CITY OF BURLINGTON, VERMONT

Independent Auditors' Reports Pursuant
to Governmental Auditing Standards
and The Single Audit Act Amendments of 1996

For the Year Ended June 30, 2013

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MH&Co
MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Mayor and City Council
City of Burlington, Vermont

Report on Compliance for Each Major Federal Program

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burlington, Vermont (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 13, 2014. Our report includes a reference to other auditors who audited the financial statements of Burlington Electric Department as described in our report on the City of Burlington, Vermont's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2013-001 through 2013-010 in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as item 2013-011 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Government's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
February 13, 2014

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MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Independent Auditors' Report

To the Mayor and City Council
City of Burlington, Vermont

Report on Compliance for Each Major Federal Program

We have audited the City of Burlington, Vermont's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operation of the Burlington School District (a City School Department) which received $7,499,229 in federal awards which is not included in the City's Schedule of Expenditures of Federal Awards for the year end June 30, 2013. Our audit, described below, did not include the operations of the Burlington School District (a City School Department) because a separate single audit in accordance with OMB Circular A-133 was performed on Burlington School District.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's

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compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Basis for Qualified Opinion on Highway Planning and Construction

As described in the accompanying schedule of findings and questioned costs in finding number 2013-012, the City did not comply with requirements regarding CFDA 20.205 Highway Planning and Construction for Allowable Costs, and finding number 2013-013 for Matching. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

Qualified Opinion on Highway Planning and Construction

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Highway Planning and Construction paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Highway Planning and Construction Grant for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-014 to be a material weakness.

Government's Response to Findings

The City's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 13, 2014, which contained a disclaimer on the Telecom Enterprise Fund, a qualified opinion on the general fund and the Government-wide Financial Statements, and unmodified opinions on the other opinion units. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
March 27, 2014

CITY OF BURLINGTON, VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Grant Title Pass Through Grantor/ Federal Grant/Program Title	Grant Number	CFDA Number	FY 2013 Expenditures
U.S. Department of Housing and Urban Development			
Direct Programs			
CDBG - Entitlement Grant Cluster:			
Community Development Block Grants/Entitlement Grants	B-09-MC-50-0001	14.218	$ 19,506
Community Development Block Grants/Entitlement Grants	B-10-MC-50-0001	14.218	119,031
Community Development Block Grants/Entitlement Grants	B-11-MC-50-0001	14.218	114,842
Community Development Block Grants/Entitlement Grants	B-12-MC-50-0001	14.218	463,531
Total CDBG - Entitlement Grant Cluster			716,910
HOME Investment Partnership Program	M-11-MC-50-0200	14.239	247,785
HOME Investment Partnership Program	M-12-MC-50-0200	14.239	105,726
Lead-Based Paint Hazard Control Program	VTLHB0511-11	14.900	858,157
Total U.S. Department of Housing and Urban Development			1,928,578
U.S. Department of Interior			
Direct Programs			
American Battlefield Protection Program	GA-2255-10-003	15.926	2,351
Passed through State of Vermont Division for Historic Preservation			
Historic Preservation Fund Grants-in-Aid	CLG-VT-12-06	15.904	674
Total U.S. Department of Interior			3,025
U.S. Department of Justice			
Direct Programs:			
Internet Crimes Against Children (ICAC)	2010-MC-CX-K020	16.543	936
Internet Crimes Against Children (ICAC)	2010-MC-CX-K020	16.543	43,765
Internet Crimes Against Children (ICAC)	2010-MC-CX-K020	16.543	95,251
Bulletproof Vest Partnership Program	2011	16.607	2,396
Bulletproof Vest Partnership Program	2012	16.607	2,995
Edward Byrne Memorial Justice Grant Program	2009-DJ-BX-1145	16.738	4,985
Edward Byrne Memorial Justice Grant Program	2010-DJ-BX-0690	16.738	28,431
Edward Byrne Memorial Justice Grant Program	2011-DJ-BX-2451	16.738	37,876
Edward Byrne Memorial Justice Grant Program	2012-DJ-BX-0913	16.738	21,024
Internet Crimes Against Children Task Force (ICAC) - ARRA	2009-SN-B9-K026	16.800	121,102
Edward Byrne Memorial Justice Grant Program - ARRA	2009-SB-B9-1107	16.804	66,720

(continued)

(continued)

Grant Title Pass Through Grantor/ Federal Grant/Program Title	Grant Number	CFDA Number	FY 2013 Expenditures
Passed through State of Vermont Center for Crime Victim Services			
Crime Victim Assistance Grant	2011-VA-GX-0041	16.575	117,000
Total U.S. Department of Justice			542,481
U.S. Department of Transportation			
Direct Programs			
Airport Improvement Program	Various	20.106	4,412,438
Passed through State of Vermont Agency of Transportation			
Federal Highway Administration	various	20.205	3,030,793
Total U.S. Department of Transportation			7,443,231
Environmental Protection Agency			
Direct Programs			
Brownfields Areawide Planning	TR-96180501-0	66.814	274
Brownfields Assessment and Clean Up Cooperative Agreements	BF-96113601-0	66.818	16,071
Total Environmental Protection Agency			16,345
Corporation for National and Community Service			
Passed through State of Vermont VT Commission on National and Community Services			
AmeriCorps State	06AFHVT0010013	94.006	24,329
AmeriCorps State	06AFHVT001	94.006	122,758
Total Corporation for National and Community Service			147,087
U.S. Department of Homeland Security			
Passed Through State of Vermont Department of Public Safety			
Homeland Security Program	Various	97.067	179,740
Total U.S. Department of Homeland Security			179,740
U.S. Department of Transportation Security Administration			
Direct Program			
Law Enforcement Officer Reimbursement Agreement Program	HSTS0208HSLR301	97.090	173,286
Total Federal Awards			$ 10,433,773

(continued)

(continued)

Subrecipients:

Of the Federal expenditures presented in this schedule, the City of Burlington, Vermont provided Federal awards to subrecipients as follows:

Program Title			
Community Development Block Grant	14.218	$	205,453
Edward Byrne Memorial Justice Assistance Grant Program	16.738		8,000
Total		$	213,453

The Schedule of Federal Awards includes the Federal grant activity of the City of Burlington, Vermont and was prepared using the significant accounting policies in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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MANAGEMENT ADVISORS

REPORT ON COMPLIANCE WITH REQUIREMENTS OF THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES

Independent Auditors' Report

To the Mayor and City Council
City of Burlington, Vermont

Report on Compliance for the Passenger Facility Charge Program

We have audited the Burlington International Airport's compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies (the Guide) issued by the Federal Aviation Administration, applicable to its passenger facility charge program* that could have a direct and material effect on the Airport's passenger facility charge program for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Airport's passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Burlington, Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the City of Burlington, Vermont's compliance.

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Opinion on Passenger Facility Charge Program

In our opinion, the City of Burlington, Vermont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Passenger Facility Charge program for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the City of Burlington, Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Burlington, Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on the Passenger Facility Charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the Passenger Facility Charge program and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Burlington, Vermont's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Passenger Facility Charge Audit Guide for Public Agencies. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Revenues and Expenditures of Passenger Facility Charges

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Burlington, Vermont as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Burlington, Vermont's basic financial statements. We issued our report thereon dated February 13, 2014, which contained a disclaimer on the Telecom Enterprise Fund, a qualified opinion on the general fund and the Government-wide Financial Statements, and unmodified opinions on the other opinion units. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of revenues and expenditures of passenger facility charges is presented for purposes of additional analysis as required by the Passenger Facility Charge Audit Guide for Public Agencies, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
March 27, 2014

CITY OF BURLINGTON, VERMONT
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
FOR THE YEAR ENDED JUNE 30, 2013

Balance- July 1, 2012	$ 4,533,132
Passenger Facility Charges Collected	2,415,006
Interest Earnings	6,986
Passenger Facility Charges Expended	(2,858,873)
Balance- June 30, 2013	$ 4,096,251

CITY OF BURLINGTON, VERMONT

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

• Telecom Enterprise Fund	Disclaimer
• General Fund and Government-wide Financial Statements	Qualified
• All other Opinion Units	Unmodified

Internal control over financial reporting:

• Material weaknesses identified?	✓ yes ___ no
• Significant deficiencies identified?	✓ yes ___ none reported
Noncompliance material to financial statements noted?	___ yes ✓ no

Federal Awards

Internal control over major programs:

• Material weaknesses identified?	✓ yes ___ no
• Significant deficiencies identified?	___ yes ✓ none reported

Type of auditors' report issued on compliance for major programs:

Airport Improvement Program	Unmodified
Highway Planning and Construction	Qualified
Community Development Block Grant – Entitlement	Unmodified
Home Investment Partnership Program	Unmodified
Lead- Based Paint Hazard Control	Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	✓ yes ___ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program
20.205	Highway Planning and Construction
14.218	Community Development Block Grant -Entitlement
14.239	Home Investment Partnership Program
14.900	Lead- Based Paint Hazard Control

Dollar threshold used to distinguish between type A and type B programs:	$313,013
Auditee qualified as low-risk auditee?	____ yes _✓__ no

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding #	Finding/Noncompliance

2013-001 **Re-Establish Monthly Reconciliations (Material Weakness)**

In Fiscal Year 2013, monthly reconciliations of key general ledger accounts were not performed on a timely basis. As a result, the process of closing the year was delayed and substantial journal entries were being posted by the City through January 2014. Key reconciliations that were not performed on a regular and timely basis include:

- Bank account balance to the general ledger
- Tax receivable accounts to detail balance due reports
- Approved budget amounts to the general ledger
- Grant and capital project receivables to award notices
- Accounts payable and payroll withholding accounts to detail records
- A complete analysis of capital project activity was not performed until December 2013

When reconciliations of key accounts are not performed on a regular and timely basis, it increases the risk that errors and or irregularities could occur and go undetected as well as decreases the reliability of interim financial reports.

We recommend that the City re-establish the process of reconciling all key accounts on a monthly basis. Implementation of this recommendation will increase the reliability of interim financial reports and help to minimize the risk of undetected errors and or irregularities.

City's Response:
The Clerk/Treasurer's Office agrees that there is a need for monthly reconciliation. However, historically, the City has not reconciled all accounts on a monthly basis; instead reconciling on a varying schedule depending on the amount of activity of the account. Because of the change in accounting systems, most of the accounts and operations included in this finding had not been reconciled due to the lack of time and unfamiliarity of staff with the accounting system and its relational account construction. During Fiscal Year 2014, the financial assistants and senior accountants have been reconciling accounts and activities on a monthly basis and review all other accounts and activities to ensure that they are reconciled in an appropriate timeframe.

2013-002 **Segregate the Accounting and Treasury Functions and Evaluate the Department (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended that the City consider segregating the accounting and treasury functions in order to create an environment that properly segregates the City's financial management systems and hire a consultant to assist with implementing this recommendation to help ensure that a redesigned office structure has the sufficient level of resources.

Finding #	Finding/Noncompliance

Current Year Status:
Certain additional safeguards for segregating the accounting and treasury function were implemented in the fall of 2013. However, the Clerk/Treasurer's Office did not hire a consultant to assist with the implementation of the new financial management system and now currently has a significant backlog of work that needs to be accomplished in order to complete the conversion. The following items represent the major accounting tasks that need to be accomplished in order to ensure a more timely closing process:

- Analyzing all Capital Projects for appropriate matching of revenue and expenditures
- Posting budgeted financing sources and uses to all individual capital projects
- Analyzing the expenditure charges to recent general bond issues to insure funds were expended consistent with original authorizations
- Merging two capital asset accounting systems to one comprehensive system
- Creating the ability to produce a Schedule of Expenditures of Federal Awards directly from the financial management system

Further Action Needed:
We continue to recommend the City evaluate the Clerk/Treasurer's Office to help ensure that the office structure has the sufficient level of resources needed and establish a timeline to complete the above tasks.

City's Response:
The City believes that the implementation of the New World system alleviates concerns about combining the accounting and treasury functions. The former system was journal-entry based, and nearly all activity was recorded in the Clerk/Treasurer's Office. With the new system, recording of transactions is decentralized to each department – purchase orders are issued by the department needing the item, and are approved by the Clerk/Treasurer's Office before issuance. A similar process is used when an invoice arrives. For revenue transactions, activity is tracked by the applicable subsystem (RecTrac, for example, in Parks and Recreation), and amounts sent for deposit in the bank are reconciled to the subsystem before being recorded into New World. Bank accounts are reconciled monthly. In addition, the City has begun to use Posi-Pay, which sends electronic copies of all checks issued each day to the bank. If a check is presented for payment to the bank that was not on the Posi-Pay listing, it is rejected and the Clerk/Treasurer's Office is notified. The City uses blank check stock that is double secured. The Clerk/Treasurers Office requires a key to enter the administrative office, and an additional key is required to access check stock secured in the safe. No wire transfers are initiated by the Assistant CAO for Finance, and all wire transfers are initiated by a Senior Account, and require additional approval from the Chief Accountant or Assistant Chief Accountant. The authority to make journal entries is held only by the Assistant CAOs and senior accountants in the Clerk/Treasurer's Office, and each journal entry is reviewed and approved by a person at a higher level of authority than the preparer. Under the New World system, the volume of journal entries has been reduced. Based upon the procedures and controls implemented in connection with the system conversion, we

Finding #	Finding/Noncompliance

do not believe that the accounting and treasury functions need to be split into separate departments.

