,534	4,729,307	2,355,127	5,170,818	15,513,786
Cash Equivalent					
Mutual Funds	40,908,452	0	0	0	40,908,452
Certificates of Deposit	641,882	0	0	0	641,882
	<u>\$ 51,239,706</u>	<u>\$ 12,425,657</u>	<u>\$ 3,425,442</u>	<u>\$ 8,390,711</u>	<u>\$ 75,481,516</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.

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 of June 30, 2005:

CITY OF BURLINGTON, VERMONT
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<u>Investment Type</u>	<u>Standard & Poor's Rating as June 30, 2005</u>					<u>Exempt From Disclosure</u>	<u>Total</u>
	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Other Rating</u>		
U.S. Treasury Notes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,771,206	\$ 2,771,206
U.S. Government							
Agency Obligations	0	0	0	0	0	13,904,941	13,904,941
FNMA Debt	0	0	0	0	0	1,741,249	1,741,249
Corporate Bonds	6,206,610	915,922	3,622,729	2,313,613	687,089	1,767,823	15,513,786
	<u>\$ 6,206,610</u>	<u>\$ 915,922</u>	<u>\$ 3,622,729</u>	<u>\$ 2,313,613</u>	<u>\$ 687,089</u>	<u>\$ 20,185,219</u>	<u>\$ 33,931,182</u>

Concentration of Credit Risk

The City does not have any limitations on the amount that can be invested in any one issuer. Other than cash equivalent mutual funds, there are no investments that represent 5% or more of the total City investments.

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
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	Book Balance	Bank Balance
Insured - FDIC/NCUA	\$ 1,050,507	\$ 1,123,402
Uninsured, Uncollateralized - Secured By Treasury Note Repurchase Agreements Held in the Bank's Name	10,449,773	12,813,522
Uninsured, Collateralized by U.S. Government Agencies Securities	592,331	657,273
Uninsured, Uncollateralized	2,075,322	2,587,381
Cash on Hand	202,358	-
Total Deposits	\$ 14,370,291	\$ 17,181,578

Deposits is comprised of the following:

Cash	\$ 14,309,540
Cash Held on-Behalf of BCDC	(581,131)
Certificates of Deposit - Investments	641,882
Total Deposits	\$ 14,370,291

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

A portion of Burlington Community Development Corporation's cash, in the amount of \$(581,131), is included with the City's pooled cash. The remaining \$57,010 was fully insured by the FDIC. There were no reconciling items.

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. These funds and the construction funds have been classified as Restricted Assets. These amounts are included in the Deposits and Investments in Note IV. A.

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

Category	Electric Utility	Airport	Water Resources	Telecom Fund	Total
Debt Service Reserve Fund	\$ 8,492,632	\$ 902,304	\$ 1,173,755	\$ 0	\$ 10,568,691
Renewal and Replacement Funds	869,984	0	157,638	0	1,027,622
Construction Funds	5,870,518	4,755,588	0	8,086,427	18,712,533
Debt Service Funds	7,170,641	0	0	0	7,170,641
Accrued Interest Receivable	99,088	0	0	0	99,088
Total	\$ 22,502,863	\$ 5,657,892	\$ 1,331,393	\$ 8,086,427	\$ 37,578,575

C. Receivables

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

	Governmental Activities	Business-Type Activities	Total
Taxes Receivable	\$ 2,517,336	\$ 0	\$ 2,517,336
PILOT	44,219	0	44,219
User Charges Receivable	0	5,355,399	5,355,399
Allowance for Doubtful Taxes/Fees	(602,000)	(305,330)	(907,330)
Police, Fire and Ambulance Fees Receivable	1,299,996	0	1,299,996
Allowance for Doubtful Accounts - Police, Fire and Ambulance Fees	(738,000)	0	(738,000)
Public Works Receivables	205,278	0	205,278
Recreation Fees Receivable	107,013	0	107,013
Traffic Fees Receivable	48,731	0	48,731
Marketplace Fees Receivable	19,497	0	19,497
Project Reimbursements Receivable	461,945	0	461,945
Grants Receivable	3,787,861	5,220,039	9,007,900
Passenger Facility Charges	0	444,119	444,119
Other Receivables	399,499	0	399,499
Total Receivables	7,551,375	10,714,227	18,265,602

CITY OF BURLINGTON, VERMONT
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	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Notes and Loans Receivable	\$ 14,635,145	\$ 1,920,000	\$ 16,555,145
Loan Discounts	(1,563,571)	0	(1,563,571)
Allowance for Doubtful Loans	(8,751,941)	0	(8,751,941)
Accrued Interest Receivable - Loans	4,837,009	0	4,837,009
Allowance for Doubtful Accrued Interest	<u>(4,496,160)</u>	<u>0</u>	<u>(4,496,160)</u>
Net Notes and Loans Receivable	<u>\$ 4,660,482</u>	<u>\$ 1,920,000</u>	<u>\$ 6,580,482</u>

The notes and loans receivable and related accrued interest are not expected to be collected within one year.

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, 2005:

<u>Year Ended</u>	<u>Balance 06/30/04</u>	<u>Additions</u>	<u>Adjustments/ Abatements</u>	<u>Collections</u>	<u>Balance 06/30/05</u>
1985-1991	\$ 48,243	\$ 0	\$ 0	\$ 0	\$ 48,243
1992	9,064	0	0	1,229	7,835
1993	11,942	0	0	1,457	10,485
1994	12,630	0	0	2,095	10,535
1995	21,004	0	0	2,372	18,632
1996	24,884	0	0	2,843	22,041
1997	29,379	0	0	3,552	25,827
1998	33,914	0	0	2,687	31,227
1999	39,150	0	0	6,857	32,293
2000	44,071	0	0	4,869	39,202
2001	71,012	0	0	14,853	56,159
2002	129,710	0	0	45,152	84,558
2003	244,753	0	0	80,857	163,896
2004	651,637	0	0	393,036	258,601
2005	<u>0</u>	<u>900,181</u>	<u>0</u>	<u>113,690</u>	<u>786,491</u>
Total	<u>\$ 1,371,393</u>	<u>\$ 900,181</u>	<u>\$ 0</u>	<u>\$ 675,549</u>	<u>\$ 1,596,025</u>

Also included in taxes receivable are \$264,678 in gross receipts taxes, \$653,663 of delinquent tax penalties and interest and \$2,970 of Downtown Improvement District Taxes.

CITY OF BURLINGTON, VERMONT
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D. INVESTMENTS IN ASSOCIATED COMPANIES

The Electric Department follows the cost method of accounting its 4.52% ownership interest in Vermont Electric Power Company, Inc. ("VELCO"); and its 7.464% ownership interest in Vermont Electric Transmission Company ("VETCO"), which is a subsidiary of VELCO. VELCO owns and operates a transmission system in the State of Vermont over which bulk power is delivered to all electric utilities in the State of Vermont. Under a power transmission contract with the State of Vermont, VELCO bills all costs, including amortization of its debt and a fixed return on equity, to the State of Vermont and others using the system.

E. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 16,414,726	\$ 0	\$ 0	\$ 16,414,726
Construction in Progress	5,864,402	5,158,367	1,399,901	9,622,868
Antiques and Works of Art	52,000	0	0	52,000
Total Capital Assets, Not Being Depreciated	<u>22,331,128</u>	<u>5,158,367</u>	<u>1,399,901</u>	<u>26,089,594</u>
Capital Assets, Being Depreciated:				
Land Improvements	938,643	221,244	0	1,159,887
Buildings and Building Improvements	53,171,168	701,335	0	53,872,503
Vehicles, Machinery, Equipment and Furniture	16,628,612	1,406,929	749,334	17,286,207
Book Collections	2,908,338	127,132	111,723	2,923,747
Roads, Curbs and Sidewalks	8,095,994	2,787,308	0	10,883,302
Totals	<u>81,742,755</u>	<u>5,243,948</u>	<u>861,057</u>	<u>86,125,646</u>
Less accumulated depreciation for:				
Land improvements	125,000	0	0	125,000
Buildings and Building Improvements	11,269,040	742,810	0	12,011,850
Vehicles, Machinery, Equipment and Furniture	8,302,909	1,556,259	582,657	9,276,511
Book Collections	1,981,964	268,889	111,723	2,139,130
Roads, Curbs and Sidewalks	436,202	416,875	0	853,077
Totals	<u>22,115,115</u>	<u>2,984,833</u>	<u>694,380</u>	<u>24,405,568</u>
Total Capital Assets, Being Depreciated	<u>59,627,640</u>	<u>2,259,115</u>	<u>166,677</u>	<u>61,720,078</u>
Governmental Activities Capital Assets, Net	<u>\$ 81,958,768</u>	<u>\$ 7,417,482</u>	<u>\$ 1,566,578</u>	<u>\$ 87,809,672</u>

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

Business-Type Activities

Capital Assets, Not Being Depreciated:

Land	\$ 13,783,051	\$ 3,306,397	\$ 0	\$ 17,089,448
Construction in Progress	<u>5,952,342</u>	<u>6,054,123</u>	<u>8,486,732</u>	<u>3,519,733</u>
Total Capital Assets, Not Being Depreciated	<u>19,735,393</u>	<u>9,360,520</u>	<u>8,486,732</u>	<u>20,609,181</u>

Capital Assets, Being Depreciated:

Land Improvements	29,733,813	578,434	0	30,312,247
Buildings and Building Improvements	53,518,066	10,238,061	0	63,756,127
Vehicles, Machinery, Equipment and Furniture	16,814,213	321,550	91,127	17,044,636
Distribution and Collection Systems	<u>174,177,590</u>	<u>5,062,929</u>	<u>502,848</u>	<u>178,737,671</u>
Totals	<u>274,243,682</u>	<u>16,200,974</u>	<u>593,975</u>	<u>289,850,681</u>

Less Accumulated Depreciation for:

Land Improvements	16,015,402	1,278,760	0	17,294,162
Buildings and Building Improvements	14,198,773	2,075,454	0	16,274,227
Vehicles, Machinery, Equipment and Furniture	8,278,876	875,714	91,127	9,063,463
Distribution and Collection Systems	<u>82,101,955</u>	<u>4,855,256</u>	<u>366,277</u>	<u>86,590,934</u>
Totals	<u>120,595,006</u>	<u>9,085,184</u>	<u>457,404</u>	<u>129,222,786</u>

Total Capital Assets, Being Depreciated	<u>153,648,676</u>	<u>7,115,790</u>	<u>136,571</u>	<u>160,627,895</u>
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Business-Type Activities Capital Assets, Net	<u>\$ 173,384,069</u>	<u>\$ 16,476,310</u>	<u>\$ 8,623,303</u>	<u>\$ 181,237,076</u>
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The beginning balance of the governmental activities has been decreased \$215,000 due to land being reclassified to Land Held for Resale and increased \$6,382 due to assets omitted in previous years.

As described in Note III C1, \$3,023,997 of capital assets were transferred from governmental activities to business-type activities. The beginning balances have been adjusted to reflect this reclassification.

At June 30, 2005, \$5,805,236 and \$5,304,448 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.