In addition, we have restricted the user rights of the Assistant CAO for Finance. The Assistant CAO for Finance no longer has the New World user permissions to add, or delete users. The Assistant CAO for Administration has created the hierarchy approval process for purchase orders, and/or, invoice and check approval. This hierarchy approval process is a restricted permission from the Assistant CAO for Finance.

As it relates to the recommendation that the City evaluate the Clerk/Treasurer's Office to help ensure that the office structure has the sufficient level of resources needed and establish a timeline to complete the above tasks, the new Chief Administrative Officer has conducted said evaluation resulting in his recommendation to the Mayor and City Council that additional positions be budgeted in Fiscal Year 2015. One additional position, a Capital Projects Accountant, has been proposed to address the issues listed in this finding as well as the other findings in this letter.

2013-003 **Develop a More Formal Risk Assessment Process (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended that the City implement a more formal risk assessment process that includes written identification of areas where potential fraud or material misstatements to the basic financial statements may occur, as well as how the City intends to respond to those risks, including ongoing monitoring activities. This would help minimize the risk of errors or irregularities occurring and going undetected.

Current Year Status:
This recommendation has not yet been implemented.

Further Action Needed:
We continue to recommend the City implement a fraud risk assessment program, including monitoring controls over any potential related party issues.

City's Response:
The City requests the Auditors provide a written sample fraud risk assessment tool that is acceptable to the firm and against which we can compare other similar tools. Once received, we will begin to plan, create, and implement the fraud risk assessment tool.

2013-004 **Document Internal Control Components (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended that the City document its internal control procedures in accordance with the COSO model. The COSO (Committee of Sponsoring Organizations of the Treadway Commission) model is widely recognized as the standard against which organizations measure the effectiveness of their

Finding #	**Finding/Noncompliance**
	internal control systems. The COSO components of effective internal control are: Internal Environment, Objective Setting, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, and Monitoring.

Current Year Status:
This recommendation has not yet been implemented.

Further Action Needed:
We continue to recommend the City document the components of internal control in accordance with the COSO model for the new financial management system.

City's Response:
The City requests the Auditors provide a written sample COSO model for the new financial management system that is acceptable to the firm. Once received, we will begin the planning and creation stage of implementation of COSO.

The City may seek an outside group to help in objectively assessing the City's internal controls.

2013-005 **Implement Regular Internal Audits (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended the City's Accounting Office establish a schedule for periodic internal audits of departmental accounting records. This would result in improved oversight and reduce the risk of errors or irregularities occurring and going undetected.

Current Year Status:
This recommendation has not yet been implemented.

Further Action Needed:
We continue to recommend that the City perform periodic internal audits of the City's departmental accounting records.

City's Response:
The City agrees that there are internal audit procedures that can be performed by the Clerk/Treasurer Office's personnel. Internal audits have not been conducted regularly due to staffing limitations. The Chief Administrative Office and Mayor have recommended the creation of additional staff positions within the Clerk/Treasurer's Office that will create the opportunities to provide additional auditing capabilities. In addition, the implementation of the new accounting and financial software system has, in fact, reduced the amount of departmental accounting outside of the Clerk/Treasurer's Office or provided opportunities for Clerk/Treasurer oversight of accounting and financial activities of outside departments. Further opportunities for reducing or overseeing instances of accounting or financial activities outside of the Clerk/Treasurer's Office will be explored as staff becomes more familiar with the new system and in response to findings of the risk assessments conducted at department levels.

Finding #	Finding/Noncompliance
2013-006	**Improve Monitoring of Capital Projects (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended that the City identify causes for all negative cash balances in capital project funds and that the City uses the general ledger (not spreadsheets) to maintain a complete accounting of all capital projects.

Current Year Status:
We understand that subsequent to June 30, 2013, the City began to evaluate its capital projects. However, further analysis is required to insure that the integrity of each individual project is maintained.

Further Action Needed:
We continue to recommend that the City analyze the status of each capital project to insure the individual projects are properly reported. The City should implement this recommendation prior to June 30, 2014.

City's Response:
The City will continue to develop and refine capital project budgets through the use of the new financial management and accounting system and continue to implement project accounting for capital projects to ensure that project revenues and expenses are identified, monitored, and accounted. The Clerk/Treasurer's staff have been meeting regularly with the current Capital Improvement Project Manager and the departments most involved with capital projects to gain a better understanding of the budgeting and accounting policies and procedures and the capabilities of the financial and accounting system. In addition, the Chief Administrative Officer and Mayor have recommended the creation of additional staff position - within the Clerk/ Treasurer's Office in Fiscal Year 2015 to provide additional capital project accounting and auditing capabilities.

2013-007 **Utilize a Fixed Asset Accounting System (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended that the City implement software to maintain the historical cost and depreciation of capital assets, and develop a written capitalization policy.

Current Year Status:
The City utilized two separate fixed asset accounting systems in fiscal year 2013.

Further Action Needed:
We recommend that the two separate systems be merged to one comprehensive capital asset maintenance system. The City should implement this recommendation prior to June 30, 2014.

City's Response:
The Clerk/Treasurer's Office has replaced its Pentamation and manual systems of tracking fixed assets with the new financial management and accounting software. The City will continue to implement this solution and evaluate its effectiveness.

Finding #	Finding/Noncompliance

Concurrently, the City's capitalization policy will be reviewed and updated as necessary and departments involved in capital project activity and reporting will receive training on the premise of the policy to eliminate the capitalization of minor items, as well as learn how to use Construction in Progress to accumulate all costs of a project before it is transferred into the fixed asset accounting system.

2013-008 **Analyze Expenditures of Bond Proceeds (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended that the City analyze, in detail, the expenditures incurred and funded by the general fund bond issuances for the past two years to determine if incurred expenditures were consistent with the offering documents. We further recommended that the City strengthen the controls currently in place to provide assurance that bond proceeds are used exclusively for the purpose outlined in the offering documents.

Current Year Status:
We understand the City implemented new procedures for the accounting of bond proceeds in October 2013, however, has not yet analyzed bond issues from the prior two years to insure expenditures were consistent with the offering documents.

Further Action Needed:
We recommend that the City analyze the expenditures of bond proceeds from fiscal 2012 and 2013. The City should implement this recommendation prior to June 30, 2014.

City's Response:
The Clerk/Treasurer's Office implemented a new process in October 2013 where cash received from the bond proceeds, approved by the BOF and City Council, is deposited into a segregated bank account, to more effectively track the funds. Furthermore, all expenditures related to this bond will be recorded using the budgeted line item for which it applies and paid directly from the bond proceeds bank account. In addition, the City will depart from the use of a single capital account to capture all expenses related to bond proceeds. We will evaluate, create, and use additional general ledger accounts to better track major categories of bond expenditures. Finally, the Clerk/Treasurer's Office will perform an internal audit by randomly selecting invoices and inquiring about the expenditures. This internal audit will confirm the validity, and it would ensure that the expenditure was made for the purpose in which it was intended.

2013-009 **Redesign Vendor and Payroll Approval Process (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended that the City redesign systems of internal control over the processing and approval of vendor and payroll transactions to incorporate the weaknesses noted below.

Finding #	**Finding/Noncompliance**

Vendor Issues:

- The vendor clerk should not be permitted to establish new vendors for payment in the accounting system.
- The approval for all invoices should be documented by the Clerk/Treasurer, not simply the Vendor Clerk.
- Credit card and business related travel expenditures should be reimbursed consistent with policies. It should also be noted these policies have not been updated in over 10 years.
- Budget amendment should be approved prior to incurring expenditure in excess of appropriations.
- Specific eligibility criteria for grant and bond-financed projects should be formally documented.
- The taxability of employee clothing reimbursements in excess of actual costs should be evaluated.

Payroll Issues:

- Pay rates should be entered by Human Resources.
- Approved timesheets should be used for all employees.
- The approval for each payroll run should be documented by the Clerk/ Treasurer, not simply the Payroll Clerks.

Current Year Status:

The above noted weaknesses remained present during most of fiscal year 2013. We understand that the City will address these items during fiscal year 2014.

Further Action Needed:

We recommend that the City follow through and insure the additional controls over vendor and payroll processing are implemented.

City’s Response:

The City does not agree with this finding for Fiscal Year 2013. Based upon this finding in the last year’s audit, the City put measures in place in 2013 as recommended. Specifically, the accounts payable clerk (vendor clerk) is no longer permitted to establish new vendors without a secondary level of approval. All accounts payable batches require a second approval. Credit card and travel expenditures are reimbursed in accordance to policy. Budget amendments are being applied throughout the year, contrary to the past practice. Grant and bond eligibility are documented and taxability of allowances continue to be evaluated. In addition, department pay rates are entered and audited by the Human Resources Department. Timesheets are required of all employees and payroll batches require a second level of approval. The City does agree that the past practice of procuring goods and services without an approved and valid Purchase Order does occur; however, a policy statement will be distributed to mitigate the risk of occurrence.

Finding #	Finding/Noncompliance
2013-010	**Review Practice of Extending the Useful Life of Capital Assets (Material Weakness)**

Prior Year Recommendation:
In the prior year, we recommended that the City review the practice of extending the useful life of capital assets to ensure it is consistent with generally accepted accounting principles (GAAP). As part of this review, the City should evaluate the original useful lives assigned to other major capital assets, such as building and improvements for possible impairments. This will help assure that capital assets are being depreciated over their useful lives and in accordance with GAAP.

Current Year Status:
This recommendation has not yet been implemented.

Further Action Needed:
We recommend that, in conjunction with merging the multiple capital assets system, the City implement this recommendation by June 30, 2014.

City's Response:
In connection with the implementation of an automated fixed asset accounting system and review of our capitalization policy, we will clarify what factors must be considered to justify a change in the remaining life of a fixed asset. This clarification will be documented as an amendment to our existing fixed asset policy and procedures.

2013-011 **Improve Controls over CEDO Special Revenue Fund Activities (Significant Deficiency)**

Prior Year Recommendation:
In the prior year, we recommended the City (1) reevaluate the job responsibilities of the Assistant Finance Director to assure an adequate segregation of duties exists, (2) discontinue the use of manual checks, (3) post all receipts and disbursements in the general ledger immediately, (4) record receivable activity in general ledger throughout the year, and (5) perform regular monthly reconciliations of general ledger receivable activity. This would improve controls over CEDO activity and improve the accuracy of general ledger records.

We also recommended the CEDO fund chart of accounts segregate "loans received in advance" from "deferred revenue", and discontinue the tracking of loan allowances in a separate fund 3001, but instead track with the applicable general ledger receivable accounts. This would simplify the accounting and reconciling of general ledger receivable and corresponding deferred revenue accounts.

Current Year Status:
Several prior year recommendations over CEDO Special Revenue Funds were implemented; however, the items noted above have not yet been implemented.

Finding #	Finding/Noncompliance
	Further Action Needed: We continue to recommend that the City implement the aforementioned CEDO recommendations. City's Response: All bank accounts previously managed by CEDO have been transferred to the Clerk/Treasurer's Office effective December 1, 2013. All check stock for these accounts is maintained in the Clerk/Treasurer's Office. All accounting of the various programs and funding under CEDO have been incorporated into the City's new financial management and accounting system. Purchasing, Accounts Payable, and Accounts Receivable functionality has also been incorporated into the City's new financial management and accounting system allowing for immediate posting of encumbrances, expenses, revenue, assets, and liabilities. All transactions require hierarchal approvals of CEDO and Clerk/Treasurer personnel. The City plans on reviewing and, where identified, revamping of CEDO's Chart of Accounts, including loans received in advance and deferred revenue to better reflect program expense and revenue activity. CEDO is currently performing monthly reconciliations of general ledger activity to ensure accuracy and improve internal controls.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding #	Program	Finding/Noncompliance	Questioned Cost
2013-012	Highway Planning and Construction 20.205	Ensure an Approved Indirect Cost Rate is Maintained (Compliance Finding) Criteria: An approved indirect cost rate proposal is required to document that only allowable costs are charged to Federal awards. Condition: In fiscal year 2013, the City charged personnel costs to grant funded programs at a billed rate that included an overhead rate. However, the billed rate charged was not approved by the awarding authority. Effect: Without a formally approved indirect cost plan, the City is at risk of incurring disallowed costs. Recommendation: We recommend the City obtain an approved indirect cost rate to ensure all charges to the Federal award are allowable.	Undetermined

Finding #	Program	Finding/Noncompliance	Questioned Cost
		City's Corrective Action Plan: The City of Burlington received an approved indirect cost rate for fiscal year 2011. This rate was not updated by the City and should be done each year. The City used the indirect rate in fiscal Year 2013 that was the approved rate in place since fiscal year 2011. The City submitted to the awarding authority for approval of a new indirect cost rate that will be used for fiscal Year 2014 / 2015. A new policy will be implemented requiring submission to the award authority for a new indirect cost rate annually.	
2013-013	Highway Planning and Construction 20.205	Improve Documentation of City Matching Requirements (Compliance Finding) Criteria: Federal Highway Planning and Construction grant recipients are required to contribute a match between 2% and 20% toward programs costs. Condition: The City did not utilize the general ledger as an internal control to document that specific expenditures were claimed towards the required match. Effect: As a result, a specific identification of the expenditures claimed as matching funds was not achieved, and uncertainty exists over 1) whether the required match was achieved and or 2) if the claimed expenditures were grant eligible. Recommendation: We recommend the City improve documentation related to matching requirements for Federal awards to ensure the match is met for each fiscal year of the project, and the funds used for the match are allowable per the award documents. City's Corrective Action Plan: The City of Burlington accepts the recommendation from the audit firm, and has taken appropriate action that segregates the local matches by recording them in separate general	Undetermined

Finding #	Program	Finding/Noncompliance	Questioned Cost
		ledger accounts. This will ensure that an adequate audit trail exists, and is easily identified with respect to the local match. Furthermore, recording local matches in separate general ledger accounts improves documentation related to matching requirements for Federal awards and ensures that each local match is allowable per the award documents.	
2013-014	Highway Planning and Construction 20.205	Improve Controls over Accounting Records (Material Weakness) Criteria: An effective system of internal controls requires grant recipients to have policies and procedures that provide reasonable assurance that reports are supported by underlying accounting records, and are fairly presented in accordance with program requirements for reporting of Federal awards, including proper assignment of responsibility for adjusting entries made to the general ledger. Condition: In fiscal year 2013, the general ledger expenditure records for the Federal Highway Planning and Construction Program reflected numerous journal entries. We concur that the journal entries appear to have been appropriately made; however, these adjustments were not posted until January 2014. Subsequent to the journal entries, the general ledger does not fully reconcile with the project records maintained by the project engineers. Effect: Multiple journal entries increase the risk that accounting records may not be appropriately presented in accordance with program requirements. No questioned costs are associated with this finding because the City was able to provide appropriate supporting documentation for all requests for reimbursements we tested. Recommendation: We recommend the City establish stronger internal controls to minimize journal entries.	N/A

Finding #	Program	Finding/Noncompliance	Questioned Cost
		City's Corrective Action Plan: Commencing in fiscal year 2015, a new procedure will be implemented where project records, maintained by project engineers, will be reconciled with project expenditures recorded in the general ledger. The Chief Administrative Officer and Mayor have recommended the creation of an additional staff position within the Clerk Treasurer's office for fiscal year 2015. This additional person's job responsibilities will ensure that the project expenditures are reconciled, and any variances identified during the reconciliation process are resolved in a timely manner. The implementation of this new procedure and added staff will also ensure that reports submitted to regulatory agencies agree to amounts recorded in the general ledger. Lastly, this new procedure strengthens internal controls, and mitigates the risk that accounting records are not appropriately presented in accordance with program requirements.	

SECTION IV - SCHEDULE OF PRIOR YEAR FINDINGS

Finding #	Program	Finding/Noncompliance
12-14	CDBG Cluster 14.218	Comply with Reporting Requirements (Compliance Finding) Finding 12-14 has been resolved in the current year.
12-15	Highway Planning and Construction 20.205	Ensure an Approved Indirect Cost Rate is Maintained (Compliance Finding) Prior Year Recommendation: We recommended the City obtain the State's approved indirect cost rate to ensure all charges to the Federal award are allowable. Current Year Status: Finding 12-15 is repeated and revised in the current year as finding 2013-0012.
12-16	Highway Planning and Construction 20.205	Improve Documentation of City Matching Requirements (Compliance Finding) Prior Year Recommendation: We recommended the City improve documentation related to matching requirements for Federal awards to ensure the match is met for each fiscal year of the project, and the funds used for the match are allowable per the award documents. Current Year Status: Finding 12-16 is repeated and revised in the current year as finding 2013-013.
12-17	Passenger Facility Charges	Improve Documentation of Passenger Facility Charges (Compliance Finding) Finding 12-17 has been resolved in the current year.
12-18	Highway Planning and Construction 20.205	Improve Controls over Accounting Records (Material Weakness) Prior Year Recommendation: We recommended the City establish stronger internal controls to minimize journal entries. Current Year Status: Finding 12-18 is repeated and revised in the current year as finding 2013-014.

Finding #	**Program**	**Finding/Noncompliance**
12-18	Highway Planning and Construction 20.205 CDBG Entitlement 14.218/ 14.253	<u>Request Funds in an Organized and Timely Manner (Material Weakness)</u> Finding 12-18 has been resolved in the current year.

CITY OF BURLINGTON, VERMONT

Annual Financial Statements

For the Year Ended June 30, 2013

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MH&Co
MELANSON HEATH & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Burlington, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund (except Burlington Telecom Enterprise Fund and the Burlington Electric Enterprise Fund), and the aggregate remaining fund information of the City of Burlington, Vermont (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Burlington Electric Enterprise Fund, a major enterprise fund, which represents 41 percent and 59 percent, respectively, of the assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Burlington Electric Enterprise Fund and its effects on the business-type activities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Disclaimer of Opinion on Telecom Enterprise Major Fund and Qualified Opinion on Business-Type Activities, Governmental Activities, and General Fund

We were engaged to examine the Burlington Telecom Enterprise Fund as of and for the year ended June 30, 2013, however, as discussed on page 95 to the financial statements, the City was a defendant in a lawsuit related to the lease that provided the financing of the Telecom Enterprise Fund's assets. The lawsuit, among other things, called for repayment of the original lease amount of $33,500,000 or the return of the equipment, as well as rent from the City for the use of Telecom's assets. In January 2014, the City entered into a mediated settlement agreement for $10,500,000 plus 50% of the future net proceeds from the sale of the Burlington Telecom System, pending certain milestones that need to be met for the parties to continue the stay of the proceeding. See Note 23 for anticipated funding sources of the settlement. As a result of the lawsuit and the subsequent settlement with pending conditions that need to be met, material uncertainties exist relative to amounts that may be owed to the plaintiff for lease and/or rental payments as well as the reported value of the underlying assets. The effects of these uncertainties on the financial position, results of operation, and cash flows of the Burlington Telecom Enterprise Fund, are not reasonably determinable.

Management was unable to provide an assessment of the collectability of the General Fund receivable of $16,936,492 due from the Telecom Enterprise Fund. If the Telecom Enterprise Fund cannot repay all, or a portion of the advance, the City's General Fund would be required to transfer to the Telecom Enterprise Fund the amount that cannot be repaid. We are unable to form an opinion on the amount, if any, or the timing of when the advance from the General Fund will be repaid.

Disclaimer of Opinion on Telecom Enterprise Major Fund

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph of this report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the statement of revenues, expenses and changes in fund net position and the cash flow statement for the Telecom Enterprise Fund. Accordingly, we do not express an opinion on the results of operations and cash flows for the year ended June 30, 2013.

Qualified Opinions on Governmental Activities, Business-Type Activities and General Fund

In our opinion, based on our audit and the report of the other auditors, except for the effects of the matters discussed in the Basis for Disclaimer of Opinion on Telecom Enterprise Major Fund and Qualified Opinion on Business-Type Activities, Governmental Activities, and General Fund paragraphs, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and the general fund of the City, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on the Discretely Presented Component Unit, School Major Fund, Electric Enterprise Major Fund, Airport Major Fund, Wastewater Major Fund and Aggregate Remaining Fund Information

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units, the School major fund, the Electric Enterprise major fund, the Airport major fund, the Wastewater major fund and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund and the School fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Emphasis of Matters

The City has an accumulated unassigned deficit in the General Fund of $2,178,623 as of June 30, 2013 which has resulted principally from the cash deficit in the Telecom Enterprise fund. Liquidity risks and management's plans are discussed in Note 2A on page 48.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
February 13, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Burlington, we offer readers this narrative overview and analysis of the financial activities of the City of Burlington for the fiscal year ended June 30, 2013. **Unless otherwise noted, all amounts are expressed in thousands.**

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 that are principally 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 include general government, public safety, education, public works, culture and recreation, and community development. The business-type activities include the operation of the Airport, the Electric, Water, and Wastewater Utilities, Telecommunications (including cable television, internet access, and telephone service) and the food services operation and vocational educational programs administered by the School Department.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds 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.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Specifically, enterprise funds are used to account for Burlington Electric, Burlington Airport, Burlington Telecom, Wastewater, Water, School Lunch, and other operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Burlington Electric, Burlington Airport, Burlington Telecom and Wastewater all of which are considered to be major funds.

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 financial 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.

Notes to 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by $318,123 (i.e., net position), a change of $10,481 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of $23,803, a change of $1,667 in comparison to the prior year.

- At the end of the current fiscal year, unassigned fund balance for the general fund was a deficit of $(2,179), a change of $12,803 in comparison to the prior year.
- Total long-term liabilities at the close of the current fiscal year were $222,425, a change of $17,015 in comparison to the prior year.
- Total net position of the component unit of the City, the Burlington Community Development Corporation, amounted to $2,327, an increase of $40 for the year.
- The nonspendable portion of the governmental funds balance was $21,441, which consists of inventories and prepaid assets, as well as general fund advances to other funds not expected to be repaid within a short period of time. $7,605 is restricted for specific purposes. In addition, $3,559 is committed for projects by a dedicated tax rate. The City also has assigned $209 for specific projects. This leaves the City with an unassigned deficit of $(9,011). The majority of this deficit is attributable to advances to other funds that will not be repaid in a short period of time, thus deemed not available to spend.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years.

NET POSITION (000'S)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 49,315	$ 43,221	$ 81,676	$ 83,960	$ 130,991	$ 127,181
Capital assets	166,077	161,719	270,278	264,272	436,355	425,991
Total assets	215,392	204,940	351,954	348,232	567,346	553,172
Long-term liabilities outstanding	76,891	65,489	145,534	139,921	222,425	205,410
Other liabilities	14,633	13,363	12,165	26,756	26,798	40,119
Total liabilities	91,524	78,852	157,699	166,677	249,223	245,529
Net position:						
Net investment in capital assets	101,992	110,915	149,806	139,041	251,798	249,956
Restricted	13,949	10,773	31,999	39,020	45,948	49,793
Unrestricted	7,927	4,400	12,450	3,494	20,377	7,894
Total net position	$ 123,868	$ 126,088	$ 194,255	$ 181,555	$ 318,123	$ 307,643

CHANGES IN NET POSITION (000'S)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$ 25,325	$ 24,457	$ 101,348	$ 96,510	$ 126,673	$ 120,967
Operating grants and contributions	76,620	77,050	-	-	76,620	77,050
Capital grants and contributions	5,194	3,476	7,977	8,454	13,171	11,930
General revenues:				-		
Property taxes	28,272	27,884	-	-	28,272	27,884
Rooms and meals tax	2,903	2,762	-	-	2,903	2,762
Local sales option tax	2,127	2,157	-	-	2,127	2,157
Payment in lieu of tax	3,534	3,393	-	-	3,534	3,393
Franchise fees	2,157	2,176	-	-	2,157	2,176
Impact fees	273	386	-	-	273	386
Interest and penalties on delinquent taxes	278	332	-	-	278	332
Investment income	52	27	270	271	322	298
Dividends from associated companies	-	-	2,619	2,400	2,619	2,400
Other revenue	298	-	370	186	668	186
Total revenues	147,033	144,100	112,584	107,821	259,617	251,921
Expenses:						
Governmental activities:						
General government	14,801	13,480	-	-	14,801	13,480
Public safety	24,499	22,702	-	-	24,499	22,702
Education	77,439	70,038	-	-	77,439	70,038
Public works	13,051	13,409	-	-	13,051	13,409
Culture and recreation	8,584	9,454	-	-	8,584	9,454
Community development	8,470	4,743	-	-	8,470	4,743
Interest on long-term debt	2,331	1,542	-	-	2,331	1,542
Business-type activities:						-
Electric	-	-	58,973	58,155	58,973	58,155
Airport	-	-	20,193	19,983	20,193	19,983
Telecom	-	-	6,118	6,110	6,118	6,110
Wastewater	-	-	6,649	6,863	6,649	6,863
Water	-	-	4,835	4,944	4,835	4,944
School Enterprise	-	-	3,214	2,782	3,214	2,782
Total expenses	149,175	135,368	99,982	98,837	249,157	234,205
Change in net assets before transfers, additions to permanent fund principal, and special items	(2,142)	8,732	12,602	8,984	10,460	17,716

(continued)

(continued)

CHANGES IN NET POSITION (000'S)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Additions to permanent fund principal	20	35	-	-	20	35
Special items	-	(29,251)	-	-	-	(29,251)
Transfers in (out)	(98)	(55)	98	55	-	-
Change in net position	(2,220)	(20,539)	12,700	9,039	10,480	(11,500)
Net position - beginning of year, as restated	126,088	146,627	181,555	172,516	307,643	319,143
Net position - end of year	$ 123,868	$ 126,088	$ 194,255	$ 181,555	$ 318,123	$ 307,643

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was $318,123, a change of $10,480 from the prior year.