CITY OF BURLINGTON, VERMONT
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Depreciation was charged to programs as follows:

Governmental Activities:		Business - Type Activities:	
General Government	\$ 482,184	Electric	\$ 3,094,368
Safety Services	774,404	Airport	3,594,477
Public Works	572,674	Water	667,227
Community Development	17,734	Wastewater	1,431,404
Culture and Recreation	488,143	Telecom	194,003
Education	<u>649,694</u>	School	<u>103,705</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u>2,984,833</u>	 Total Depreciation Expense - Business-Type Activities	 \$ <u>9,085,184</u>

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, 2005 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, 2004 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>

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

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

A summary of the McNeil Generating Station financial statements as of and for the year ended June 30, 2005 and the Highgate Converter as of and for the year ended December 31, 2004 are as follows:

<u>Category</u>	<u>McNeil Generating Station</u>	<u>Highgate Converter</u>
Total Assets	<u>77,660,109</u>	<u>29,689,740</u>
Liabilities	895,235	59,630
Owners' Equity	<u>76,764,874</u>	<u>29,630,110</u>
Total Liabilities and Owners' Equity	<u>77,660,109</u>	<u>29,689,740</u>
Contributions by Joint Owners	18,987,717	1,172,125
Station Operating Expenses	<u>19,111,616</u>	<u>1,023,312</u>
Increase/(Decrease) in Owners' Equity	(123,899)	148,813
Owners' Equity Beginning of year	<u>76,888,773</u>	<u>29,481,297</u>
Owners' Equity end of year	<u>76,764,874</u>	<u>29,630,110</u>

Burlington Community Development Corporation owns two buildings. One is at the Burlington Airport with a cost \$650,000 and accumulated depreciation of \$126,280. The other building is at 131 Battery Street in Burlington, Vermont with a cost of \$863,498 and accumulated depreciation of \$76,658. It also owns the land where the old police station building was located and where the Onion River Food Co-op is now located. The land cost \$662,604 and the land improvements at this site cost \$342,548 with accumulated depreciation of \$17,127. The Corporation also has leasehold improvements at this site totaling \$305,810 with accumulated depreciation of \$9,174. The Corporation is also constructing an Aviation Support Hanger at the Burlington Airport plus acquiring other properties which is listed as construction in progress. The net carrying value of the Corporation's properties are \$2,864,124. 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
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	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Component Unit				
Capital Assets, Not Being Depreciated:				
Land	\$ 662,604	\$ 0	\$ 0	\$ 662,604
Construction in Progress	<u>0</u>	<u>268,903</u>	<u>0</u>	<u>268,903</u>
Total Capital Assets, Not Being Depreciated	<u>662,604</u>	<u>268,903</u>	<u>0</u>	<u>931,507</u>
Capital Assets, Being Depreciated:				
Buildings	1,513,498	0	0	1,513,498
Land Improvements	342,548	0	0	342,548
Leasehold Improvements	<u>305,810</u>	<u>0</u>	<u>0</u>	<u>305,810</u>
Totals	<u>2,161,856</u>	<u>0</u>	<u>0</u>	<u>2,161,856</u>
Less accumulated depreciation for:				
Leasehold Improvements	6,116	3,058	0	9,174
Buildings	184,145	18,793	0	202,938
Land Improvements	<u>11,418</u>	<u>5,709</u>	<u>0</u>	<u>17,127</u>
Totals	<u>201,679</u>	<u>27,560</u>	<u>0</u>	<u>229,239</u>
Total Capital Assets, Being Depreciated	<u>1,960,177</u>	<u>(27,560)</u>	<u>0</u>	<u>1,932,617</u>
Component Unit Capital Assets, Net	<u>\$ 2,622,781</u>	<u>\$ 241,343</u>	<u>\$ 0</u>	<u>\$ 2,864,124</u>

F. Interfund Balances and Activity

The composition of interfund balances at June 30, 2005, is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 0	\$ 128
Special Revenue Funds		
Traffic Fund	0	3,823
CEDO Fund	36,561	0
Capital Projects Funds		
North Street Project Fund	0	36,561
Proprietary Funds		
Water Resources Fund	0	3,666
Wastewater Fund	0	865
Fiduciary Funds		
Pension Trust Fund	<u>8,482</u>	<u>0</u>
Total	<u>\$45,043</u>	<u>\$45,043</u>

CITY OF BURLINGTON, VERMONT
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Interfund transfers for the year ended June 30, 2005, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Traffic Fund	\$ 237,557	Fund Free Parking
General Fund	Traffic Fund	40,000	Meter Replacement
General Fund	CEDO Fund	84,252	Subsidy
General Fund	Housing Trust Fund	189,845	Tax Transfer
General Fund	Marketplace Fund	16,500	Subsidy
General Fund	Southern Connector Fund	15,426	Fund Capital Outlay
General Fund	Tele-Communications Fund	27,673	Fund Interfund Loan
General Fund	Tele-Communications Fund	405,000	Infrastructure
General Fund	STP Bike Path Fund	1,399	Fund Capital Outlay
General Fund	Riverside Avenue Project Fund	19,899	Fund Capital Outlay
General Fund	N. Winooski Streetscape Fund	628	Fund Capital Outlay
General Fund	Moran Building and Heating Upgrade Fund	90,632	Fund Interfund Loans
General Fund	DPW New Facility	28,120	Fund Capital Outlay
General Fund	South End Transit Center Fund	806	Subsidy
General Fund	North Street Project Fund	232,747	Subsidy
School Fund	School Capital Projects Fund	10,000	Subsidy
Traffic Fund	CEDO Fund	30,000	Subsidy
Traffic Fund	General Fund	64,400	Subsidy
Fire Capital Fund	General Fund	1,408	Fund Capital Outlay
Cemetery Fund	General Fund	24,102	Fund Cemetery Operations
Loomis Library Fund	General Fund	238	Fund Library Operations
		\$ 1,520,632	
Total		\$ 1,520,632	

There are four (4) Interfund Loans Receivable/Payable that are owed to the Burlington Electric Department. The Moran building and Heating Upgrade Fund owes \$446,541 for the purchase of the Moran Building and \$93,174 on two loans for electrical upgrades to the heating systems at the Library and Leddy Park Arena. The Telecommunication Project Fund owes \$45,435 for preliminary start-up costs. The total interfund loans are \$585,150. 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 Recreation Department pays \$1,023 monthly until November, 2005 with interest at 8.25%. The Telecommunication Fund pays \$27,673 annually for principal and interest for five (5) years until May, 2007 with interest at 6.5%.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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G. Other Long-Term Assets

The governmental activities other long-term assets, net of accumulated amortization, consist of deferred debt issuance costs of \$282,447 as of June 30, 2005.

The Enterprise Funds' other long-term assets, net of accumulated amortization, consist of the following as of June 30, 2005.

Category	Electric Utility	Airport	Water Resources	Telecom Fund	Total
Deferred Debt Issuance Costs	\$ 1,407,795	\$ 1,674,830	\$ 137,558	\$ 61,565	\$ 3,281,748
Deferred Depreciation Expense	10,971,922	0	0	0	10,971,922
Unamortized Demand Side Mgt (DSM)	3,446,422	0	0	0	3,446,422
Other Unamortized Charges	4,631,007	0	0	0	4,631,007
Non-Utility Property	775,600	0	0	0	775,600
Deferred PSB Accounting Orders	930,920	0	0	0	930,920
Deferred Preliminary Engineering	123,254	0	0	0	123,254
Other Assets	23,902	0	0	0	23,902
Franchise Costs	0	0	0	75,132	75,132
Total	\$ 22,310,822	\$ 1,674,830	\$ 137,558	\$ 136,697	\$ 24,259,907

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, 2005 are as follows:

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
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<u>Category</u>	<u>Amount</u>
Loss on Transfer of Moran Station	\$ 2,937,105
Loss of Sale of Millstone III	33,689
Costs Associated with Chase Hydro	<u>1,660,213</u>
Total	<u>\$4,631,007</u>

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

In 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 VPSA 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 \$861,172 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 \$123,254 for 2005.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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H. Deferred Revenue

Deferred Revenue in the General Fund consists of \$1,393,738 of delinquent property taxes, \$60,357 of gross receipt taxes and penalty and interest on those taxes, \$195,156 in Grant Revenue and \$340,949 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 \$102,650 of prepaid recreation revenue and permit fees for fiscal year 2006 and \$229,300 of unspent grant monies. Total Deferred Revenue in the General Fund is \$2,322,150.

Deferred Revenue in the School Fund consists of \$1,128,418 in grant revenue. \$253,295 of this grant revenue was received in advance of expenditures and \$875,123 of grant revenue was not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities.

Deferred Revenue in the Special Revenue Funds consist of \$6,308,743 of Grants and Loans Receivable and Land Held for Resale in the CEDO Fund. The Deferred Revenue from the grants consists of \$137,024 of Grant Revenue for the CEDO Fund received in advance of expenditures and \$624,036 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 \$5,547,683 will be recognized as the loans are repaid to the City and the land is sold. It also consists of \$910 in prepaid traffic fees in the Traffic Commission Fund and \$26,746 of prepaid vendor assessments and \$19,630 of delinquent assessments in the Church Street Marketplace Fund not collected within sixty (60) days after year-end as these would not be available to liquidate current liabilities. Total Deferred Revenue in the Special Revenue Funds is \$6,356,029.

Deferred Revenue in the Capital Project Funds consists of \$1,358,452 of Grant Revenue. \$584,553 of this Grant Revenue was received in advance of expenditures and \$773,899 was Grant Receivables not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities.

I. Long-term Liabilities

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to refund prior issues. General obligation bonds have been issued for both 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.

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

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

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

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

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

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, postemployment benefits, and landfill postclosure costs) during the year were as follows:

CITY OF BURLINGTON, VERMONT
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	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	\$ 18,003,166	\$ 1,185,000	\$ 2,431,700	\$ 16,756,466	\$ 2,526,466
Other Debt	15,562,815	9,405,456	847,815	24,120,456	2,831,779
Obligations Under Capital Leases	2,579,327	999,321	775,786	2,802,862	791,259
Insurance Reserves	1,594,000	212,000	0	1,806,000	961,000
City Compensated Absences	1,797,462	155,336	0	1,952,798	0
School Compensated Absences	2,075,807	221,138	0	2,296,945	69,045
Landfill Post-Closure	134,000	0	26,000	108,000	14,000
School - Early Retirement Contracts	82,103	0	18,070	64,033	29,333
Net Pension Obligation	0	1,273,841	0	1,273,841	0
Total Governmental Activities					
Long-term Liabilities	41,828,680	13,452,092	4,099,371	51,181,401	\$ 7,222,882
Add Unamortized Premium				89,138	
Subtract Deferred Loss on Refunding				(110,418)	
Total				51,160,121	
Business-type Activities					
General Obligation Bonds Payable	28,131,321	1,265,905	1,802,881	27,594,345	1,843,165
Revenue Bonds	136,835,000	0	6,705,000	130,130,000	7,370,000
Other Debt	600,000	900,000	600,000	900,000	900,000
Obligations Under Capital Leases	2,733,615	10,550,527	203,583	13,080,559	388,196
Other Electric Department					
Long-Term Debt	115,370	0	30,873	84,497	0
Compensated Absences	1,065,481	28,510	0	1,093,991	0
Net Pension Obligation	0	322,449	0	322,449	0
Total Business-type Activities					
Long-Term Liabilities	\$ 169,480,787	\$ 13,067,391	\$ 9,342,337	173,205,841	\$ 10,501,361
Add Unamortized Premium				2,217,784	
Subtract Unamortized Discount				(154,815)	
Subtract Deferred Loss on Refunding Bonds				(21,419,114)	
Subtract Deferred Loss on Refunding Capital Leases				(91,350)	
Total				\$ 153,758,346	