The largest portion of net position $251,798 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in 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 net position of $45,948 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $20,377 may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of $(2,220). The majority of the decrease results from City assets depreciating more rapidly than the repayment of bonds payable. The increase in the City's Net OPEB Obligation and Other Long-term Liabilities also contributed to the decrease in "Net Position". Key elements of this change are as follows:

Business-type activities. Business-type activities for the year resulted in a change in net position of $12,700. Key elements of this change are as follows:

Electric	$	7,378
Airport		2,457
Telecom		911
Wastewater		1,149
Water		869
School lunch		(64)
Total	$	12,700

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of $23,803 (prior to any provision for the possible write down of the $16,936 advanced to Telecom), a change of $1,667 in comparison to the prior year. Key elements of this change are as follows:

Proceeds of fiscal stability bonds	$	9,000
Other City General fund expenditures and other financing uses in excess of revenues and transfers in		1,007
School General fund expenditures and transfers out in excess of revenues and transfers in		(1,897)
Special revenue fund expenditures and transfers out in excess of revenues and transfer ins (mostly CEDO Loans)		(5,253)
Capital project fund expenditures and transfers out in excess of revenues and other financing sources		(1,947)
Debt service fund transfer in		734
Permanent fund revenues		23
Total	$	1,667

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was a deficit of $(2,179), while total fund balance was $19,424 (prior to any provision for the possible write down of the $16,936 advanced to Telecom). Total general fund balance increase of $10,007 is primarily a result of the City issuing $9,000 in Fiscal Stability Bond in fiscal year 2013 to provide cash flow as a means of reducing the reliance on tax anticipation notes. In accordance with the Governmental Accounting Standards Board's Statement #54, the City has classified the $9,000 as a component of Unassigned Fund Balance because the authorized Stability Bonds do not contain any specific spending purpose constraints. The City, however, is committed to not appropriating any of the funds.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below, and also Note # 2A.

City General Fund	6/30/13	6/30/12	Change	% of Total General Fund Expenditures
Unassigned fund balance	$ (2,179)	$ (14,982)	$ 12,803	-4.5%
Total fund balance	19,424 (1)	9,417 (1)	10,007	39.9% (1)

(1) These balances do not include any provision for the possible write-off of the $16,936 receivable from Burlington Telecom.

The total unassigned fund balance of the City's general fund changed by $12,803 during the current fiscal year. Key factors in this change are as follows:

Unassigned fund balance, June 30, 2012	$ (14,982)
Proceeds of stability bonds	9,000
Improvement to Wastewater fund cash position	1,319
Improvement to Water fund cash position	1,258
Actual revenues short of budget	(454)
Actual expenditures less than budgeted	1,009
Other	671
Unassigned fund balance, June 30, 2013	$ (2,179)

School General Fund	6/30/13	6/30/12	Change	% of Total School General Fund Expenditures
Unassigned and total fund balance	$ (2,581)	$ (684)	$ (1,897)	-3.9%

The total fund balance of the School's general fund changed by $(1,897) during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	$ 1,463
Expenditures in excess of budget	(2,689)
Other	(671)
Total	$ (1,897)

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

A comparison of the unrestricted net position of each enterprise compared to the prior year is show below:

	Unrestricted Net Position		
	6/30/13	6/30/12	Change
Burlington Electric	$ 24,378	$ 17,905	$ 6,473
Burlington Airport	1,630	2,335	(705)
Burlington Telecom	(15,673)	(15,965)	292
Wastewater	1,148	(380)	1,528
Nonmajor funds:			
Water	(148)	(1,438)	1,290
School Lunch	1,116	1,037	79

Specific factors concerning the finances of each proprietary fund are discussed below:

- The Electric Department's net position increased as a result of its profitable operations for the year ended June 30, 2013. However, income from operations declined during 2013 as a result of decreased sales to ultimate customers and increased power supply and transmission and distribution costs. For more information, please refer to the separate financial statements issued for the Department.
- The Airport's unrestricted net position declined primarily as a result of an increase in non-personnel operating expense of $847 thousand. For additional information, please refer the separate financial statements issued for the Airport.
- Burlington Telecom's net position increased modestly during 2013 primarily as a result of cost controls implemented beginning in 2012.
- The net improvement in the Wastewater and Water funds, which are managed on a combined basis, is primarily the result of a 10% wastewater rate increase that was effective July 1, 2011. The Water fund will reflect a 5% rate increase that was effective July 1, 2012.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The City approved a fiscal year 2013 budget of $60,435 including interdepartmental charges that were netted against appropriations in previous year's approved budgets. In fiscal year 2013, the City implemented a more complete fund accounting structure consistent with generally accepted accounting principles, however adopted the 2013 budget prior to establishing additional special revenue funds. The following is a reconciliation of the approved fiscal year 2013 appropriation with the amounts reported on the General fund budget and actual comparison statement:

City approved appropriation	$ 60,435
Less dedicated taxes:	
Capital streets program	(2,204)
Open space	(193)
Pennies for parks	(357)
Less Tax increment	(1,475)
Less Interdepartmental charges	(5,591)
Appropriation reported on page 28	$ 50,615

The City adopted a general fund budget for fiscal year 2013 having a surplus of $32. The adjusted actual performance (budgetary basis) resulted in revenues and other sources exceeding expenditures by $587.

The adjusted actual amounts exceeded the final budget in total by $555.

- This variance was primarily attributable to bond premium and deferred charges of approximately $343.
- Accrued interest of approximately $130 also partially attributed to the variance between budgeted and actual amounts.

As previously mentioned, bond premium, deferred charges, and accrued interest contributed in variance between the budgeted and actual where the accounting treatment of the budget is reported on an accrual basis, and not cash.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to $166,077 (net of accumulated depreciation), a change of $4,357 from the prior year. Total investment in capital assets for business-type activities at year-end amounted to $270,278 (net of accumulated depreciation), a change of $6,006 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year for Governmental Activities included the following:

	Governmental Activities
Infrastructure improvements	$ 1,160
Vehicles, machinery, equipment and furniture	1,177
Buildings and improvements	1,014
Other capital projects	209
Construction in progress	8,683
Depreciation expense	(7,834)
Effect on disposal of assets	(52)
Total	$ 4,357

Change in capital assets, net of Accumulated Depreciation for Business-Type Activities are as follows:

	Business-type Activities
Electric	$ 6,420
Airport	767
Telecom	618
Wastewater	(1,437)
Water	(335)
School Lunch	(27)
Total	$ 6,006

Additional information on capital assets can be found in the notes to the financial statements.

Change in credit rating. The City maintained the Baa3 credit rating from Moody's Investor Service (Moody's) on the general obligation with a negative outlook. The rating for the City's certificates of participation is Ba1, also with a negative outlook.

Factors cited by Moody's as the reason for the rating include the City's strained financial position given the significant advances to other funds from the General Fund, including a material use of reserves for the expansion of Burlington Telecom (BT), reducing the City's liquidity to narrow levels. The negative outlook reflected continuing exposure to loss related to the BT lawsuit and the challenges the City faces in an attempt to reduce the reliance its enterprise funds on General Fund operations.

Long-term debt. At the end of the current fiscal year, total outstanding general obligation and revenue bonds payable (excluding premiums and discounts) outstanding was $202,907, all of which was backed by the full faith and credit of the government.

	Bonds Payable		
	6/30/13	6/30/12	Change
Governmental Activities:			
City	$ 38,064	$ 29,982	$ 8,082
School	25,295	22,775	2,520
Total	$ 63,359	$ 52,757	$ 10,602
Business-Type Activities:			
Electric	$ 78,285	$ 84,535	$ (6,250)
Airport	44,240	34,650	9,590
Wastewater	17,023	18,084	(1,061)
Water	-	1,320	(1,320)
Total	$ 139,548	$ 138,589	$ 959

Additional information on long-term debt can be found in the Notes to the Financial Statements.

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Fiscal Year 2014 City Budget

The City of Burlington approved General Fund Operating Budget limiting the overall growth in the expenditures to 3 percent. The FY14 Budget will continue the effort of the prior years to reduce the negative unassigned fund balance. Overall, the City is focused on achieving an operating surplus of approximately $300. Also, the capital budget reserves an additional $500 for emergent items over the course of FY14, giving the City the flexibility to respond to unanticipated events.

Despite financial constraints, the year ahead will see critical investments in our future while our operating budget remains constrained, we will continue to make capital investments in the future.

- In recent months, we have encountered significant maintenance issues without three aging ambulances. Once of the ambulances will be replaced with a new vehicle in FY14.
- In FY14, the Parks and Recreation Department will complete its 18-month effort to address the $1 million backlog of Penny of Parks (PFP) projects. By the end of the year, 42 PFP projects will have been completed, upgrading parks in every ward.
- The expansion and enhancement of the Bike Path, recommended by the Task Force last summer, is underway. Design and permitting work has begun, and construction of the first phase of project is underway.

In summary, successful implementation of the FY14 Budget will maintain services, make key investments in the future, continue to improve its finances, and avoid general City tax increases beyond the initiatives approved by the voters last fall.

The changes in tax rates are shown in the table below:

Tax Rate Item	FY13 Tax Rate per $100	FY14 Approved Tax Rate	Change
Revenue Neutral Rates:			
General City	$ 0.23290	$ 0.23790	$ 0.00500
Police/Fire	0.08070	0.08070	-
Housing Trust	0.00540	0.00540	-
Open Space	0.00540	0.00540	-
Streets	0.06170	0.06170	-
Fixed Rates:			-
Parks	0.03500	0.03500	-
Highway	0.03120	0.03120	-
Library	0.00500	0.00500	-
Budget Driven Rates:			-
CCTA	0.03900	0.04220	0.00320
County Tax	0.00500	0.00500	-
Retirement	0.16780	0.18480	0.01700
Debt Service	0.04623	0.06410	0.01787
Total	$ 0.71533	$ 0.75840	$ 0.04307

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CITY OF BURLINGTON, VERMONT

STATEMENT OF NET POSITION

JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Burlington Community Development Corporation
ASSETS				
Current:				
Cash and cash equivalents	$ 17,215,945	$ 5,292,501	$ 22,508,446	$ 7,176
Restricted cash	-	5,000,985	5,000,985	-
Restricted investments	-	873,821	873,821	-
Receivables, net of allowance for uncollectibles:				
Property taxes	1,102,840	-	1,102,840	-
User fees	-	9,337,368	9,337,368	-
Departmental and other	3,985,586	-	3,985,586	-
Intergovernmental	4,115,330	2,483,995	6,599,325	-
Estimated unbilled revenues	62,027	3,551,234	3,613,261	-
Capital lease receivable	-	-	-	86,436
Internal balances	(2,464,245)	2,464,245	-	-
Due from primary government	-	-	-	23,221
Due from component unit	60,811	63,989	124,800	-
Inventory	361,809	5,201,439	5,563,248	-
Prepaid expenses	61,527	86,575	148,102	-
Deferred charges	643,214	846,583	1,489,797	335,327
Other assets	599,529	976,794	1,576,323	3,340
Total current assets	25,744,373	36,179,529	61,923,902	455,500
Noncurrent:				
Restricted investments	-	31,999,045	31,999,045	-
Notes and loans receivable	4,362,654	1,130,000	5,492,654	-
Capital lease receivable	-	-	-	1,738,268
Internal balances	17,924,623	(17,924,623)	-	-
Due from component unit	419,945	937,967	1,357,912	-
Accrued interest receivable	863,193	-	863,193	-
Investment in associated companies	-	22,458,056	22,458,056	-
Deferred charges	-	6,120,440	6,120,440	-
Nonutility property	-	775,600	775,600	-
Capital assets:				
Land and construction in progress	28,313,340	48,012,651	76,325,991	1,155,249
Other capital assets, net of accumulated depreciation	137,763,738	222,265,228	360,028,966	4,983,716
Total noncurrent assets	189,647,493	315,774,364	505,421,857	7,877,233
TOTAL ASSETS	215,391,866	351,953,893	567,345,759	8,332,733

(continued)

(continued)

	Primary Government			Component Unit Burlington Community Development Corporation
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES AND NET POSITION				
LIABILITIES:				
Current:				
Accounts payable	4,640,271	5,977,967	10,618,238	165
Accrued payroll and benefits payable	4,439,054	124,422	4,563,476	-
Accrued liabilities	2,063,269	-	2,063,269	-
Accrued interest payable	456,719	1,014,739	1,471,458	3,340
Deferred revenue	1,498,566	1,168,552	2,667,118	-
Grant anticipation notes	-	1,051,892	1,051,892	-
Due to primary government	-	-	-	124,800
Other liabilities	1,534,552	1,953,423	3,487,975	-
Payable from restricted assets	-	873,821	873,821	-
Current portion of long-term liabilities:				
General obligation bonds and other debt payable	2,996,656	1,875,000	4,871,656	215,014
Revenue bonds payable	-	23,897,291	23,897,291	-
Capital lease payable	899,312	591,058	1,490,370	-
Compensated absences	415,271	-	415,271	-
Insurance reserves	215,537	-	215,537	-
Total current liabilities	19,159,207	38,528,165	57,687,372	343,319
Noncurrent:				
Due to primary government	-	-	-	1,357,912
General obligation bonds and other debt payable	61,127,068	43,222,784	104,349,852	4,304,933
Revenue bonds payable	-	67,276,927	67,276,927	-
Capital lease payable	1,047,112	1,123,509	2,170,621	-
Compensated absences	3,737,437	1,594,621	5,332,058	-
Insurance reserves	2,280,444	-	2,280,444	-
Net OPEB obligation	2,401,786	250,101	2,651,887	-
Net pension obligation	1,770,580	-	1,770,580	-
Other liabilities	-	5,702,562	5,702,562	-
Total noncurrent liabilities	72,364,427	119,170,504	191,534,931	5,662,845
TOTAL LIABILITIES	91,523,634	157,698,669	249,222,303	6,006,164
NET POSITION:				
Net investment in capital assets	101,991,786	149,806,307	251,798,093	-
Restricted for:				
Education	796,671	-	796,671	-
Community development	5,435,016	-	5,435,016	-
Debt service/renewal and replacements/capital projects	4,294,514	13,050,101	17,344,615	-
Permanent funds	1,172,464	-	1,172,464	-
Other purposes	2,250,578	18,948,944	21,199,522	-
Unrestricted	7,927,203	12,449,872	20,377,075	2,326,569
TOTAL NET POSITION	123,868,232	194,255,224	318,123,456	2,326,569
TOTAL LIABILITIES AND NET POSITION	$ 215,391,866	$ 351,953,893	$ 567,345,759	$ 8,332,733

The accompanying notes are an integral part of these financial statements.

CITY OF BURLINGTON, VERMONT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$ 14,800,538	$ 4,372,982	$ 427,558	$ -
Public safety	24,499,396	5,174,000	617,539	150,133
Education	77,438,762	4,575,124	69,943,981	-
Public works	13,051,255	7,265,536	782,026	5,040,829
Culture and recreation	8,584,443	3,722,853	647,335	3,000
Community development	8,470,457	214,897	4,201,963	-
Interest on long-term debt	2,330,680	-	-	-
Total Governmental Activities	149,175,531	25,325,392	76,620,402	5,193,962
Business-Type Activities:				
Electric	58,972,894	59,965,267	-	3,180,027
Airport	20,192,615	17,915,076	-	4,750,397
Telecom	6,118,395	6,959,342	-	-
Wastewater	6,648,603	7,751,070	-	46,451
Water	4,834,716	5,703,916	-	-
School	3,213,631	3,053,070	-	-
Total Business-Type Activities	99,980,854	101,347,741	-	7,976,875
Total Primary Government	$ 249,156,385	$ 126,673,133	$ 76,620,402	$ 13,170,837
Component Unit:				
Burlington Community Development Corporation	$ 523,134	$ 440,500	$ -	$ -

General Revenues:
- Property taxes
- Gross receipts taxes
- Local option sales tax
- Payments in lieu of taxes
- Franchise fees
- Impact fees
- Interest and penalties on delinquent taxes
- Unrestricted investment earnings
- Dividends from associated companies
- Other revenues

Additions to permanent funds

Transfers, net

Total general revenues, additions to permanent funds and transfers

Change in Net Position

Net Position:

Beginning of year, as restated

End of year

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Burlington Community Development Corporation
$ (9,999,998)	$ -	$ (9,999,998)	$ -
(18,557,724)	-	(18,557,724)	-
(2,919,657)	-	(2,919,657)	-
37,136	-	37,136	-
(4,211,255)	-	(4,211,255)	-
(4,053,597)	-	(4,053,597)	-
(2,330,680)	-	(2,330,680)	-
(42,035,775)	-	(42,035,775)	-
-	4,172,400	4,172,400	-
-	2,472,858	2,472,858	-
-	840,947	840,947	-
-	1,148,918	1,148,918	-
-	869,200	869,200	-
-	(160,561)	(160,561)	-
-	9,343,762	9,343,762	-
(42,035,775)	9,343,762	(32,692,013)	-
-	-	-	(82,634)
28,272,251	-	28,272,251	-
2,902,808	-	2,902,808	-
2,126,646	-	2,126,646	-
3,534,236	-	3,534,236	-
2,157,022	-	2,157,022	-
272,852	-	272,852	-
278,419	-	278,419	-
52,148	269,758	321,906	174
-	2,619,286	2,619,286	-
296,973	370,226	667,199	122,554
20,005	-	20,005	-
(97,500)	97,500	-	-
39,815,860	3,356,770	43,172,630	122,728
(2,219,915)	12,700,532	10,480,617	40,094
126,088,147	181,554,692	307,642,839	2,286,475
$ 123,868,232	$ 194,255,224	$ 318,123,456	$ 2,326,569

CITY OF BURLINGTON, VERMONT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	General	School Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 13,901,126	$ 685,176	$ 2,629,644	$ 17,215,946
Receivables, net of allowance for uncollectibles:				
Property and other taxes	1,102,840	-	-	1,102,840
Departmental and other	2,080,177	112,575	1,792,834	3,985,586
Intergovernmental	-	1,015,125	3,100,205	4,115,330
Unbilled revenues	-	-	62,027	62,027
Due from other funds	-	3,512,622	9,423,506	12,936,128
Notes and loans receivable	-	-	4,362,654	4,362,654
Accrued interest receivable	-	-	863,193	863,193
Advances to other funds	20,108,830	-	-	20,108,830
Inventory	164,733	-	197,076	361,809
Prepaid expenditures	61,405	-	122	61,527
Other current assets	588,928	10,602	-	599,530
Due from component unit	-	-	480,756	480,756
TOTAL ASSETS	$ 38,008,039	$ 5,336,100	$ 22,912,017	$ 66,256,156
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 1,372,569	$ 1,210,120	$ 2,057,582	$ 4,640,271
Accrued payroll and benefits payable	683,864	3,648,901	106,289	4,439,054
Accrued liabilities	-	1,911,944	151,325	2,063,269
Deferred revenues	2,759,132	-	9,216,762	11,975,894
Due to other funds	13,413,874	-	1,986,499	15,400,373
Advances from other funds	-	-	2,184,207	2,184,207
Other liabilities	354,497	1,145,680	249,912	1,750,089
TOTAL LIABILITIES	18,583,936	7,916,645	15,952,576	42,453,157
Fund Balances:				
Nonspendable	20,334,968	-	1,106,428	21,441,396
Restricted	17,261	-	7,587,736	7,604,997
Committed	1,041,535	-	2,517,293	3,558,828
Assigned	208,962	-	-	208,962
Unassigned	(2,178,623)	(2,580,545)	(4,252,016)	(9,011,184)
TOTAL FUND BALANCES	19,424,103	(2,580,545)	6,959,441	23,802,999
TOTAL LIABILITIES AND FUND BALANCES	$ 38,008,039	$ 5,336,100	$ 22,912,017	$ 66,256,156

The accompanying notes are an integral part of these financial statements.

CITY OF BURLINGTON, VERMONT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2013

Total governmental fund balances	$ 23,802,999
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	166,077,078
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	10,477,326
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(456,719)
• Deferred bond issue costs, net of amortization, on the statement of net position, whereas all debt expense is reported when paid in the governmental funds.	643,214
• Long-term liabilities, including bonds and BANS payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(76,675,666)
Net position of governmental activities	$ 123,868,232

The accompanying notes are an integral part of these financial statements.

CITY OF BURLINGTON, VERMONT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2013

	General	School	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 28,873,069	$ -	$ 4,636,379	$ 33,509,448
Payments in lieu of taxes	2,168,816	1,365,420	-	3,534,236
Licenses and permits	3,963,253	-	106,960	4,070,213
Intergovernmental	2,107,986	61,611,987	14,614,854	78,334,827
Charges for services	12,710,746	2,650,479	8,076,707	23,437,932
Investment income	25,627	15,540	10,981	52,148
Loan repayments	-	-	46,741	46,741
Other	106,122	103,850	205,318	415,290
Total Revenues	49,955,619	65,747,276	27,697,940	143,400,835
Expenditures:				
Current:				
General government	13,694,272	-	10,376	13,704,648
Public safety	23,500,466	-	7,363	23,507,829
Education	-	65,412,426	15,871,599	81,284,025
Public works	1,058,061	-	5,475,165	6,533,226
Culture and recreation	7,337,775	-	11,187	7,348,962
Community development	-	-	8,463,496	8,463,496
Capital outlay	-	-	9,121,280	9,121,280
Debt service:				
Principal	2,351,424	730,000	1,648,550	4,729,974
Interest and bond issue costs	741,567	675,871	455,725	1,873,163
Total Expenditures	48,683,565	66,818,297	41,064,741	156,566,603
Excess (deficiency) of revenues over (under) expenditures	1,272,054	(1,071,021)	(13,366,801)	(13,165,768)
Other Financing Sources (Uses):				
Issuance of bonds and loans	9,000,000	-	5,250,000	14,250,000
Bond premium	213,165	-	205,915	419,080
Issuance of leases	139,140	-	122,102	261,242
Transfers in	23,750	-	1,830,499	1,854,249
Transfers out	(641,475)	(825,525)	(484,749)	(1,951,749)
Total Other Financing Sources (Uses)	8,734,580	(825,525)	6,923,767	14,832,822
Net change in fund balances	10,006,634	(1,896,546)	(6,443,034)	1,667,054
Fund Balances, at Beginning of Year, as restated	9,417,469	(683,999)	13,402,475	22,135,945
Fund Balances, at End of Year	$ 19,424,103	$ (2,580,545)	$ 6,959,441	$ 23,802,999

The accompanying notes are an integral part of these financial statements.

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, 2013

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$	1,667,054
• 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:		
Capital outlay purchases		12,243,308
Depreciation		(7,834,065)
Loss on disposal of capital assets		(52,087)
• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, etc.) differ between the two statements. This amount represents the net change in deferred revenue.		3,244,927
• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:		
Issuance of debt		(14,511,242)
Repayments of debt		4,712,701
Bond premium, discount, deferred charges and other adjustments		(363,189)
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.		(129,882)
• 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 the governmental funds.		
Compensated absences		(96,130)
Net pension obligation		28,791
Net OPEB obligation		(253,120)
Insurance reserves		(876,981)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(2,219,915)

The accompanying notes are an integral part of these financial statements.

CITY OF BURLINGTON, VERMONT

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

	General Fund			
	Budgeted Amounts			
	Original Budget	Final Budget	Adjusted Actual Amounts	Variance With Final Budget
Revenues and other sources:				
Taxes and special assessments	$ 26,865,998	$ 26,865,998	$ 26,746,423	$ (119,575)
Local option sales tax	2,180,000	2,180,000	2,126,646	(53,354)
Payments in lieu of taxes	2,069,700	2,069,700	2,168,816	99,116
Licenses and permits	3,714,350	3,714,350	3,963,253	248,903
Intergovernmental	2,185,016	2,323,420	2,107,986	(215,434)
Charges for services	13,363,943	13,468,001	12,710,746	(757,255)
Investment income	1,500	1,500	25,627	24,127
Transfers in	-	-	23,750	23,750
Use of fund balance	-	-	-	-
Other	27,100	23,590	319,287	295,697
Total Revenues and Other Sources	50,407,607	50,646,559	50,192,534	(454,025)
Expenditures and other uses:				
General administration	14,665,415	13,704,615	13,694,272	10,343
Safety services	23,978,969	24,108,970	23,781,287	327,683
Public works	1,187,558	1,196,175	1,058,061	138,114
Culture and recreation	7,340,867	7,485,957	7,337,775	148,182
Education	-	-	-	-
Debt service	3,382,487	3,373,860	3,092,991	280,869
Capital outlay	-	-	-	-
Transfers out	745,360	745,360	641,475	103,885
Total Expenditures and Other Uses	51,300,656	50,614,937	49,605,861	1,009,076
Excess (deficiency) of revenues and other sources over expenditures and other uses	$ (893,049)	$ 31,622	$ 586,673	$ 555,051

The accompanying notes are an integral part of these financial statements.