- \$2,496,408 of obligations under capital leases were reclassified from Governmental Activities to Business-Type Activities due to reclassifying the Telecom Fund from a Capital Projects Fund to a Proprietary Fund.
- \$24,084,488 of debt owed to the State of Vermont has been reclassified from Revenue Bonds to General obligation Bonds Payable in the Business-Type Activities.
- 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.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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	Issue Date	Interest Rate %	Maturity Date	Original Issue	Outstanding June 30, 2004	Principal Reduction	Outstanding June 30, 2005	
General Obligation Debt (Tax Levy Supported)								
General City								
67	06/01/95	4.00-5.00	05/01/2005	500,000	60,000	0	0	
69	06/15/96	3.80-5.40	12/01/2009	5,695,000	3,180,000	545,000	2,635,000	
80	06/15/97	4.00-4.80	12/01/2007	500,000	230,000	55,000	0	
81	07/01/97	4.00-4.80	12/01/2007	750,000	345,000	80,000	0	
83	08/03/98	3.90-4.10	12/01/2005	217,000	20,000	11,000	9,000	
87	08/03/98	4.25-4.55	12/01/2011	835,000	555,000	60,000	495,000	
90	08/03/98	4.25-4.55	12/01/2011	174,167	115,833	12,500	103,333	
91	08/03/98	4.20-4.30	12/01/2008	750,000	415,000	75,000	340,000	
93	02/16/99	3.25-3.80	05/01/2006	750,000	120,000	50,000	70,000	
100	07/20/99	4.25-4.80	12/01/2009	750,000	490,000	75,000	415,000	
105	10/12/00	4.25-4.75	12/01/2010	750,000	565,000	70,000	495,000	
107	10/01/01	3.00-4.00	11/01/2011	750,000	625,000	70,000	555,000	
108	10/01/01	3.00-3.10	11/01/2006	1,035,000	650,000	210,000	440,000	
109	10/01/01	3.00	11/01/2006	1,090,000	665,000	230,000	435,000	
115	07/30/02	3.00-4.00	09/01/2012	750,000	685,000	65,000	620,000	
118	05/01/03	3.50-4.00	11/01/2018	2,500,000	2,500,000	130,000	2,370,000	
129	10/15/03	2.00-3.75	11/01/2013	750,000	750,000	65,000	685,000	
136	07/15/04	2.00-3.80	12/01/2016	530,000	0	20,000	510,000	
138	07/15/04	2.25-3.75	05/01/2015	750,000	0	0	750,000	
139	06/28/05	3.50-3.60	11/01/2015	250,000	0	0	250,000	
	Subtotal			20,076,167	11,970,833	1,823,500	11,177,333	
71	06/15/96	3.80-5.40	12/01/2009	2,120,000	1,215,000	190,000	1,025,000	
74	06/15/96	5.25-5.60	12/01/2016	3,250,000	2,515,000	145,000	155,000	
84	08/03/98	3.90-4.10	12/01/2005	260,400	24,000	13,200	10,800	
88	08/03/98	4.25-4.55	12/01/2011	696,667	463,333	50,000	413,333	
112	07/30/02	2.50-4.00	09/01/2013	1,070,000	985,000	80,000	905,000	
114	07/30/02	3.00-4.375	03/01/2018	860,000	830,000	30,000	800,000	
137	07/15/04	2.00-3.80	12/01/2016	2,370,000	0	100,000	2,270,000	
	Subtotal			10,627,067	6,032,333	608,200	5,579,133	
Certificates of Participation								
94	06/01/99	4.30-4.80	12/01/2018	5,500,000	4,315,000	355,000	3,960,000	
95	06/01/99	4.30-4.80	12/01/2018	1,390,000	1,150,000	55,000	1,095,000	
103	06/27/00	5.375-5.75	12/01/2020	4,100,000	3,715,000	140,000	3,575,000	
116	07/30/02	3.00-4.25	05/01/2015	2,075,000	1,805,000	135,000	1,670,000	
140	06/07/05	4.0-4.375	05/01/2025	7,870,000	0	0	7,870,000	
	Subtotal			20,935,000	10,985,000	685,000	18,170,000	
Other Notes Payable								
34	01/01/87	0.00	12/30/2004	98,554	2,815	2,815	0	
96	05/10/98	7.20	05/15/2008	840,000	588,000	42,000	546,000	
97	05/10/98	5.00	05/15/2008	260,000	182,000	13,000	169,000	
98	04/28/99	5.40-6.20	08/01/2017	1,930,000	1,510,000	105,000	1,405,000	
128	02/12/03	3.25	08/01/2022	3,602,000	2,295,000	0	3,602,000	
142	03/08/05	2.50	03/08/2012	304,531	0	0	103,456	
	Subtotal			7,035,085	4,577,815	162,815	5,825,456	
Tax and Bond Anticipation & Other Notes Payable								
	7/1/2004	2.06	8/15/2004	3,000,000	0	1,000,000	0	
	12/30/2004	3.04	3/15/2005	6,000,000	0	4,500,000	0	
	5/31/2005	3.20	6/15/2005	2,000,000	0	1,500,000	0	
	6/30/2005	3.43	8/15/2005	125,000	0	0	125,000	
				11,125,000	-	7,000,000	125,000	
				0	52,016	4,675	89,138	
				0	0	0	(110,418)	
				Total Governmental Activities	69,798,319	33,617,997	10,284,190	40,855,642
Revenue Supported								
Enterprise Funds:								
Revenue Anticipation Notes Payable-Enterprise:								
	6/30/2004	2.57	6/30/2005	600,000	600,000	600,000	0	
	6/30/2005	3.77	6/30/2006	900,000	0	0	900,000	
	Subtotal			1,500,000	600,000	600,000	900,000	
Airport Commission:								
111	10/01/01	3.00	11/01/2005	1,015,000	500,000	250,000	250,000	
				1,015,000	500,000	250,000	250,000	
				-	1,963	981	982	
				-	(7,207)	(3,604)	(3,603)	
	Subtotal			1,015,000	494,756	247,377	247,379	

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Electric Department:								
23	Nuclear Units #3	06/01/79	5.75	05/01/2008	1,200,000	200,000	50,000	150,000
66	Electric 1995 Capital	06/01/95	4.00-5.50	05/01/2010	250,000	130,000	0	0
70	Electric 1996 Series A Refunding Bonds	06/15/96	3.80-5.40	12/01/2009	555,000	300,000	50,000	250,000
73	Electric 1996 Capital Series B	06/15/96	5.25-5.60	12/01/2016	250,000	180,000	10,000	0
76	Electric 1996 Capital Series C	07/01/96	5.00-6.00	12/01/2016	250,000	215,000	20,000	15,000
86	Electric 1998 Series B Refunding Bonds	08/03/98	3.90-4.10	12/01/2005	390,600	36,000	19,800	16,200
89	Electric 1998 Series C Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	174,167	115,833	12,500	103,333
110	Electric 2001 Capital Refunding Bonds	10/01/01	3.00-3.10	11/01/2006	570,000	255,000	165,000	90,000
113	Electric 2002 Series A Refunding Bonds	07/30/02	2.50-3.50	09/01/2008	120,000	105,000	20,000	85,000
135	Electric 2004 Series B Refunding Bonds	07/15/04	2.00-3.80	12/01/2016	510,000	0	20,000	490,000
141	Electric 2005 Series A Bonds	06/28/05	3.50-4.20	11/01/2025	1,000,000	0	0	1,000,000
	Subtotal				5,269,767	1,536,833	367,300	2,199,533
	Add Unamortized Premium				-	3,420	(1,558)	7,031
	Subtract Deferred Loss on Refunding				-	(42,014)	21,807	(47,774)
	Subtotal				5,269,767	1,498,239	387,549	2,158,790
Water Resources:								
85	Water 1998 Series B Refunding Bonds	08/03/98	3.90-4.10	12/01/2005	217,000	20,000	11,000	9,000
	Subtotal				217,000	20,000	11,000	9,000
	Subtract Deferred Loss on Refunding				-	(2,477)	(1,239)	(1,238)
	Subtotal				217,000	17,523	9,761	7,762
Wastewater								
92	Wastewater 1999 Series A Refunding Bonds	02/16/99	3.25-3.80	05/01/2006	6,490,000	1,990,000	970,000	1,020,000
102	State of VT-EPA 1990 Series 1	12/06/90	0.00	12/01/2010	5,378,105	5,082,313	107,562	4,974,751
101	State of VT-EPA 1991 Series 1	02/12/92	0.00	12/01/2014	19,403,807	18,936,475	97,019	18,839,456
108	State of VT-EPA 2001 Series 1	07/01/00	0.00	10/01/2026	2,500,000	65,700	0	301,605
	Subtotal				33,771,912	26,074,488	1,174,581	25,135,812
	Add Unamortized Premium				-	2,536	2,536	0
	Subtract Deferred Loss on Refunding				-	(22,004)	(22,004)	0
	Subtotal				33,771,912	26,055,020	1,155,113	25,135,812
	Total Revenue Supported				41,773,679	28,665,538	2,399,800	28,449,743
	Total General Obligation Debt				111,571,998	62,283,535	12,683,990	69,305,385
Revenue Debt								
Electric Department:								
77	Revenue Bonds 1996 Series A	04/01/96	3.80-6.38	12/01/2012	54,475,000	35,735,000	3,160,000	32,575,000
126	Revenue Bonds 2001 Series A	12/01/01	2.30-4.60	07/01/2014	11,115,000	10,715,000	560,000	10,155,000
127	Revenue Bonds 2002 Series A	04/01/02	5.00-5.375	07/01/2014	20,875,000	20,210,000	935,000	19,275,000
130	Revenue Bonds 2004 Series A	04/15/04	4.27	07/01/2024	10,000,000	10,000,000	0	10,000,000
	Subtotal				96,465,000	76,660,000	4,655,000	72,005,000
	Add Unamortized Premium				-	1,994,981	147,029	1,847,952
	Subtract Unamortized Discount				-	(70,311)	(3,947)	(66,364)
	Subtract Deferred Loss on Refunding				-	(22,549,317)	(1,472,965)	(21,076,352)
	Subtotal				96,465,000	56,035,353	3,325,117	52,710,236
Water Resources:								
82	Revenue Bonds 1997 Series A	07/10/97	4.10-5.00	12/01/2012	13,925,000	9,925,000	910,000	9,015,000
	Subtotal				13,925,000	9,925,000	910,000	9,015,000
	Subtract Deferred Loss on Refunding				-	(331,597)	(41,450)	(290,147)
	Subtotal				13,925,000	9,593,403	868,550	8,724,853
Airport:								
78	Revenue Bonds 1997 Series A	05/01/97	3.85-5.60	07/01/2017	12,380,000	9,950,000	495,000	9,455,000
79	Revenue Bonds 1997 Series B	05/01/97	4.00-5.75	07/01/2017	7,450,000	6,010,000	295,000	5,715,000
104	Revenue Bonds 2000 Series A	05/17/00	4.80-6.20	07/01/2020	10,435,000	9,490,000	350,000	9,140,000
119	Revenue Bonds 2003 Series A and B	06/11/03	2.00-5.00	07/01/2028	24,800,000	24,800,000	0	24,800,000
	Subtotal				55,065,000	50,250,000	1,140,000	49,110,000
	Add Unamortized Premium				-	388,204	26,385	361,819
	Subtract Unamortized Discount				-	(100,262)	(11,811)	(88,451)
	Subtotal				55,065,000	50,537,942	1,154,574	49,383,368
	Total Revenue Debt				165,455,000	116,166,698	5,348,241	110,818,457
	Total General Obligation and Revenue Debt				277,026,998	178,450,233	18,032,231	180,123,842

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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Maturities are expected as follows:

Error! Not a valid link. 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, 2005.

<u>Year Ending June 30</u>	<u>Govermemntal Activites</u>	<u>Business-Type Activities</u>
2006	\$ 843,828	\$ 989,911
2007	816,850	1,374,215
2008	685,095	1,354,099
2009	351,592	1,354,099
2010	165,245	1,288,043
2011-2015	148,545	6,165,165
2016-2020	<u>0</u>	<u>5,548,649</u>
Total minimum lease payments	3,011,155	18,074,181
Less amounts representing interest	<u>(208,293)</u>	<u>(4,993,622)</u>
Total	2,802,862	13,080,559
Deferred loss on lease refunding	<u>0</u>	<u>(91,350)</u>
Total Capital Lease Obligations	<u>\$ 2,802,862</u>	<u>\$ 12,989,209</u>

Interest rates vary from 1.99% to 5.49%.