School "General Fund"			
Budgeted Amounts			
Original Budget	Final Budget	Adjusted Actual Amounts	Variance With Final Budget
$ -	$ -	$ -	$ -
-	-	-	-
-	-	-	-
-	-	-	-
58,939,986	58,939,986	60,402,565	1,462,579
-	-	-	-
-	-	-	-
-	-	-	-
675,964	675,964	675,964	-
-	-	-	-
59,615,950	59,615,950	61,078,529	1,462,579
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
57,115,267	56,723,467	59,483,578	(2,760,111)
2,155,483	2,155,483	2,139,396	16,087
-	210,000	215,886	(5,886)
345,200	527,000	466,000	61,000
59,615,950	59,615,950	62,304,860	(2,688,910)
$ -	$ -	$ (1,226,331)	$ (1,226,331)

CITY OF BURLINGTON, VERMONT

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-Type Activities Enterprise Funds					
	Electric	Airport	Telecom	Wastewater	Nonmajor Enterprise Funds	Total
ASSETS						
Current:						
Cash and cash equivalents	$ 5,018,948	$ 166,179	$ 106,814	$ 200	$ 360	$ 5,292,501
Restricted cash	5,000,985	-	-	-	-	5,000,985
Restricted investments	873,821	-	-	-	-	873,821
Receivables, net of allowance for uncollectibles:						
User fees	5,482,965	1,660,692	757,631	815,677	620,403	9,337,368
Intergovernmental	-	2,155,918	-	-	328,077	2,483,995
Estimated unbilled revenues	2,117,689	524,894	3,707	544,079	360,865	3,551,234
Due from other funds	-	294,393	1,370,071	-	853,859	2,518,323
Due from Burlington Community Development Corporation - current	-	63,989	-	-	-	63,989
Inventory	4,161,408	226,550	415,648	156,986	240,847	5,201,439
Prepaid expenses	-	-	83,408	2,863	304	86,575
Deferred charges	-	846,583	-	-	-	846,583
Other current assets	971,760	34	5,000	-	-	976,794
Total current assets	23,627,576	5,939,232	2,742,279	1,519,805	2,404,715	36,233,607
Noncurrent:						
Restricted investments	18,948,944	13,050,101	-	-	-	31,999,045
Due from Burlington Community Development Corporation - long-term	-	937,967	-	-	-	937,967
Notes receivable	1,130,000	-	-	-	-	1,130,000
Investment in associated companies	22,458,056	-	-	-	-	22,458,056
Deferred charges	6,120,440	-	-	-	-	6,120,440
Nonutility property	775,600	-	-	-	-	775,600
Capital assets:						
Land and construction in progress	1,843,694	45,111,955	157,800	847,952	51,250	48,012,651
Capital assets, net of accumulated depreciation	76,159,981	101,240,249	3,467,792	29,375,336	12,021,870	222,265,228
Total noncurrent assets	127,436,715	160,340,272	3,625,592	30,223,288	12,073,120	333,698,987
TOTAL ASSETS	151,064,291	166,279,504	6,367,871	31,743,093	14,477,835	369,932,594

(continued)

(continued)

	Business-Type Activities Enterprise Funds					
	Electric	Airport	Telecom	Wastewater	Nonmajor Enterprise Funds	Total
LIABILITIES AND NET POSITION						
LIABILITIES:						
Current:						
Accounts payable	2,567,492	2,113,597	774,971	220,062	301,845	5,977,967
Accrued payroll and benefits payable	-	44,774	21,637	18,722	39,289	124,422
Accrued interest payable	-	1,014,739	-	-	-	1,014,739
Deferred revenue	-	749,610	418,942	-	-	1,168,552
Due to other funds	-	-	-	54,078	-	54,078
Grant anticipation notes	-	1,051,892	-	-	-	1,051,892
Other liabilities	1,830,996	-	94,566	-	27,861	1,953,423
Payable from restricted assets:						
Deposits with bond trustees	873,821	-	-	-	-	873,821
Current portion of long-term liabilities:						
General obligation bonds payable	1,875,000	-	-	-	-	1,875,000
Revenue bonds payable	7,690,000	1,489,666	-	14,717,625	-	23,897,291
Capital leases payable	-	518,542	-	24,990	47,526	591,058
Total current liabilities	14,837,309	6,982,820	1,310,116	15,035,477	416,521	38,582,243
Noncurrent:						
Advances from other funds	-	-	16,936,492	-	988,131	17,924,623
General obligation bonds payable	43,222,784	-	-	-	-	43,222,784
Revenue bonds payable	22,047,836	42,923,631	-	2,305,460	-	67,276,927
Capital leases payable	-	1,077,119	-	7,947	38,443	1,123,509
Compensated absences payable	1,116,758	190,681	55,520	87,097	144,565	1,594,621
Net OPEB obligation	-	81,952	79,481	38,017	50,651	250,101
Other liabilities	5,668,420	-	34,142	-	-	5,702,562
Total noncurrent liabilities	72,055,798	44,273,383	17,105,635	2,438,521	1,221,790	137,095,127
TOTAL LIABILITIES	86,893,107	51,256,203	18,415,751	17,473,998	1,638,311	175,677,370
NET POSITION:						
Net investment in capital assets	20,844,450	100,343,246	3,625,592	13,120,817	11,872,202	149,806,307
Restricted:						
For debt service/renewal and replacements/capital projects	-	13,050,101	-	-	-	13,050,101
Deposits with bond trustees	18,948,944	-	-	-	-	18,948,944
Unrestricted	24,377,790	1,629,954	(15,673,472)	1,148,278	967,322	12,449,872
TOTAL NET POSITION	64,171,184	115,023,301	(12,047,880)	14,269,095	12,839,524	194,255,224
TOTAL LIABILITIES AND NET POSITION	$ 151,064,291	$ 166,279,504	$ 6,367,871	$ 31,743,093	$ 14,477,835	$ 369,932,594

The accompanying notes are an integral part of these financial statements.

CITY OF BURLINGTON, VERMONT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities Enterprise Funds					
	Electric	Airport	Telecom	Wastewater	Nonmajor Enterprise Funds	Total
Operating Revenues:						
Charges for services	$ 48,025,507	$ 15,504,157	$ 6,959,342	$ 7,751,070	$ 6,396,300	$ 84,636,376
Intergovernmental	11,939,760	126,090	-	-	2,155,892	14,221,742
Miscellaneous	-	-	-	-	204,794	204,794
Total Operating Revenues	59,965,267	15,630,247	6,959,342	7,751,070	8,756,986	99,062,912
Operating Expenses:						
Personnel	-	3,694,065	1,714,282	1,348,924	3,238,662	9,995,933
Nonpersonnel	-	7,533,709	4,073,915	2,788,050	3,906,553	18,302,227
Electric department	44,173,245	-	-	-	-	44,173,245
Depreciation and amortization	5,208,674	6,026,159	229,295	1,603,865	500,638	13,568,631
Payments in lieu of taxes	1,757,829	-	99,389	841,306	363,075	3,061,599
Total Operating Expenses	51,139,748	17,253,933	6,116,881	6,582,145	8,008,928	89,101,635
Operating Income (Loss)	8,825,519	(1,623,686)	842,461	1,168,925	748,058	9,961,277
Nonoperating Revenues (Expenses):						
Dividends from associated companies	2,619,286	-	-	-	-	2,619,286
Passenger facility charges	-	2,284,829	-	-	-	2,284,829
Investment income	208,431	61,195	-	-	132	269,758
Other income/expense - net	377,950	(77,407)	69,683	-	-	370,226
Interest expense	(3,806,177)	(2,750,931)	(1,514)	(66,458)	(39,419)	(6,664,499)
Amortization of debt issue costs	(3,904,345)	(187,751)	-	-	-	(4,092,096)
Gain/loss on disposal of capital assets	(122,624)	-	-	-	-	(122,624)
Total Nonoperating Revenues (Expenses)	(4,627,479)	(670,065)	68,169	(66,458)	(39,287)	(5,335,120)
Income Before Contributions and Transfers	4,198,040	(2,293,751)	910,630	1,102,467	708,771	4,626,157
Capital contributions	3,180,027	4,750,397	-	46,451	-	7,976,875
Transfers in	-	-	-	-	97,500	97,500
Change in Net Position	7,378,067	2,456,646	910,630	1,148,918	806,271	12,700,532
Net Position at Beginning of Year, as restated	56,793,117	112,566,655	(12,958,510)	13,120,177	12,033,253	181,554,692
Net Position at End of Year	$ 64,171,184	$ 115,023,301	$ (12,047,880)	$ 14,269,095	$ 12,839,524	$ 194,255,224

The accompanying notes are an integral part of these financial statements.

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CITY OF BURLINGTON, VERMONT

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

	Electric	Airport	Telecom	Wastewater	Nonmajor Enterprise Funds	Total
Cash Flows From Operating Activities:						
Receipts from customers and users	$ 48,178,912	$ 15,675,277	$ 6,972,446	$ 7,667,628	$ 6,300,150	$ 84,794,413
Receipts of operating grants	-	126,090	-	-	2,130,994	2,257,084
Receipts for interfund services	-	-	-	-	186,705	186,705
Other receipts	12,268,980	284,209	-	-	18,088	12,571,277
Payments to suppliers	(36,194,652)	(6,352,031)	(3,516,898)	(2,872,355)	(3,730,172)	(52,666,108)
Payments for wages and benefits	(6,834,544)	(3,683,653)	(1,688,831)	(1,348,086)	(3,214,811)	(16,769,925)
Payment in lieu of taxes	(1,757,829)	-	(99,389)	(841,306)	(363,075)	(3,061,599)
Payments for other expenses	(583,890)	(402,219)	-	-	-	(986,109)
Net Cash Provided by Operating Activities	15,076,977	5,647,673	1,667,328	2,605,881	1,327,879	26,325,738
Cash Flows From Noncapital Financing Activities:						
Other income, net	377,950	-	69,683	-	-	447,633
Increase(decrease) in due to other funds	-	(1,353,784)	(1,067,355)	(1,315,400)	(1,298,818)	(5,035,357)
Payments from loan receivables	-	82,100	-	-	-	82,100
Receipt/(payment) of interfund transfers	-	-	-	-	97,500	97,500
Interest paid on cash deficit to general fund	-	(111)	(1,514)	-	(37,046)	(38,671)
Net Cash Provided/(Used) by Noncapital Financing Activities	377,950	(1,271,795)	(999,186)	(1,315,400)	(1,238,364)	(4,446,795)
Cash Flows From Capital and Related Financing Activities:						
Proceeds from bonds, notes & leases payable	5,000,000	-	-	-	-	5,000,000
Proceeds from issuance of refunding debt	-	24,880,000	-	-	-	24,880,000
Payment to defease anticipation note and revenue bonds	-	(24,705,000)	-	-	-	(24,705,000)
Proceeds of revenue anticipation note and line of credit	-	2,750,000	-	-	-	2,750,000
Repayments of short term note and line of credit	(5,500,000)	(2,750,000)	-	-	-	(8,250,000)
Proceeds of grant anticipation note	-	610,097	-	-	-	610,097
Repayments of grant anticipation note	-	(377,205)	-	-	-	(377,205)
Proceeds from sale of equipment	1,395	-	-	-	-	1,395
Acquisition and construction of capital assets	(11,232,377)	(6,801,203)	(847,674)	(166,534)	(138,893)	(19,186,681)
Capital grants/contributions	3,180,027	5,942,129	-	46,451	-	9,168,607
Passenger facility charges	-	2,284,829	-	-	-	2,284,829
Increase in deferred charges/loss on refunding	192,497	-	-	-	-	192,497
Principal Paid on:						
General obligation bonds	(1,700,000)	-	-	-	-	(1,700,000)
Revenue bonds	(7,550,000)	(2,585,000)	-	(1,061,348)	(1,320,000)	(12,516,348)
Capital lease obligations	-	(504,417)	-	(42,591)	(58,479)	(605,487)
Interest paid on outstanding debt, including issue costs	(3,806,177)	(3,380,150)	-	(66,459)	(35,387)	(7,288,173)
Net Cash Used by Capital and Related Financing Activities	(21,414,635)	(4,635,920)	(847,674)	(1,290,481)	(1,552,759)	(29,741,469)
Cash Flows From Investing Activities:						
Net (additions)/reductions to restricted cash and investments	2,794,118	346,264	-	-	1,463,112	4,603,494
Receipt of interest & dividends	2,577,811	61,174	-	-	132	2,639,117
Net Cash Provided by Investing Activities	5,371,929	407,438	-	-	1,463,244	7,242,611
Net Increase/(Decrease) in Cash	(587,779)	147,396	(179,532)	-	-	(619,915)
Cash - July 1, 2012	10,607,712	18,783	286,346	200	360	10,913,401
Cash - June 30, 2013	$ 10,019,933	$ 166,179	$ 106,814	$ 200	$ 360	$ 10,293,486

(continued)

(continued)

	Electric	Airport	Telecom	Wastewater	Nonmajor Enterprise Funds	Total
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by Operating Activities:						
Operating income/(loss)	$ 8,825,519	$ (1,623,686)	$ 842,461	$ 1,168,925	$ 748,058	$ 9,961,277
Depreciation and amortization	6,620,179	6,026,159	229,295	1,603,865	500,638	14,980,136
Other non-operating net revenues and expenses	-	(69,176)	-	-	-	(69,176)
(Increase)/decrease in receivables	112,572	(440,156)	(407,826)	(119,996)	(146,354)	(1,001,760)
(Increase)/decrease in unbilled revenues	175,007	(187,168)	1,988	36,554	54,779	81,160
(Increase)/decrease in inventory	(71,808)	52,061	165,926	(7,409)	27,023	165,793
Increase/(decrease) in accounts payable	(231,244)	1,129,617	327,957	(77,581)	170,119	1,318,868
Increase/(decrease) in customer deposits	-	-	-	-	(29,473)	(29,473)
Increase/(decrease) in accrued payroll and benefits	-	1,190	(952)	1,297	2,141	3,676
Increase/(decrease) in accrued liabilities	-	-	(44,447)	-	-	(44,447)
Increase/(decrease) in deferred revenue	-	749,610	418,942	-	-	1,168,552
Increase/(decrease) in compensated absences	-	(10,742)	7,041	(9,720)	(11,586)	(25,007)
Increase/(decrease) in other post employment benefits liability	-	19,964	19,362	9,261	12,339	60,926
Increase/(decrease) in other operating assets/liabilities	(353,248)	-	107,581	685	195	(244,787)
Net Cash Provided by Operating Activities	$ 15,076,977	$ 5,647,673	$ 1,667,328	$ 2,605,881	$ 1,327,879	$ 26,325,738
Supplemental cash flow information:						
Amounts accrued for the purchase of plant and equipment	$ (824,786)	$ -	$ -	$ -	$ -	$ (824,786)

The accompanying notes are an integral part of these financial statements.