CITY OF BURLINGTON, VERMONT
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One of the capital leases is for \$12,600,000 and is for the Telecommunications 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 provide monies to repay this lease. The lease is 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 the General Bond Resolution and are collateralized by a pledge of revenues. Pursuant to the General Bond Resolution, revenues (as defined) means all rates, fees, charges or other income and includes rentals, proceeds of insurance or condemnation or other disposition of assets, proceeds of bonds or notes and earnings from the investment of revenues. On an annual basis, revenues must be sufficient after deducting operating expenses (as defined) to meet minimum debt service coverage requirements (as defined). If minimum debt service coverage requirements are not met, the City must take timely corrective action. For the year ended June 30, 2005, revenues (as defined) exceeded debt service requirements.

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

Advance Refundings:

On July 27, 2004, the City issued \$3,410,000 in General Obligation Series B Bonds with an average interest rate of 3.35% to refund \$3,195,000 of outstanding 1996 general obligation bonds with an average interest rate of 5.265%. The net proceeds of \$3,371,934 included a premium of \$8,313 accrued interest of \$3,417 less underwriting fees, insurance and other issuance costs of \$49,796. These proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, refunded bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt.

Although the advance refunding resulted in the recognition of a net accounting loss of \$142,187 for the year ended June 30, 2005, the City, in effect, reduced its aggregate debt service payments by \$272,659 over the next twelve (12) years and obtained an economic gain (difference between the present value of the old and new debt service payments) of \$213,662.

CITY OF BURLINGTON, VERMONT
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The accounting loss of \$142,187 has been deferred and will be amortized over the life of the related debt. \$114,620 relates to Governmental Activities and \$27,567 relates to Business-Type Activities.

The City has defeased various bond issues by placing the proceeds of new bonds in irrevocable trusts to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. \$2,385,000 of bonds outstanding are considered defeased at June 30, 2005. These amounts were paid by the Trust on December 1, 2005.

Burlington Community Development Corporation has two notes payable with TD BankNorth, N.A. on the buildings it owns at the Airport and at 131 Battery Street totaling \$1,010,762 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 \$1,451,798 which are offset by notes receivable from the Burlington Community Land Trust and will be repaid as the notes receivable are collected. Interest rates are between 5% and 6%.

The Corporation also has borrowed \$1,104,000 from the City's CEDO department 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 is expected to be done by December, 2007. 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.

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2006	109,043	172,413
2007	115,155	166,301
2008	1,225,274	140,862
2009	128,407	114,408
2010	135,606	107,210
2011-2015	672,383	419,345
2016-2020	648,868	245,171
2021-2025	451,782	72,247
2026-2029	<u>80,042</u>	<u>9,175</u>
Total	\$ <u><u>3,566,560</u></u>	\$ <u><u>1,447,132</u></u>

J. Restricted and Designated Fund Balances/Net Assets

The City's General Fund Balance as of June 30, 2005 was \$2,783,451. The City's General Fund designated fund balance was reduced by the \$1,393,738 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.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
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The reserved and designated fund balance of the General Fund as of June 30, 2005 consisted of the following:

GENERAL FUND

Reserved

Inventory & Prepaid Expenses	283,159
Parking Fund by Charter	23,000
Health Insurance Reserve *	332,167
Library Books & Small Grants	81,563
Public Records Restoration Grants	122,166
Impact Fees	569,040
Police Equitable Sharing Funds	240,765
Bond Anticipation Note – Computer Upgrade	125,000
Total Reserved	<u>\$ 1,776,860</u>

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

Designated Tax Items

Insurance Reserve	\$ 152,996
Parks – Greenbelt Dedicated Taxes	38,889
Cemetery Capital	11,944
Gosse Court/Leddy Park Capital	182,064
South End Transit Center Reserve – TIF	135,364
Street Repaving	98,681
Lakeview Garage Maintenance Reserve - TIF	283,987
Subtotal Designated Items	<u>903,925</u>
Less: Uncollected Taxes, Penalties, and Interest	<u>(1,393,738)</u>

Total Designated Tax Items 0

Designated - Other

Airport Industrial Park	606,570
Recycling Funds	96,343

Total Designated – Other \$ 702,913

CITY OF BURLINGTON, VERMONT
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The reserved fund balance in the School Department Fund consists of \$338,511 reserved for school programs by agreements or outside grants. The unreserved fund balance of \$480,228 consists of a designated fund balance of the School's general fund of \$570,046 and \$43,412 of other school unrestricted monies less deficits in other school funds of \$133,230 which will be funded as grant receivables are collected in fiscal year 2006.

The reserved fund balances in the Special Revenue Funds are reserved for Traffic Fund expenditures by City Charter in the amount of \$479,493 and reserved for the Mary E. Wadell Fund in the amount of \$12,133 by trust agreement. The Traffic Fund also has a balance reserved for inventory and prepaid expenses of \$154,394.

The negative unreserved fund balance of \$532,351 in the Special Revenue Funds consists of \$669,644 in the CEDO Fund which will be funded as grant receivables are collected in Fiscal Year 2006 and \$29,324 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 \$166,617 which is designated for Housing Trust Fund activities.

The reserved fund balances of \$5,713,872 in the Capital Project Funds consist of \$44,969 for the Fire Vehicle Bond Fund and \$5,668,903 for the Lakeview Garage and Municipal Garage renovations and Westlake redevelopment projects. These are reserved Debt Proceeds.

The negative fund balances of \$1,328,430 in the Capital Projects Funds consist of \$26,445 for the Southern Connector, \$3,223 for the South End Transit Center, \$18,290 for the Bike Path, \$539,715 for the Heating Upgrades and Moran Building, \$84,363 for the DPW New Facility, \$7,102 for the North Winooski Streetscape and Fuel Depot Projects, \$474,140 for the North Street Project, \$164,201 for the Firehouse Center and \$10,951 for the School Capital Projects. The DPW New Facility, Heating Upgrades and Moran Building will be funded annually by transfers from the General Fund. All other City funds with deficits will be funded as Grant Receivables are collected in Fiscal Year 2006 or with a transfer from the General Fund. The School Capital Project Fund deficit will be funded in 2006 with proceeds of long-term debt.

The reserved fund balances of \$933,230 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 \$202,974.

CITY OF BURLINGTON, VERMONT
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K. Operating Leases

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

Year ending June 30	<u>Electric</u>	<u>Airport</u>
2006	\$21,613	\$5,640
2007	19,577	0
2008	19,038	0
2009	<u>12,334</u>	<u>0</u>
Total	<u>\$72,562</u>	<u>\$5,640</u>

V. OTHER INFORMATION

A .COMMITMENTS & CONTINGENCIES

ELECTRIC DEPARTMENT

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

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

McNeil Generating Station and Gas Turbine	27.5%
Northeast Utilities	15.0%
NYSEG	14.0%
VEPPI	5.1%
Duke Energy Trading	34.7%
Other	<u>3.7%</u>
Total	<u>100.00%</u>

CITY OF BURLINGTON, VERMONT
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- 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 \$15,362,766 for the year ended June 30, 2005. Future commitments under these contracts totaled approximately \$1.7 million at June 30, 2005.
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 \$328,016 and \$166,036 are required to be made in the fiscal year 2006 and 2007, respectively. During 2005, the Department paid \$564,269 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 \$184,500 and \$92,250 are required to be made by the Department in fiscal year 2006 and 2007, respectively. During 2005, the Department paid \$294,036 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, 2005.
 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, 2005, the Department has a remaining liability of \$83,719 which will be reduced as cash payments are made to participants through fiscal year 2010.

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6. As part of the Department's various Demand Side Management (DSM) programs, the Department's electric customers are able to finance the costs of various energy efficiency improvements made to their home or business through a loan program with a local bank. Customers repay the loan directly to the bank. In the event of default by a customer, the Department, as guarantor, pays the bank the remaining balance and assumes the responsibility of collecting the unpaid balance from the customer. The total exposure to the Department for all DSM loans outstanding as the bank as of June 30, 2005 was \$24,068.

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. This cost allocation and rate design is designed to be, in total, revenue neutral. As of June 30, 2005, the cost allocation and rate design has been completed and is currently under review by the VPSB. Approval and implementation is not expected until the fourth quarter of calendar year 2005.

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.

CITY OF BURLINGTON, VERMONT
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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

The City has undertaken a major project which includes the land purchase and construction of connector highways on the north and south boundaries of the City. The City's portion of the estimated cost has been set at \$2,740,000 which is being financed by a general obligation bond issue dated December 1, 1986. The Northern Connector was completed and has been in service for many years. However, the Southern Connector has been delayed until the Lake Champlain Barge Canal issue is resolved. An alternate route has been selected and the State has designated the City as design and project manager. The first stage of conceptual design of the highway was recently presented to the public. Design and re-evaluation will conclude in the spring of 2005 and construction is slated to begin in the spring of 2007 barring any unforeseen delays.

CHITTENDEN SOLID WASTE DISTRICT

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

CONSTRUCTION COMMITMENTS

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

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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. The City will also finance and construct an additional deck for 139 parking spaces on the existing Lakeview Garage. Construction began in the spring of 2005. In June, 2005, the city secured funding in the form of \$7,870,000 of Certificates of Participation. The repayment of these certificates will come from additional property taxes that will accrue to the City within its tax increment financing district. Westlake's responsibilities include the construction of a hotel on this site and residential condominiums on the undeveloped land adjacent to the Lakeview parking garage. Also included in the project funded by the certificates is \$750,000 of repairs to the parking garage behind the Wyndham Hotel. Most of the construction will be completed in fiscal year 2006.

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 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.

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BURLINGTON TELECOM

In March, 1996 and November, 2000, voters gave approval to the City to provide an alternate telecommunications network and related services within the City. In 2003, the City secured a capital lease in the amount of \$2,600,000 to establish a fiber optic network to provide services for communications between City and School buildings. This network, known as Phase I, was constructed to serve as the backbone for further expansion of Burlington Telecom. Phase II of the project provided for businesses and non-profit organizations along this route to be able to connect to this municipal network.

In May, 2004, the City Council authorized the Chief Administrative Officer to solicit financing opportunities for expansions of the project to include the delivery of voice, data and cable television services throughout the City. This signified the start of Phase III. The City received six proposals for financing and, in November, 2004, additional financing was secured from Koch Financial of Scottsdale, Arizona. In addition to this, the remaining balance of the original \$2,600,000 note for Phase I (\$2,406,263) was also refinanced. The City has 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 at 200 Church Street to house the equipment and administration for this service. To pay for the effort, Burlington Telecom will begin to provide three basic services of cable TV, telephone, and high-speed internet. Burlington Telecom is operating as an Enterprise Fund.

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, 2005, the outstanding balance owed to BED on this note was \$446,541.

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.

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B. INSURANCE RESERVES

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

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

On July 1, 1992, the City entered into an agreement with The Vermont League of Cities and Towns Property and Casualty Intermunicipal Fund (hereinafter VLCT) for the purpose of VLCT providing property, liability and worker's compensation coverage to replace its self-insured risks. VLCT is a risk pool set up for the benefit of members of the Vermont League of Cities and Towns. VLCT also provides all administration for the City. The administrator is responsible for approval, processing, and payment of claims, after which, they bill the City 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 and at 14.90% of paid losses up to a maximum of \$1,191,953 for 2005. The City is also contingently liable for up to \$60,000 in swing rate adjustments in fund year 1992.

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The liability recorded at June 30, 2005 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.

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 2005 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.

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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, 2005, the City has recorded a liability of \$950,718 included in accounts payable which represents reported health, dental, property, liability and worker's compensation claims incurred on or before June 30, 2005, but were not paid by the City as of that date. A reserve of \$1,806,000 is included for claims incurred but not reported. This consists of \$1,536,000 for property, liability and workers' compensation claims, \$249,000 for health claims and \$21,000 for dental claims. \$249,000 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 \$60,913 and \$37,557, respectively, in unemployment claims during fiscal year 2005.