CITY OF BURLINGTON, VERMONT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2013

	Pension Trust Fund	Private Purpose Trust Fund	Agency Funds
ASSETS			
Cash and cash equivalents	$ -	$ 37,793	$ 256,068
Investments	145,003,519	-	-
Reimbursement receivable	1,156,478	-	-
Total Assets	146,159,997	37,793	256,068
LIABILITIES			
Accounts payable	306,101	-	-
Accrued payroll	37,022	-	-
Accrued liabilities	145,013	-	-
Compensated absences	13,189	-	-
Due to student organizations	-	-	256,068
Total Liabilities	501,325	-	256,068
NET POSITION			
Held in trust for:			
Employees' pension benefits	145,658,672	-	-
Individuals and organizations	-	37,793	-
Total Net Position	$ 145,658,672	$ 37,793	$ -

The accompanying notes are an integral part of these financial statements.

CITY OF BURLINGTON, VERMONT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2013

	Pension Trust Fund	Private Purpose Trust Fund
Additions:		
Contributions:		
Employer - pension	$ 8,541,644	$ -
Employer - FICA	2,622,938	-
Plan members	2,003,557	-
Other	11	-
Total Contributions	13,168,150	-
Investment earnings:		
Interest and dividends	3,265,847	-
Net increase in the fair value of investments	7,641,456	62
Total Investment Earnings	10,907,303	62
Less Investment Expenses	(634,329)	-
Net Investment Earnings	10,272,974	62
Total Additions	23,441,124	62
Deductions:		
Benefits - pension	10,516,042	-
Benefits - FICA	2,544,011	-
Benefits - post employment health	93,289	-
Administrative expenses	163,768	-
Total deductions	13,317,110	-
Change in net position	10,124,014	62
Net position:		
Beginning of year, as restated	135,534,658	37,731
End of year	$ 145,658,672	$ 37,793

The accompanying notes are an integral part of these financial statements.

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

1. 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 Friends of Fletcher Free Library, the Burlington City Arts Foundation, Burlington Schools Foundation, and the Chittenden Solid Waste District, since after considering all factors related to oversight responsibility, the City has concluded they are not part of the reporting entity.

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

B. *Basis of Presentation*

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

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

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

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

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

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

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

The City reports on the following major governmental funds:

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

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

The City reports on the following major Enterprise funds:

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

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

Telecom Fund - This fund accounts for the operations of Burlington Telecom.

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 less amounts 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 a percentage of payroll. This Fund also pays for the FICA costs for the City's employer's share of FICA.

Agency Fund - This fund accounts for monies maintained for various student groups at the Burlington High School and at the elementary and middle schools.

C. *Measurement Focus*

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

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 nonspendable; restricted; committed; assigned and unassigned amounts. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

D. *Basis of Accounting*

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

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

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

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

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

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

The Burlington Electric Department (the Department) is an enterprise fund of the City of Burlington, Vermont (the City). The City has overall financial accountability for the Department; its Council appoints the Commissioners of the Department which oversee its operations, and the City collateralizes the Department's general obligation debt. The Department is also subject as to rates, accounting, and other matters, to the regulatory authority of the State of Vermont Public Service Board (VPSB) and the Federal Energy Regulatory Commission (FERC). In accordance with FASB ASC Topic 980, *Regulated Operations,* the Department records certain assets and liabilities in accordance with the economic effects of the rate making process.

E. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

F. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at fair value.

G. *Interfund Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

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

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

H. *Jointly Owned Facilities*

The Burlington Electric Department has recorded its ownership interest in jointly owned facilities as capital assets. The Department's ownership interest in each of the jointly owned facilities is as follows:

McNeil Station	50.0%
Highgate Station	7.7%

The Department is responsible for its proportionate share of the operating expenses of the jointly owned facilities which are billed to the Department on a monthly basis. The associated operating costs allocated to the Department are classified in their respective expense categories in the statement of operations. Separate financial statements are available from the Department for these jointly owned facilities.

I. *Investments in Associated Companies*

The Electric Department follows the cost method of accounting for its 6.38% Class B common stock, 1.97% Class C common stock, and 7.69% Class C preferred stock ownership interest in Vermont Electric Power Company, Inc. (VELCO), and its 5.07% ownership interest in Vermont Transco LLC (Transco). Transco is an affiliated entity of VELCO. VELCO owns and operates a transmission system in the State of Vermont over which bulk power is delivered to all electric utilities in the State of Vermont. Under a Power Transmission Contract with the State of Vermont, VELCO bills all costs, including amortization of its debt and a fixed return on equity, to the State of Vermont and others using the system.

During the year ended June 30, 2013, the Department purchased 123,080 Class A units and 156,647 Class B units in VT Transco LLC for a cost of $2,797,270.

J. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

K. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life of five years or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

	Capitalization Threshold	Estimated Service Life
Land	$ -	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
Computer Equipment - Hardware and Software	5,000	3 years
Book Collections	1,000	5 years
Infrastructure	50,000	10-40 years
Distribution, Production and Collection Systems	10,000	10-100 years

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.

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight line method of calculating depreciation. The Electric Department depreciates the McNeil & Highgate Converter Stations using the straight-line method. However, only a portion of the current depreciation is recoverable through future rates. The difference is included in deferred depreciation and will be recovered through future rates.

L. *Nonutility Property*

In 1986, land along the Winooski River was purchased at a cost of $775,600 from a neighboring utility for the development of the Chace Mill hydroelectric project. Although the Department incurred various engineering and other related costs in investigating the feasibility of pursuing this project, the Department declined to move forward. In 1991, under a long-term agreement, the land and land rights were leased to the Winooski One Partnership for the construction of the Winooski One hydroelectric facility.

M. *Renewable Energy Credit Sales*

In 2008, the McNeil Generating Station (McNeil) installed a Regenerative Selective Catalytic Reduction (RSCR) unit. The RSCR unit significantly reduces McNeil's Nitrous Oxide (NOx) emission levels which allow the station to qualify to sell Connecticut Class 1 Renewable Energy Certificates (RECs). The McNeil RECs are determined to be qualified for sale based on a review of emissions outputs by McNeil. At the end of every quarter, an affidavit is signed stating whether or not McNeil's emissions out met the requirements needed to sell the RECs. McNeil receives a certification from the State of Connecticut indicating that they met the standards for the quarter based on the statistics provided by McNeil. Connecticut Class 1 RECs are one of the more valuable REC products in New England and REC sales from McNeil are expected to continue to be a significant revenue source for the Department. Sales are recorded as revenue upon delivery of the RECs to the customer.

In addition, beginning in FY 2012, the Department receives RECs from the Vermont Wind Project in Sheffield. These RECs are qualified for participation in most of the New England REC markets, making revenue for the sale of these RECs a significant source of revenue as well (though not as large a source as the McNeil RECs previously discussed).

The Department planning staff monitors McNeil and Vermont Wind output levels, REC commitments made, and the markets for these RECs and periodically sells RECs either through an auction structure, through broker-initiated transactions, or through direct placement with entities who need the RECs to comply with various New England statutes. The Department enters into agreements to sell these RECs for both the current year's generation and future years' production.

N. *Pollution Remediation Obligations*

The Electric 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 that is the subject of a remediation investigation by the Environmental Protection Agency (the EPA). The Department has agreed to share on an equal basis 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 EPA concerning the remediation plan at the site, the Department believes that the likelihood of any liability material to the financial position of the Department is remote and as such, no liability has been accrued as of June 30, 2013.

O. *Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

P. *Liabilities to be Paid from Restricted Assets*

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

Q. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

R. *Fund Equity*

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance - Fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The City's fund balance classification policies and procedures are as follows:

1) Nonspendable funds are either unspendable in the current form (i.e. inventory or prepaid items) or can never be spent (i.e., perpetual care).
2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the City Council).
4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year.
5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the City uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represent the difference between assets and liabilities. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position are reported as unrestricted.

S. Use of Estimates

The preparation of basic 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 disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. *Liquidity Risk*

Liquidity risk is the risk of not having sufficient liquid financial resources to meet obligations when they fall due, or having to incur excessive costs to do so. Primarily as a result of the Burlington Telecom (BT) deficit and various capital project and enterprise funds deficits, the City had relied on short-term borrowing to obtain cash to pay operating expenditures. Continued reliance on short-period borrowing for cash purposes places the City in a vulnerable position. During fiscal year 2013, the City issued a $9,000,000 Stability Bond to decrease its reliance on short-term cash flow financing. In order to reduce this vulnerability, a plan that identifies the recapture of the Burlington Telecom deficit needs to be realized.

On January 29, 2014, the City entered into a mediated settlement agreement with Citibank in the amount of $10.5M. The City plans to fund the settlement with $6M in bridge financing from special situation lender, $2M from insurance proceeds of the City's and its counsel's carriers, and $2.5M from the City in part financed by BT revenues. Additionally, Citibank is entitled to half of the net proceeds of the future sale of the BT system. Also See Note 27.

The accumulated unassigned fund balance deficit in the General Fund could potentially affect the City's ability to access credit markets and could potentially increase the costs of borrowing. Continued liquidity improvement is dependent upon eliminating the City's accumulated deficits. It is the City's intent to arrange its financial affairs and manage its budget to eliminate its current deficit and provide for future balanced financial operations.

The City's current plans include:

- Adhere to policy with financing first, and spending second.
- Continue to monitor cash position daily, and update forecast weekly.
- Improve the collection rate on outstanding receivables.
- Increase water and wastewater rates.
- Refinance short-term debt with attractive rates, and issue long-term debt approved by the voters.
- Utilize lines of credit instead of anticipation notes.
- Ensure Enterprise and Special Funds operate at a profit, and are cash positive reducing reliance on General Fund pooled cash.
- The City is negotiating with potential private investors to address the deficits at Burlington Telecom.

B. *Budgetary Information*

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

1. Departments, and departments with commission approval, prepare detailed recommendations to the Mayor on the budget. Prior to June 15, the Mayor, with the assistance of the other members of the Board of Finance, prepares and submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimated revenues.
2. Prior to July l, the budget is legally enacted through passage of a resolution of the City Council.
3. The Mayor may propose, with the advice of the Board of Finance, amendments to the budget. Such proposed amendments require a majority approval of the City Council. The amount of such proposed amendments may be decreased by a simple majority vote of the City Council. Such proposed amendments may be increased above the level proposed by the Mayor only with a two-thirds vote of the City Council.
4. The Board of Finance is authorized to transfer budgeted amounts between line items within an appropriation account or within accounts of a department. Any revisions which increase the total expenditures of any department function or fund above the original appropriation must be approved by resolution of the City Council.
5. That portion of the designated fund balance that consists of operating and capital improvement carry-overs, represents unexpended appropriations which are allowed to be carried over to later years as provided for by City Charter or by resolution of the City Council. All other unexpended appropriations lapse at the close of the fiscal year. The City Charter specifically prohibits expenditures in excess of appropriations except on an emergency basis for health, police, fire and public welfare.
6. The City of Burlington tax rate can change each year by the cost of CCTA, Retirement, County and Debt Service without voter approval. However, any rate change on the tax rate for other purposes, above the maximum approved tax rate previously approved by voters, must be approved by City voters.

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, 2013.

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.

C. *Budgetary Basis*

The general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

D. *Budget/GAAP Reconciliation*

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

City General Fund	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Revenues/Expenditures (GAAP Basis)	$ 49,955,619	$ 48,683,565
Other financing sources/uses (GAAP Basis)	9,376,055	641,475
Subtotal (GAAP Basis)	59,331,674	49,325,040
Reverse non-budgeted issuance of debt	(9,000,000)	-
Encumber grant expenditures	-	419,961
Reverse gross-up for capital leases	(139,140)	(139,140)
Budgetary Basis	$ 50,192,534	$ 49,605,861

School General Fund	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Revenues/Expenditures (GAAP Basis)	$ 65,747,276	$ 66,818,297
Other financing sources/uses (GAAP Basis)	-	825,525
Subtotal (GAAP Basis)	65,747,276	67,643,822
To reverse the effect of nonbudgeted State contributions for teachers retirement	(2,939,182)	(2,939,182)
To reverse non-budgeted activity	(2,405,529)	(2,399,780)
Recognize use of fund balance	675,964	-
Budgetary Basis	$ 61,078,529	$ 62,304,860

E. *Excess of Expenditures Over Appropriations*

The School Department had expenditures exceeding appropriations during the current fiscal year.