C. BONDS/LONG-TERM DEBT ISSUED

1. On July 15, 2004, the City issued \$750,000 General Obligations Bonds for the purpose of financing various capital improvements and for working capital.
2. On July 15, 2004, the City issued \$3,410,000 of general obligation bonds for the purpose of refinancing other bonds and reduce future debt service maturities.
3. On July 20, 2004 and December 23, 2004 the City issued \$1,307,000, U.S. Government notes for the purpose of providing capital financing to BCDC and Burlington City Arts Foundation, Inc.

CITY OF BURLINGTON, VERMONT
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4. On November 23, 2004, the City received \$12,600,000 of capital lease proceeds for the purpose of financing additional telecommunications improvements, \$2,406,263 of these proceeds were used to refinance an outstanding capital lease for telecommunications projects.
5. On June 7, 2005, the City issued \$7,870,000 of Certificates of Participation for the purpose of constructing one parking garage, renovations to two other municipal garages and funding the City portion of the transportation center.
6. On June 28, 2005, the City and Electric Department issued \$1,250,000 in new general obligation bonds to fund various capital projects.
7. On June 30, 2005, the City issued a \$125,000 Bond Anticipation Note for the purpose of financing certain Capital Projects.
8. At various points during the year, the City received a total of \$235,905 from the State of Vermont Special Environmental Revolving Fund for the purpose of financing various Wastewater Plant upgrades.
9. At various points during the year, the City received a total of \$103,456 from the Vermont Economic Development Authority for the purpose of financing infrastructure upgrades within the City.
10. On June 30, 2005, the City issued a \$900,000 revenue anticipation note for the purpose of providing cash flow for the Wastewater Fund.

D. Related Party Transactions

Burlington Community Development Corporation (BCDC) is a related non-profit corporation that was organized to carry out the industrial and economic development of the City of Burlington. The Board of Directors of the Corporation must all be members of the City of Burlington's Board of Finance. The City's Treasurer's Office prepares all accounting data for BCDC. The City also rents office space from BCDC. BCDC also owns one (1) building on Airport property and is also constructing an Aviation Support Hanger building at the Airport. The Airport has been the paying agent on the project. BCDC will reimburse the Airport once it has permanent financing in place. BCDC owed the Airport \$258,316 as of June 30, 2005. The Airport has also committed to using \$1,000,000 of their Industrial Park Net Assets to assist BCDC in completing the project.

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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, 2005 was \$57,592.

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, 2005, the Burlington City Arts Foundation, Inc. owed the City Capital Project Funds \$164,201 and the City's CEDO Fund \$203,000 for capital expenditures on the Firehouse Center Project.

E. 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 2010.

Lease revenue for the year ended June 30, 2005 was \$5,507,592 which includes contingent rentals approximating \$1,948,098. Minimum future lease revenue estimated to be received in each of the next four years under these agreements are as follows:

Year ending June 30,

2006	\$5,563,000
2007	\$5,619,000
2008	\$5,675,000
2009	\$5,732,000
2010	\$5,790,000

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F. 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, 2005 was \$8,063,294 and \$24,086,465 respectively. The City's total payroll, except for school teachers, was \$41,749,581.

Class A participants vest 20 percent after three years of creditable service, and 20 percent for each year thereafter until they are 100 percent vested after 7 years of creditable service. The normal benefit is payable commencing at age 55. Class A participants who retire at or after age 55 with 7 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2.75 percent of their average final compensation (AFC) during the highest three non-overlapping twelve-month periods times creditable service not in excess of 25 years plus .5 percent of the AFC times years of creditable service between 25 and 35 years, prior to age 60 and a yearly COLA based on CPI. Class A retirees could alternatively elect to choose an accrual rate of 3.25% and one half the yearly COLA, or an accrual rate of 3.8% and no COLA. Employees may retire prior to age 55 and receive reduced retirement benefits. Class A employees have unreduced benefits after 25 years of service, regardless of age. Class A participants contribute 8.8 percent of earnable compensation for the first 35 years of creditable service and then none thereafter. Class A employees do not contribute to the social security retirement system .

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All eligible City Class B employees vest 20 percent after three years of creditable service, and 20 percent for each year thereafter until they are 100 percent vested after 7 years of creditable service. Class B participants who retire at or after age 65 are entitled to a retirement benefit, payable monthly for life, equal to 1.60 percent of AFC (at age 65) during the highest three non-overlapping twelve-month periods times creditable service at age 65 not in excess of 25 years plus .5 percent of AFC times creditable service at age 65 in excess of 25 years and a yearly COLA based on the CPI. Class B retirees could alternatively elect to choose an accrual rate of 1.9% and one half the yearly COLA, or an accrual rate of 2.2% and no COLA. Employees may retire prior to age 65 and receive reduced retirement benefits. Creditable service or an actuarial increase is used after age 65. The Class B participants make no contributions to the system.

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

Actuarially Determined Contribution Requirements and Contribution Made

It is the policy of the City of Burlington to fund, by actuarially determined periodic contributions, the normal cost of the Plan plus a provision for amortization of past service cost over a 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.

The system uses the level percentage of payroll method to amortize the unfunded 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	4 Percent

For 2005, the City adopted three (3) changes in actuarial assumptions and methods employed. The City changed to a different mortality table, changed the assumed rates of withdrawal and retirement for Class A and B employees and changed the funding policy to recognize changes in the unfunded accrued liability over thirty (30) years rather than ten (10) years.

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The total contribution to the system for 2005 of \$3,676,391 included \$2,966,821 which was sixty-five (65%) percent of the actuarially determined requirements computed through an actuarial valuation performed as of June 30, 2003. All funds, other than the General Fund and School Department Fund, contributed \$1,050,632 (9.31% percent of current covered payroll). Class A employees contributed \$709,570 (8.8% percent of current covered payroll). The total required system contributions include past service cost amortization of the unfunded past service cost of \$(628,824).

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess/ (Deficiency) of Assets over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess/ (Deficiency) as a Percentage of Covered Payroll ((a-b)/c)
6/30/99	92,782,371	76,225,530	16,556,841	121.72%	22,938,963	72.18%
6/30/00	111,224,657	96,610,677	14,613,980	115.13%	23,914,477	61.11%
6/30/01	114,203,990	101,700,266	12,503,724	112.29%	24,730,357	50.56%
6/30/02	112,980,276	109,116,441	3,863,835	103.54%	26,050,313	14.83%
6/30/03	109,525,953	117,047,718	(7,521,765)	93.57%	27,776,329	(27.08)%
6/30/04	107,648,941	125,508,483	(17,859,542)	85.77%	29,369,106	(60.81)%

SCHEDULE OF EMPLOYER CONTRIBUTION

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/00	43,834	355,556	811%
6/30/01	274,878	272,326	99%
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%

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SCHEDULE OF ANNUAL PENSION COST

Year Ended	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
6/30/03	1,079,911	108%	0
6/30/04	2,461,840	103%	0
6/30/05	4,563,111	65%	\$1,596,290

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 4.24% of all eligible covered salaries on-behalf of the School District. The Schools' total payroll was \$29,250,705, while its eligible covered payroll was \$20,844,882 resulting in an estimated \$883,823 of on-behalf payments. This amount is included as a Revenue and an Expense. Additional information regarding the Vermont State Teacher's Retirement system can be obtained from the State of Vermont.

DEFERRED COMPENSATION

The City also offers its employees two deferred compensation plans in accordance with Internal Revenue Code Section 457 through the International City Managers' Association's (ICMA) Retirement Corporation, and the Nationwide Retirement Solutions. The plans permit employees to defer a portion of their salary until future years. The City contributes to one City employee's deferred compensation account. The expense for the year ending June 30, 2005 was \$4,826. 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.

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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, 2005 was \$60,459. 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, 2005 is \$300,411.

The School District provides post employment health benefits to retired educators with 15 years of service until they reach the age of 62 ½. The School has agreed to pay for a single member plan. There are currently twelve retired teachers receiving the benefit. The amount needed to fund post employment health benefits liability today is estimated to be \$54,938.

F. SALE OF 131 BATTERY STREET

The Directors of BCDC authorized the sale of the 131 Battery Street property at the June 23, 2003 meeting. In October, 2003, BCDC received and accepted an offer of \$1,300,000 from a local clothing vendor (April Cornell) to purchase the property, contingent on permitting and several other items. Permitting has been finalized and is in place. However, the vendor has filed for bankruptcy and will not exercise its option to purchase this property. As of March 20, 2006, there is another party interested in purchasing this property but the matter can not be resolved until the bankruptcy is settled.

G. SUBSEQUENT EVENTS

1. On July 6, 2005, the City issued \$2,750,000 of General Obligation Bonds for the purpose of financing various capital improvements within the City, School and Electric Department.
2. On October 26, 2005, the City issued a tax anticipation note for \$3,500,000 with TD BankNorth, N.A. This note was paid in full on November 15, 2005.
3. On December 1, 2005, the City issued a tax anticipation note for \$5,000,000 with T.D. Banknorth, N.A. This note was paid in full on March 13, 2006.
4. On December 15, 2005, the City Airport Department issued a \$3,000,000 revenue anticipation note from TD Banknorth, N.A. for the purpose of financing the new Aviation Support Hanger being built by BCDC. The note is due March 24, 2006 with interest at 4.13% and will be paid by BCDC once they secure permanent financing.

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5. On January 31, 2006, Burlington Telecom entered into a master lease agreement with Koch Financing in the amount of \$10,000,000. This consists of the borrowing of \$2 million in lease financing subject to annual appropriation and further authorized the negotiation of an additional \$8 million to be drawn down subject to City Council. These funds are to be used to finance expansion of Phase III that is for cable, internet and telephone service available to residents and businesses within Burlington.
6. On February 28, the City issued a tax anticipation note for \$4,000,000 and drew down \$2,000,000 of this total. The note was repaid in full on March 13, 2006.
7. On February 8, the City issued a tax anticipation note for \$950,000. This note was repaid in full on March 13, 2006.

H. SEGMENT INFORMATION

The City issued a capital lease to finance its telecommunications project. Investors in the capital lease rely solely on the revenue generated by the individual activity for repayment. Summary financial information for the Telecom Fund is presented below.

CONDENSED STATEMENT OF NET ASSETS

Assets:	
Current Assets	\$(1,651,815)
Other Non-Current Assets	136,697
Restricted Assets	8,086,427
Capital Assets	<u>4,065,849</u>
Total Assets	<u>10,637,158</u>
Liabilities:	
Current Liabilities	515,739
Noncurrent Liabilities	<u>12,261,980</u>
Total Liabilities	<u>12,777,719</u>
Net Assets:	<u>\$ (2,140,561)</u>

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Telecom Charges (Pledged Against Bonds)	\$ 105,631
Depreciation Expense	(194,003)
Other Operating Expenses	<u>(556,687)</u>
Operating Income/(Loss)	(645,059)
Nonoperating Revenues/(Expenses):	
Investment Earnings	18,195
Rental Income	19,919
Interest Expense	(461,993)
Amortization of Lease Issue Costs	(2,166)
Transfer In	<u>432,673</u>
Change in Net Assets	(638,431)
Beginning Net Assets	<u>(1,502,130)</u>
Ending Net Assets	<u><u>\$(2,140,561)</u></u>

CONDENSED STATEMENT OF CASH FLOWS

Net Cash Provided/(Used) by:	
Operating Activities	\$ (390,171)
Noncapital Financing Activities	389,773
Capital and Related Financing Activities	7,149,977
Investing Activities	<u>(8,068,232)</u>
Net Increase (Decrease)	(918,653)
Beginning Cash and Cash Equivalents	<u>(770,960)</u>
Ending Cash and Cash Equivalents	<u><u>\$(1,689,613)</u></u>

CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET
SCHOOL FUND
JUNE 30, 2005

	<u>General</u>	<u>Title I, II, III,IV,V Grants</u>	<u>Other Grant Special Revenue</u>	<u>Vocational Center</u>	<u>Other Special Revenue</u>	<u>Total</u>
<u>ASSETS</u>						
Cash	\$ 3,733,783	\$ 326,760	\$ 119,007	\$ 229,050	\$ 342,422	\$ 4,751,022
Investments	0	0	0	0	43,412	43,412
Accounts Receivable	<u>747,721</u>	<u>105,293</u>	<u>528,577</u>	<u>0</u>	<u>0</u>	<u>1,381,591</u>
Total Assets	<u>\$ 4,481,504</u>	<u>\$ 432,053</u>	<u>\$ 647,584</u>	<u>\$ 229,050</u>	<u>\$ 385,834</u>	<u>\$ 6,176,025</u>
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities						
Accounts Payable	\$ 174,359	\$ 40,392	\$ 63,315	\$ 18,095	\$ 3,911	\$ 300,072
Accrued Payroll and Benefits	2,995,206	383,636	374,825	175,129	0	3,928,796
Deferred Revenue	<u>741,893</u>	<u>8,025</u>	<u>342,674</u>	<u>35,826</u>	<u>0</u>	<u>1,128,418</u>
Total Liabilities	<u>3,911,458</u>	<u>432,053</u>	<u>780,814</u>	<u>229,050</u>	<u>3,911</u>	<u>5,357,286</u>
Fund Balance:						
Reserved for:						
Other Purposes	0	0	0	0	338,511	338,511
Unreserved:						
Designated	570,046	0	0	0	43,412	613,458
Undesignated	<u>0</u>	<u>0</u>	<u>(133,230)</u>	<u>0</u>	<u>0</u>	<u>(133,230)</u>
Total Fund Balance	<u>570,046</u>	<u>0</u>	<u>(133,230)</u>	<u>0</u>	<u>381,923</u>	<u>818,739</u>
Total Liabilities and Fund Balance	<u>\$ 4,481,504</u>	<u>\$ 432,053</u>	<u>\$ 647,584</u>	<u>\$ 229,050</u>	<u>\$ 385,834</u>	<u>\$ 6,176,025</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, 2005

	General	Title I, II, III, IV, V Grants	Other Grant Special Revenue	Vocational Center	Other Special Revenue	Total
Revenues:						
Payments in Lieu of Taxes	\$ 1,822,147	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,822,147
Intergovernmental	31,479,200	3,348,404	4,846,619	1,569,003	462,263	41,705,489
Charges for Services	172,196	0	328,686	296,836	0	797,718
Other	336,472	0	57,002	0	0	393,474
Investment Income	91,705	0	0	0	302	92,007
Total Revenues	33,901,720	3,348,404	5,232,307	1,865,839	462,565	44,810,835
Expenditures:						
Education	32,656,405	3,348,404	6,035,317	2,127,707	383,116	44,550,949
Debt Service:						
Bond and Note Principal Retirement	598,641	0	0	12,374	0	611,015
Interest Charges	218,580	0	0	3,546	0	222,126
Lease Principal Retirement	42,560	0	0	0	0	42,560
Bond Issue Costs	56,805	0	0	0	0	56,805
Total Expenditures	33,572,991	3,348,404	6,035,317	2,143,627	383,116	45,483,455
Excess of Revenue Over/(Under)						
Expenditures	328,729	0	(803,010)	(277,788)	79,449	(672,620)
Other Financing Sources/(Uses):						
Refunding Bonds Issued	2,370,000	0	0	0	0	2,370,000
Payment to Refunding Bond Escrow Agent	(2,317,213)	0	0	0	0	(2,317,213)
Bond Premium	5,778	0	0	0	0	5,778
Transfer In	0	0	758,246	277,788	0	1,036,034
Transfer Out	(1,036,034)	0	0	0	(10,000)	(1,046,034)
Total Other Financing Sources/(Uses)	(977,469)	0	758,246	277,788	(10,000)	48,565
Net Change in Fund Balance	(648,740)	0	(44,764)	0	69,449	(624,055)
Fund Balance/(Deficit) - July 1, 2004	1,218,786	0	(88,466)	0	312,474	1,442,794
Fund Balance/(Deficit) - June 30, 2005	\$ 570,046	\$ 0	\$ (133,230)	\$ 0	381,923	\$ 818,739

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

CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds</u>	<u>Total</u>
<u>ASSETS:</u>				
Cash	\$ (148,313)	\$ (442,364)	\$ 720,706	\$ 130,029
Investments	18,117	7,864,041	207,930	8,090,088
Receivables (Net of Allowance for Doubtful Accounts)	1,321,370	1,154,053	0	2,475,423
Notes Receivable	4,660,482	0	0	4,660,482
Due From Other Funds	36,561	0	0	36,561
Land Held for Resale	887,201	0	0	887,201
Accrued Interest Receivable	0	13,015	4,594	17,609
Inventories	151,927	0	0	151,927
Other Current Assets	<u>2,604</u>	<u>0</u>	<u>0</u>	<u>2,604</u>
Total Assets	<u>6,929,949</u>	<u>8,588,745</u>	<u>933,230</u>	<u>16,451,924</u>
<u>LIABILITIES AND FUND BALANCES:</u>				
Liabilities:				
Accounts and Contracts Payable	409,026	2,268,575	0	2,677,601
Accrued Liabilities	47,402		0	47,402
Due to Other Funds	3,823	36,561	0	40,384
Interfund Loan Payable	0	539,715	0	539,715
Deferred Revenue	<u>6,356,029</u>	<u>1,358,452</u>	<u>0</u>	<u>7,714,481</u>
Total Liabilities	<u>6,816,280</u>	<u>4,203,303</u>	<u>0</u>	<u>11,019,583</u>
Fund Balances:				
Reserved for:				
Inventory and Prepaid Expenditures	154,394	0	0	154,394
Reserved for Restricted Purposes	491,626	5,713,872	933,230	7,138,728
Unreserved:	<u>(532,351)</u>	<u>(1,328,430)</u>	<u>0</u>	<u>(1,860,781)</u>
Total Fund Balances	<u>113,669</u>	<u>4,385,442</u>	<u>933,230</u>	<u>5,432,341</u>
Total Liabilities and Fund Balances	<u>\$ 6,929,949</u>	<u>\$ 8,588,745</u>	<u>\$ 933,230</u>	<u>\$ 16,451,924</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, 2005

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total
REVENUES:				
Intergovernmental Revenues	\$ 4,472,139	\$ 4,180,137	\$ 0	\$ 8,652,276
Charges for Services	3,319,681	0	0	3,319,681
Licenses and Permits	626,726	0	0	626,726
Interest	77,312	27,556	24,709	129,577
Other Revenues	605,843	315,481	36,700	958,024
	<u>9,101,701</u>	<u>4,523,174</u>	<u>61,409</u>	<u>13,686,284</u>
EXPENDITURES:				
Current expenditures				
Public works	4,167,047	0	0	4,167,047
Community Development	6,767,356	0	0	6,767,356
Capital expenditures	0	6,122,861	0	6,122,861
Debt service expenditures				
Bond and Note Principal	99,995	0	0	99,995
Lease Principal	35,882	0	0	35,882
Interest	86,321	43,870	0	130,191
Bond Issue Costs	0	86,939	0	86,939
	<u>11,156,601</u>	<u>6,253,670</u>	<u>0</u>	<u>17,410,271</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,054,900)</u>	<u>(1,730,496)</u>	<u>61,409</u>	<u>(3,723,987)</u>
OTHER FINANCING SOURCES/(USES):				
Proceeds of Long-term Debt	1,563,682	7,870,000	0	9,433,682
Bond Premium	0	25,521	0	25,521
Transfers in	598,154	399,657	0	997,811
Transfers out	(94,400)	(1,408)	(24,340)	(120,148)
	<u>2,067,436</u>	<u>8,293,770</u>	<u>(24,340)</u>	<u>10,336,866</u>
Net Change in Fund Balances	12,536	6,563,274	37,069	6,612,879
Fund Balances/(Deficit) - July 1, 2004	<u>101,133</u>	<u>(2,177,832)</u>	<u>896,161</u>	<u>(1,180,538)</u>
Fund Balances - June 30, 2005	<u>\$ 113,669</u>	<u>\$ 4,385,442</u>	<u>\$ 933,230</u>	<u>\$ 5,432,341</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, 2005

	<u>Traffic Commission Fund</u>	<u>Community and Economic Development Fund</u>	<u>Housing Trust Fund</u>	<u>Church Street Marketplace Fund</u>	<u>Mary E. Wadell Fund</u>	<u>Total</u>
<u>ASSETS:</u>						
Cash	\$ 548,975	\$ (915,803)	\$ 196,210	\$ 10,172	\$ 12,133	\$ (148,313)
Investments	18,117	0	0	0	0	18,117
Receivables (Net of Allowance for Doubtful Accounts)	48,731	1,253,142	0	19,497	0	1,321,370
Loans Receivable	0	4,660,482	0	0	0	4,660,482
Land Held For Resale	0	887,201	0	0	0	887,201
Due From Other Funds	0	36,561	0	0	0	36,561
Inventories	151,927	0	0	0	0	151,927
Other Current Assets	2,467	137	0	0	0	2,604
Total Assets	<u>\$ 770,217</u>	<u>\$ 5,921,720</u>	<u>\$ 196,210</u>	<u>\$ 29,669</u>	<u>\$ 12,133</u>	<u>\$ 6,929,949</u>
<u>LIABILITIES AND FUND BALANCES:</u>						
Liabilities:						
Accounts and Contracts Payable	\$ 108,184	\$ 266,000	\$ 25,000	\$ 9,842	\$ 0	\$ 409,026
Accrued Liabilities	23,413	16,621	393	2,775	0	43,202
Other Liabilities	0	0	4,200	0	0	4,200
Due to Other Funds	3,823	0	0	0	0	3,823
Deferred Revenue	910	6,308,743	0	46,376	0	6,356,029
Total Liabilities	<u>136,330</u>	<u>6,591,364</u>	<u>29,593</u>	<u>58,993</u>	<u>0</u>	<u>6,816,280</u>
Fund Balances/(Deficit):						
Reserved for:						
Inventory and Prepaid Expenditures	154,394	0	0	0	0	154,394
Reserved for Restricted Purposes	479,493	0	0	0	12,133	491,626
Unreserved	0	(669,644)	166,617	(29,324)	0	(532,351)
Total Fund Balances/(Deficit)	<u>633,887</u>	<u>(669,644)</u>	<u>166,617</u>	<u>(29,324)</u>	<u>12,133</u>	<u>113,669</u>
Total Liabilities and Fund Balances	<u>\$ 770,217</u>	<u>\$ 5,921,720</u>	<u>\$ 196,210</u>	<u>\$ 29,669</u>	<u>\$ 12,133</u>	<u>\$ 6,929,949</u>

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

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 CITY SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	Traffic Commission Fund	Community and Economic Development Fund	Housing Trust Fund	Church Street Marketplace Fund	Mary E. Wadell Fund	Total
Revenues:						
Intergovernmental	\$ 0	\$ 4,471,880	\$ 0	\$ 0	\$ 259	\$ 4,472,139
Charges for Services	3,089,684	168,223	0	61,774	0	3,319,681
Licenses and Permits	85,535	0	0	541,191	0	626,726
Interest Income	20,007	57,230	0	75	0	77,312
Other Revenues	0	551,753	0	54,090	0	605,843
Total Revenues	<u>3,195,226</u>	<u>5,249,086</u>	<u>0</u>	<u>657,130</u>	<u>259</u>	<u>9,101,701</u>
Expenditures:						
Public Works	3,509,768	0	0	657,279	0	4,167,047
Community Development	0	6,623,601	143,755	0	0	6,767,356
Debt Service						
Bond and Note Principal Retirement	49,995	50,000	0	0	0	99,995
Lease Principal Retirement	20,082	5,102	0	10,698	0	35,882
Interest Charges	47,615	37,614	0	1,092	0	86,321
Total Expenditures	<u>3,627,460</u>	<u>6,716,317</u>	<u>143,755</u>	<u>669,069</u>	<u>0</u>	<u>11,156,601</u>
Excess/(Deficiency) of Revenue Over Expenditures	<u>(432,234)</u>	<u>(1,467,231)</u>	<u>(143,755)</u>	<u>(11,939)</u>	<u>259</u>	<u>(2,054,900)</u>
Other Financing Sources/(Uses):						
Proceeds of Long-term Debt	256,682	1,307,000	0	0	0	1,563,682
Transfers In	277,557	114,252	189,845	16,500	0	598,154
Transfers Out	(94,400)	0	0	0	0	(94,400)
Total Other Financing Sources/(Uses)	<u>439,839</u>	<u>1,421,252</u>	<u>189,845</u>	<u>16,500</u>	<u>0</u>	<u>2,067,436</u>
Net Change in Fund Balance	7,605	(45,979)	46,090	4,561	259	12,536
Fund Balances/(Deficit) - July 1, 2004	<u>626,282</u>	<u>(623,665)</u>	<u>120,527</u>	<u>(33,885)</u>	<u>11,874</u>	<u>101,133</u>
Fund Balances/(Deficit) - June 30, 2005	<u>\$ 633,887</u>	<u>\$ (669,644)</u>	<u>\$ 166,617</u>	<u>\$ (29,324)</u>	<u>\$ 12,133</u>	<u>\$ 113,669</u>

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

CITY OF BURLINGTON, VERMONT
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2005

City Capital Projects							
	Southern Connector	South End Transit Center	Transportation Facility	STP Bike Path	Fire Vehicle Bond	Riverside Avenue Project	Moran Building & Heating Upgrades
<u>ASSETS:</u>							
Cash	\$ (22,088)	\$ 47	\$ (344,117)	\$ 26	\$ 44,969	\$ (27,214)	\$ 0
Investments	0	0	344,117	0	0	0	0
Receivables	166,688	3,223	0	18,290	0	29,986	0
Total Assets	\$ 144,600	3,270	\$ 0	\$ 18,316	\$ 44,969	\$ 2,772	\$ 0
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 64,102	\$ 3,270	\$ 0	\$ 18,316	\$ 0	\$ 2,772	\$ 0
Due to Other Funds	0	0	0	0	0	0	0
Interfund Loan Payable	0	0	0	0	0	0	539,715
Deferred Revenue	106,943	3,223	0	18,290	0	0	0
Total Liabilities	171,045	6,493	0	36,606	0	2,772	539,715
Fund Balance:							
Reserved for Restricted Purposes	0	0	0	0	44,969	0	0
Unreserved	(26,445)	(3,223)	0	(18,290)	0	0	(539,715)
Total Fund Balance	(26,445)	(3,223)	0	(18,290)	44,969	0	(539,715)
Total Liabilities and Fund Balance	\$ 144,600	\$ 3,270	\$ 0	\$ 18,316	\$ 44,969	\$ 2,772	\$ 0

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

						School Capital Projects		
DPW New Facility	Engelsby Brook	N. Winooski Streetscape & Fuel Depot Projects	Firehouse Center	North Street Project	Lakeview Garage & Westlake Projects	1996, 2003 and 2005 School Capital	Total	
\$ 0	\$ 599,836	\$ (12,014)	\$ (160,948)	\$ 100,995	\$ (610,905)	\$ (10,951)	\$ (442,364)	
0	0	0	0	0	7,519,924	0	7,864,041	
<u>0</u>	<u>0</u>	<u>12,282</u>	<u>164,201</u>	<u>759,383</u>	<u>13,015</u>	<u>0</u>	<u>1,167,068</u>	
<u>\$ 0</u>	<u>\$ 599,836</u>	<u>\$ 268</u>	<u>\$ 3,253</u>	<u>\$ 860,378</u>	<u>\$ 6,922,034</u>	<u>\$ (10,951)</u>	<u>\$ 8,588,745</u>	
\$ 84,363	\$ 15,283	\$ 268	\$ 3,253	\$ 823,817	\$ 1,253,131	\$ 0	\$ 2,268,575	
0	0	0	0	36,561	0	0	36,561	
0	0	0	0	0	0	0	539,715	
<u>0</u>	<u>584,553</u>	<u>7,102</u>	<u>164,201</u>	<u>474,140</u>	<u>0</u>	<u>0</u>	<u>1,358,452</u>	
<u>84,363</u>	<u>599,836</u>	<u>7,370</u>	<u>167,454</u>	<u>1,334,518</u>	<u>1,253,131</u>	<u>0</u>	<u>4,203,303</u>	
0	0	0	0	0	5,668,903	0	5,713,872	
<u>(84,363)</u>	<u>0</u>	<u>(7,102)</u>	<u>(164,201)</u>	<u>(474,140)</u>	<u>0</u>	<u>(10,951)</u>	<u>(1,328,430)</u>	
<u>(84,363)</u>	<u>0</u>	<u>(7,102)</u>	<u>(164,201)</u>	<u>(474,140)</u>	<u>5,668,903</u>	<u>(10,951)</u>	<u>4,385,442</u>	
<u>\$ 0</u>	<u>\$ 599,836</u>	<u>\$ 268</u>	<u>\$ 3,253</u>	<u>\$ 860,378</u>	<u>\$ 6,922,034</u>	<u>\$ (10,951)</u>	<u>\$ 8,588,745</u>	

CITY OF BURLINGTON, VERMONT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2005

	City Capital Projects						
	Southern Connector	South End Transit Center	Transportation Facility	STP Bike Path	Fire Vehicle Bond	Riverside Avenue Projects	Moran Building & Heating Upgrades
Revenues:							
Intergovernmental Revenue	\$ 926,484	\$ 0	\$ 0	\$ 235,775	\$ 0	\$ 0	\$ 0
Investment Income	0	0	0	0	1,408	0	0
Other Income	120	0	0	12,371	0	0	0
Total Revenue	926,604	0	0	248,146	1,408	0	0
Expenditures:							
Construction/Purchases	0	0	0	8,841	39,758	0	0
Engineering and Administrative Fees	749,407	3,270	0	4,812	0	19,899	0
Legal and Miscellaneous Expenses	780	759	0	0	0	0	0
Sub-Grant Expense	0	0	0	0	0	0	0
Debt Service:							
Interest	0	0	0	0	0	0	39,428
Bond Issue Costs	0	0	0	0	0	0	0
Total Expenditures	750,187	4,029	0	13,653	39,758	19,899	39,428
Excess/(Deficiency) of Revenue Over Expenditures	176,417	(4,029)	0	234,493	(38,350)	(19,899)	(39,428)
Other Financing Sources/(Uses):							
Proceeds of Long-Term Debt	0	0	344,117	0	0	0	0
Bond Premium	0	0	0	0	0	0	0
Transfers In	15,426	806	0	1,399	0	19,899	90,632
Transfers Out	0	0	0	0	(1,408)	0	0
Total Other Financing Sources/(Uses)	15,426	806	344,117	1,399	(1,408)	19,899	90,632
Net Changes in Fund Balance	191,843	(3,223)	344,117	235,892	(39,758)	0	51,204
Fund Balance/(Deficit) - July 1, 2004	(218,288)	0	(344,117)	(254,182)	84,727	0	(590,919)
Fund Balance/(Deficit) - June 30, 2005	\$ (26,445)	\$ (3,223)	\$ 0	\$ (18,290)	\$ 44,969	\$ 0	\$ (539,715)

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

							School Capital Projects		
DPW New Facility	Engelsby Brook	N. Winooski Streetscape & Fuel Depot Projects	Firehouse Center	North Street Project	Lakeview Garage & Westlake Projects	1996, 2003 and 2005 School Capital	Total		
\$ 0	\$ 35,532	\$ 30,963	\$ 0	\$ 2,934,120	0	\$ 17,263	\$ 4,180,137		
0	13,133	0	0	0	13,015	0	27,556		
0	75	0	302,915	0	0	0	315,481		
<u>0</u>	<u>48,740</u>	<u>30,963</u>	<u>302,915</u>	<u>2,934,120</u>	<u>13,015</u>	<u>17,263</u>	<u>4,523,174</u>		
0	0	2,190	21,171	2,303,665	1,661,704	0	4,037,329		
0	41,656	11,115	0	44,076	80,041	70,802	1,025,078		
0	7,084	0	0	0	0	0	8,623		
0	0	0	0	1,051,831	0	0	1,051,831		
0	0	0	4,442	0	0	0	43,870		
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>86,939</u>	<u>0</u>	<u>86,939</u>		
<u>0</u>	<u>48,740</u>	<u>13,305</u>	<u>25,613</u>	<u>3,399,572</u>	<u>1,828,684</u>	<u>70,802</u>	<u>6,253,670</u>		
<u>0</u>	<u>0</u>	<u>17,658</u>	<u>277,302</u>	<u>(465,452)</u>	<u>(1,815,669)</u>	<u>(53,539)</u>	<u>(1,730,496)</u>		
0	0	0	0	0	7,525,883	0	7,870,000		
0	0	0	0	0	25,521	0	25,521		
28,120	0	628	0	232,747	0	10,000	399,657		
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,408)</u>		
<u>28,120</u>	<u>0</u>	<u>628</u>	<u>0</u>	<u>232,747</u>	<u>7,551,404</u>	<u>10,000</u>	<u>8,293,770</u>		
28,120	0	18,286	277,302	(232,705)	5,735,735	(43,539)	6,563,274		
<u>(112,483)</u>	<u>0</u>	<u>(25,388)</u>	<u>(441,503)</u>	<u>(241,435)</u>	<u>(66,832)</u>	<u>32,588</u>	<u>(2,177,832)</u>		
<u>\$ (84,363)</u>	<u>\$ 0</u>	<u>\$ (7,102)</u>	<u>\$ (164,201)</u>	<u>\$ (474,140)</u>	<u>5,668,903</u>	<u>\$ (10,951)</u>	<u>\$ 4,385,442</u>		

CITY OF BURLINGTON, VERMONT
COMBINING SCHEDULE OF NET ASSETS
OTHER PROPRIETARY FUNDS
JUNE 30, 2005

	Telecom Fund	School Food Service Enterprise Fund	School Other Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash	\$ (1,689,613)	\$ 169,392	\$ 23,418	\$ (1,496,803)
Receivables (Net of Allowance for Uncollectible Accounts)	31,498	173,503	0	205,001
Inventory	0	2,764	0	2,764
Other Current Assets	6,300	0	0	6,300
Total Current Assets	(1,651,815)	345,659	23,418	(1,282,738)
Noncurrent Assets:				
Restricted Investments	8,086,427	0	0	8,086,427
Deferred Charges	61,565	0	0	61,565
Franchise Costs	75,132	0	0	75,132
Capital Assets				
Land	157,800	0	0	157,800
Construction in Progress	798,298	0	0	798,298
Buildings and Building Improvements	1,264,900	0	0	1,264,900
Vehicles, Machinery and Equipment	145,754	258,281	0	404,035
Transmission and Distribution Plant	2,124,822	0	0	2,124,822
Less Accumulated Depreciation	(425,725)	(186,427)	0	(612,152)
Total Noncurrent Assets	12,288,973	71,854	0	12,360,827
Total Assets	10,637,158	417,513	23,418	11,078,089
LIABILITIES				
Current Liabilities:				
Accounts Payable	139,774	18,272	1,981	160,027
Accrued Payroll and Benefits	6,410	4,222	0	10,632
Accrued Interest Payable	73,497	0	0	73,497
Interfund Loan - Current Portion	24,720	0	0	24,720
Capital Leases Payable - Current Portion	271,338	0	0	271,338
Total Current Liabilities	515,739	22,494	1,981	540,214
Noncurrent Liabilities:				
Accrued Compensated Absences Payable	1,842	0	0	1,842
Interfund Loan	20,715	0	0	20,715
Capital Leases Payable	12,239,423	0	0	12,239,423
Total Noncurrent Liabilities	12,261,980	0	0	12,261,980
Total Liabilities	12,777,719	22,494	1,981	12,802,194
NET ASSETS				
Investment in Capital Assets, Net of Related Debt Unrestricted	0 (2,140,561)	71,854 323,165	0 21,437	71,854 (1,795,959)
Total Net Assets/(Deficit)	(2,140,561)	395,019	21,437	(1,724,105)
Total Liabilities and Net Assets	\$ 10,637,158	417,513	\$ 23,418	\$ 11,078,089

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, 2005

	Telecom Fund	School Food Service Enterprise Fund	School Other Enterprise Funds	Total
OPERATING REVENUES:				
Charges for Services	\$ 104,981	\$ 1,784,645	\$ 134,393	\$ 2,024,019
Miscellaneous	<u>650</u>	<u>0</u>	<u>0</u>	<u>650</u>
Total Operating Revenues	<u>105,631</u>	<u>1,784,645</u>	<u>134,393</u>	<u>2,024,669</u>
OPERATING EXPENSES:				
Operating, Maintenance, and General and Administrative Expenses	556,687	1,748,237	139,061	2,443,985
Depreciation	<u>194,003</u>	<u>103,705</u>	<u>0</u>	<u>297,708</u>
Total Operating Expenses	<u>750,690</u>	<u>1,851,942</u>	<u>139,061</u>	<u>2,741,693</u>
Operating Income /(Loss)	<u>(645,059)</u>	<u>(67,297)</u>	<u>(4,668)</u>	<u>(717,024)</u>
NONOPERATING REVENUES (EXPENSES):				
Rental Income	19,919	0	0	19,919
Investment Income	18,195	0	0	18,195
Interest Expense	(461,993)	0	0	(461,993)
Amortization of Debt Issue Costs	<u>(2,166)</u>	<u>0</u>	<u>0</u>	<u>(2,166)</u>
Total Nonoperating Revenues (Expenses)	<u>(426,045)</u>	<u>0</u>	<u>0</u>	<u>(426,045)</u>
Income (Loss) Before Transfers	(1,071,104)	(67,297)	(4,668)	(1,143,069)
Transfers In/(Out)	<u>432,673</u>	<u>0</u>	<u>0</u>	<u>432,673</u>
Change in Net Assets	(638,431)	(67,297)	(4,668)	(710,396)
Total Net Assets/(Deficit) - July 1, 2004	<u>(1,502,130)</u>	<u>462,316</u>	<u>26,105</u>	<u>(1,013,709)</u>
Total Net Assets/(Deficit) - June 30, 2005	<u>\$ (2,140,561)</u>	<u>\$ 395,019</u>	<u>\$ 21,437</u>	<u>\$ (1,724,105)</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, 2005

	Telecom Fund	School Food Service Enterprise Fund	School Other Enterprise Funds	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 73,483	\$ 1,651,759	\$ 134,393	\$ 1,859,635
Other Receipts	650	0	0	650
Payments to Suppliers	(392,642)	(954,065)	(137,080)	(1,483,787)
Payments for Wages and Benefits	(43,725)	(801,228)	0	(844,953)
Payments for Interfund Services	(27,937)	0	0	(27,937)
Net Cash Provided/(Used) by Operating Activities	<u>(390,171)</u>	<u>(103,534)</u>	<u>(2,687)</u>	<u>(496,392)</u>
Cash Flows From Noncapital Financing Activities:				
Building Rental	19,919	0	0	19,919
Net Decrease in Interfund Loan	(23,387)	0	0	(23,387)
Transfer from/(to) Other Funds	432,673	0	0	432,673
Interest Paid on Miscellaneous Items	(39,432)	0	0	(39,432)
Net Cash Provided by Noncapital Financing Activities	<u>389,773</u>	<u>0</u>	<u>0</u>	<u>389,773</u>
Cash Flows From Capital and Related Financing Activities:				
Proceeds from Bonds, Notes & Leases Payable	10,233,615	0	0	10,233,615
Acquisition and Construction of Capital Assets	(2,423,950)	(12,232)	0	(2,436,182)
Increase in Deferred Charges	(61,565)	0	0	(61,565)
Increase in Franchise Costs	(75,132)	0	0	(75,132)
Increase in Deferred Loss on Refunding	(49,116)	0	0	(49,116)
Principal Paid on Capital Lease Obligations	(127,911)	0	0	(127,911)
Interest Paid on Capital Lease Obligations	(345,964)	0	0	(345,964)
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>7,149,977</u>	<u>(12,232)</u>	<u>0</u>	<u>7,137,745</u>
Cash Flows From Investing Activities:				
Purchase of Investments	(8,086,427)	0	0	(8,086,427)
Receipt of Interest & Dividends	18,195	0	0	18,195
Net Cash Provided/(Used) by Investing Activities	<u>(8,068,232)</u>	<u>0</u>	<u>0</u>	<u>(8,068,232)</u>
Net Increase/(Decrease) in Cash	(918,653)	(115,766)	(2,687)	(1,037,106)
Cash - July 1, 2004	(770,960)	285,158	26,105	(459,697)
Cash - June 30, 2005	<u>\$ (1,689,613)</u>	<u>\$ 169,392</u>	<u>\$ 23,418</u>	<u>\$ (1,496,803)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Operating Income/(Loss)	\$ (645,059)	\$ (67,297)	\$ (4,668)	\$ (717,024)
Depreciation	194,003	103,705	0	297,708
(Increase)/Decrease in Other Receivables	(31,498)	(132,886)	0	(164,384)
(Increase)/Decrease in Inventory	0	7,363	0	7,363
Increase/(Decrease) in Accounts Payable	90,431	(14,641)	1,981	77,771
Increase/(Decrease) in Other Operating Assets/Liabilities	1,952	222	0	2,174
Net Cash Provided/(Used) by Operating Activities	<u>\$ (390,171)</u>	<u>\$ (103,534)</u>	<u>\$ (2,687)</u>	<u>\$ (496,392)</u>

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

CITY OF BURLINGTON, VERMONT
 COMBINING BALANCE SHEET
 PERMANENT FUNDS
 JUNE 30, 2005

	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	\$ 690,202	\$ 10,948	\$ 10,225	\$ 3,472	\$ 3,905	\$ 1,954	\$ 720,706
Investments	200,000	0	0	7,930	0	0	207,930
Accrued Interest Receivable	4,594	0	0	0	0	0	4,594
TOTAL ASSETS	<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>
<u>LIABILITIES AND FUND BALANCE</u>							
LIABILITIES:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Liabilities	<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	894,796	10,948	2,486	1,603	0	1,000	910,833
Reserved for Restricted Purposes	<u>0</u>	<u>0</u>	<u>7,739</u>	<u>9,799</u>	<u>3,905</u>	<u>954</u>	<u>22,397</u>
Total Fund Balance	<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>
Total Liabilities and Fund Balance	<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>

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, 2005

	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	\$ 24,102	\$ 238	\$ 75	\$ 200	\$ 52	\$ 42	\$ 24,709
Sale of Endowments	36,700	0	0	0	0	0	36,700
Total Revenues	60,802	238	75	200	52	42	61,409
EXPENDITURES:							
Miscellaneous	0	0	0	0	0	0	0
Total Expenditures	0	0	0	0	0	0	0
Excess of Revenues Over Expenditures	60,802	238	75	200	52	42	61,409
OTHER FINANCING SOURCES/(USES):							
Transfers to Cemetery Department	(24,102)	0	0	0	0	0	(24,102)
Transfers to Library Department	0	(238)	0	0	0	0	(238)
Total Other Financing Sources/(Uses)	(24,102)	(238)	0	0	0	0	(24,340)
Net Change in Fund Balances	36,700	0	75	200	52	42	37,069
Fund Balances, July 1, 2004	858,096	10,948	10,150	11,202	3,853	1,912	896,161
Fund Balances, June 30, 2005	\$ 894,796	\$ 10,948	\$ 10,225	\$ 11,402	\$ 3,905	\$ 1,954	\$ 933,230

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

CITY OF BURLINGTON, VERMONT
COMBINING BALANCE SHEET
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2005

	Louisa Howard Fund	Walter Carpenter Fund	Vondry Trust Fund	Raymond Tracy Estate Fund	Scholarship Trust Fund	Reed Estate Fund	Fireman's Relief Fund	Christmas Gift Fund	Total
<u>ASSETS</u>									
Cash	\$ 26,997	\$ 1,741	\$ 0	\$ 0	\$ 0	\$ 3,977	\$ 604	\$ 1,557	\$ 34,876
Investments	0	5,286	10,606	17,139	135,008	0	0	0	168,039
Interest Receivable	0	59	0	0	0	0	0	0	59
Total Assets	<u>\$ 26,997</u>	<u>\$ 7,086</u>	<u>\$ 10,606</u>	<u>\$ 17,139</u>	<u>\$ 135,008</u>	<u>\$ 3,977</u>	<u>\$ 604</u>	<u>\$ 1,557</u>	<u>\$ 202,974</u>
<u>LIABILITIES AND FUND BALANCE</u>									
LIABILITIES:	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE:									
Reserved for endowments	500	2,000	0	0	0	3,434	0	0	5,934
Reserved for restricted purposes	<u>26,497</u>	<u>5,086</u>	<u>10,606</u>	<u>17,139</u>	<u>135,008</u>	<u>543</u>	<u>604</u>	<u>1,557</u>	<u>197,040</u>
Total Fund Balance	<u>26,997</u>	<u>7,086</u>	<u>10,606</u>	<u>17,139</u>	<u>135,008</u>	<u>3,977</u>	<u>604</u>	<u>1,557</u>	<u>202,974</u>
Total Liabilities and Fund Balance	<u>\$ 26,997</u>	<u>\$ 7,086</u>	<u>\$ 10,606</u>	<u>\$ 17,139</u>	<u>\$ 135,008</u>	<u>\$ 3,977</u>	<u>\$ 604</u>	<u>\$ 1,557</u>	<u>\$ 202,974</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, 2005

	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	\$ 188	\$ 280	\$ 85	\$ 719	\$ 896	\$ 156	\$ 4	\$ 11	\$ 2,339
Total Operating Revenues	<u>188</u>	<u>280</u>	<u>85</u>	<u>719</u>	<u>896</u>	<u>156</u>	<u>4</u>	<u>11</u>	<u>2,339</u>
OPERATING EXPENSES:									
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,680</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,680</u>
Total Expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,680</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,680</u>
Net Income/(Loss)	188	280	85	719	(1,784)	156	4	11	(341)
Fund Balance - July 1, 2004	<u>26,809</u>	<u>6,806</u>	<u>10,521</u>	<u>16,420</u>	<u>136,792</u>	<u>3,821</u>	<u>600</u>	<u>1,546</u>	<u>203,315</u>
Fund Balance - June 30, 2005	<u>\$ 26,997</u>	<u>\$ 7,086</u>	<u>\$ 10,606</u>	<u>\$ 17,139</u>	<u>\$ 135,008</u>	<u>\$ 3,977</u>	<u>\$ 604</u>	<u>\$ 1,557</u>	<u>\$ 202,974</u>

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