F. *Deficit Fund Equity*

The following funds had deficits as of June 30, 2013:

General fund (Unassigned)	$	(2,178,623)
School fund (Unassigned)		(2,580,545)
Telecom fund		(15,673,472)
Non-major Governmental funds:		
Community and Economic Development Office		(1,116,543)
Church St.		(235,815)
Southern Connector		(750,293)
South End & Downtown Transit Centers		(17,944)
Engineering		(418,187)
Barge Canal		(16,134)
Moran Plant		(31,417)
Stormwater		(484,582)
Westlake		(81,893)
FEMA		(755,584)
School		(265,023)
Other		(78,601)
Non-major Enterprise funds:		
Water		(148,292)
Total	$	(24,832,948)

The City is working on a plan to address the general fund unassigned deficit and the deficit in the Telecom fund. The deficits in the other funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Cash and Cash Equivalents

A. *Custodial Credit Risk - Deposits*

The custodial credit risk for current operating deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. The deposits at June 30, 2013 totaled $60,874,781 of which $26,943,874 were insured by the FDIC and FHLB Pittsburgh letter of credit for $40,000,000. At June 30, 2013, $13,681,313 remains uncollateralized and exposed to custodial credit risk.

4. Investments

Burlington Electric Department

A. Investments

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 evidence of indebtedness issued or guaranteed by the CoBank, Federal Intermediate Credit Banks, FHLB, FNMA, GNMA, Export-Import Bank of the United States, Federal Land Banks, U.S. Postal Service, Federal Financing Bank, or any agency or instrumentality of or corporation wholly-owned by the United States of America.

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

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

(5) Certificates of deposit and bankers acceptances issued by banks which are members of the FDIC and each of which has a combined capital and surplus of not less than ten million dollars, provided that the time deposits in and acceptances of any bank under the Resolution (a) do not exceed at any time twenty-five percent of the combined capital and surplus of the bank or (b) are fully secured by obligations described in items 1, 2, 3, and 4 of this paragraph.

(6) Repurchase contracts with banks which are described in item 5 or this paragraph, or with recognized primary dealers in government bonds, fully secured by obligations described in items 1, 2, 3, and 4 or this paragraph.

B. Concentration of Credit Risk - Investments

Concentration of credit risk of investments is the risk of loss attributable to the magnitude of a government's investment in a single issuer. The Electric Department invests its current operating cash in three money market accounts with TD Bank and its restricted noncurrent funds in several money market accounts with its bond trustees (US Bank and Peoples United), which exceed 28% of the total investment balance at June 30, 2013. The invested balance of current money market funds at June 30, 2013 was $7,300,147. The invested balance on noncurrent money market funds at June 30, 2013 was $9,978,922.

C. *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates of debt investments that will adversely affect the fair value of an investment. The Electric Department has minimized its risk exposure as its investments are limited to government securities and other conservative investments as outlined in the investment policy.

The Electric Department's investments as of June 30, 2013 (all of which are restricted by Bond resolution) are presented below by investment type, and debt securities are presented by maturity.

Investment Type		Fair Value
Money market	$	9,978,922
Certificates of deposit		9,515,000
Total investments	$	19,493,922

The Department is required by its bond indenture to make monthly deposits into the renewal and replacement fund equal to 10% of the monthly revenue bond debt service funding requirements. Funds on deposit may be withdrawn from the renewal and replacement fund for expenses allowed by the bond covenant. Amounts in excess of $867,000 at June 30 may be returned to the revenue fund. A summary of deposits with bond trustees is as follows:

		6/30/13
Bond funds:		
Renewal and replacement fund	$	815,270
Debt service fund		9,106,955
Debt service reserve fund		9,571,697
		19,493,922
Accrued interest receivable		328,843
Total	$	19,822,765

Burlington Employees Retirement System

A. *Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

Presented below is the actual rating as of year-end of the System (in thousands):

Investment Type		Fair Value
State investment pool*	$	135,086,814
Private equities		3,622,217
Mutual funds		3,181,539
Other external investment pool		3,112,949
Total investments	$	145,003,519

*Fair value is the same as the value of the pool share. The Vermont Pension Investment Committee (VPIC) was established by Act of the Vermont Legislature (Acts 2005, No. 215 (Adj. Sess.), as amended by Acts of 2007, No. 100 (Adj. Sess.)) to combine the assets of the State Teachers' Retirement System of Vermont, the Vermont State Employees' Retirement System, and the Vermont Municipal Employees' Retirement System for the purpose of (i) investment in a manner that is more cost and resource efficient; (ii) improving the effectiveness of the oversight and management of the assets of the Retirement Systems; and (iii) maintaining the actuarial accounting, and asset allocation integrity of the Retirement systems. Subsequent legislation (Acts of 2005, No. 50) authorized the VPIC to enter into agreements with municipalities administering their own retirement systems to invest retirement funds for those municipal plans. The VPIC is operated under contract with professional investment managers. All external investment managers shall be retained pursuant to written contracts that delineate their respective responsibilities and performance expectation and include a formal set of investment guidelines and administrative requirements for management of each portfolio. The VPIC shall retain one or more custodian bank or trust institutions to hold the VPIC portfolio. The custodian bank accounts for and assists in the settlement of all transactions executed by VPIC's investment managers and reports to the VPIC and to staff on holdings and transactions of the VPIC portfolio.

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City and System do not have policies for custodial credit risk.

Of the System's investment in Mutual Funds of $3,181,539, Private Equities of $3,622,217 and Pooled Funds of $138,199,763, the System has a custodial credit risk exposure of $145,003,519 because the related securities are uninsured, unregistered, and held by VPIC. The System manages the risk with SIPC, Excess SIPC and because the assets are held in separately identifiable trust accounts. Of the System's total exposure, $135,086,814 is invested in the State Investment Pool.

C. Concentration of Credit Risk

The System does not have an investment in one issuer greater than 5% of total investments, with the exception of VPIC Fund.

D. 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. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The City and System do not have any such investments, or policies for foreign currency risk.

5. Taxes Receivable

The City is responsible for assessing and collecting its own property taxes as well as education property taxes for the State. Property taxes are assessed based on property valuations as of April 1, annually. Taxes are due four times per year on August 12, November 12, March 12, and June 12. 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 is added after the tenth day late and an additional 1% per month thereafter. Taxes which remain unpaid ten days after the June 12 due date are delinquent and are subject to an 8% penalty and interest calculated at 12%. Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale.

Taxes receivable at June 30, 2013 consist of the following (in thousands):

Property Taxes - 2013	$ 600,196
Property Taxes - Prior Years	948,440
Gross Receipts Taxes	406,132
Allowance for Doubtful Taxes	(851,928)
Total	$ 1,102,840

6. User Fees Receivable

User fees receivable include amounts due from customers for electric service, rent and passenger facility charges at the airport, cable, internet and phone services, and water and sewer usage. User fees receivable are reported net of an allowance for doubtful accounts estimated at up to 30% of accounts receivable depending on the aging of the receivables. Water and sewer delinquent receivables are liened in a similar manner as property taxes, described in Note 5.

User fees receivable and related allowance for doubtful accounts at June 30, 2013 consist of the following:

	Electric	Airport	Telecom	Wastewater	Nonmajor Fund - Water	Total
Billed Service Fees	$ 5,709,583	$ 1,924,503	$ 870,455	$ 818,677	$ 623,403	$ 9,946,621
Allowance for Doubtful Fees	(226,618)	(263,811)	(112,824)	(3,000)	(3,000)	(609,253)
Total	$ 5,482,965	$ 1,660,692	$ 757,631	$ 815,677	$ 620,403	$ 9,337,368

7. Departmental and Other Receivables

Departmental and other receivables, as reported in the governmental funds, represent ambulance, police tickets, local option sales tax, community and economic development office receivables, and other reimbursements.

	Ambulance	Police	Local Option Sales Tax	CEDO	Other	Total
Gross	$ 897,699	$ 2,430,297	$ 519,773	$ 1,601,691	$ 956,663	$ 6,406,123
Less: Allowance for doubtful accounts	(583,570)	(1,765,572)	-	-	(71,395)	(2,420,537)
Total	$ 314,129	$ 664,725	$ 519,773	$ 1,601,691	$ 885,268	$ 3,985,586

8. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013.

	Governmental Funds	Enterprise Funds	Total
School general	$ 1,015,125	$ -	$ 1,015,125
Stormwater grants	88,313	-	88,313
Capital Project grants	2,602,017	-	2,602,017
School special revenue	409,875	-	409,875
Airport improvements	-	2,155,918	2,155,918
School food service	-	328,077	328,077
Total	$ 4,115,330	$ 2,483,995	$ 6,599,325

9. Notes and Loans Receivables

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

The following is a summary of the major components of notes, loans, and accrued interest receivables at June 30, 2013:

	Governmental Funds	Enterprise Funds
Interest free HODAG loan receivable for Riverside Avenue and Salmon Run dated October 16, 2009 maturing on October 16, 2039.	$ 2,750,000	$ -
Less: allowance for doubtful accounts	(2,750,000)	-
CEDO loans receivable represent loans under Housing and Urban Development programs.	13,499,307	-
Less: allowance for doubtful accounts	(9,136,653)	-
Burlington Electric Department notes receivable from Winooski One Partnership.	-	1,130,000
Total notes and loans receivable	$ 4,362,654	$ 1,130,000

10. Capital Lease Receivable - BCDC

The Burlington Community Development Corporation (BCDC) has various receivables on outstanding development or rehabilitation of properties within the City from new businesses. The repayment terms vary and are contingent on numerous factors outside the control of the City.

The following is a summary of the major components of capital lease receivables for BCDC at June 30, 2013:

	Component Unit
BCDC capital lease receivable from Westlake Parking, LLC dated 7/26/2007. The annual lease payment is $72,000, including interest at 7% annually, maturing on 7/26/2026 with a lump sum payment of $448,000. The lease requires an annual contribution of $6,000 to a capital reserve fund.	$ 803,416
BCDC 1993 relief bond receivables (3) from Champlain Housing Trust Corporation, offset by bond payable. The total quarterly payments are $21,588 including interest rates between 3.25% - 4.00%, maturing in February 2022.	780,219
BCDC Multi-generational bond receivable from Champlain Housing Trust Corporation, offset by bond payable. The monthly payment is $1,879, maturing on June 1, 2015.	241,069
Total capital leases receivable	1,824,704
Less: amount due within one year	(86,436)
Capital leases receivable, net of current portion	$ 1,738,268

Expected future receipts of BCDC's lease receivables are as follows:

Fiscal Year	Principal	Interest	Total
2014	$ 86,436	$ 94,371	$ 180,807
2015	309,354	90,599	399,953
2016	82,382	75,963	158,345
2017	85,920	72,427	158,347
2018	89,624	68,723	158,347
2019-2023	585,332	275,629	860,961
2024-2027	585,656	150,344	736,000
Total	$ 1,824,704	$ 828,056	$ 2,652,760

11. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2013 balances in interfund receivable and payable accounts:

Fund	Due From Other Funds	Due To Other Funds
General Fund	$ -	$ 13,413,874
School Fund	3,512,622	-
Airport Fund	294,393	-
Telecom Fund	1,370,071	-
Wastewater Fund	-	54,078
Other Nonmajor Governmental Funds:		
General Capital Project Fund	2,567,130	-
Dedicated Taxes Fund	1,651,426	-
Tax Increment Financing Fund	1,347,489	-
Cemetery Trust Fund	1,047,397	-
Impact Fees Fund	871,942	-
School Special Revenue Fund	731,649	-
Street Improvements Fund	406,245	-
Traffic Fund	283,886	-
School Capital Fund	236,528	-
Stormwater Fund	230,306	-
City Other Capital Fund	22,438	-
Mary E. Waddell Fund	13,886	-
Loomis Library Fund	10,948	-
WEZF 93 FS DARE Fund	2,236	-
Community and Economic Development Office Fund	-	943,863
FEMA	-	447,177
On and Off Church Street Fund	-	363,834
Church Street Marketplace Fund	-	158,485
Barge Canal Pond Fund	-	56,200
Moran Plant Fund	-	10,616
Southend/Downtown Transit Center Funds	-	6,324
Subtotal other nonmajor governmental funds	9,423,506	1,986,499
Other Nonmajor Enterprise Funds:		
School Food Service Fund	853,859	-
Total	$ 15,454,451	$ 15,454,451

The composition of Advances To/From Other Funds (amounts considered to be long-term) as of June 30, 2013 is as follows:

Fund	Advances to Other Funds	Advances from Other Funds
General Fund	$ 20,108,830	$ -
Telecom Fund	-	16,936,492
Water Fund	-	988,131
Southern Connector Fund	-	562,858
Stormwater Upgrade fund	-	484,583
Westlake Fund	-	564,808
Community and Economic Development Office Fund	-	571,958
Total	$ 20,108,830	$ 20,108,830

The City reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2013:

Governmental Funds:	Transfers In	Transfers Out
Major Funds:		
General Fund	$ 23,750	$ 641,475
School	-	825,525
Nonmajor Funds:		
Special Revenue Funds:		
Traffic commission	447,446	-
Community and economic development	280,393	-
School special revenue	-	5,500
Impact Fees	-	178,714
Church street market place	11,000	-
Capital Project Funds:		
General	-	137,726
Southern connector	12,857	-
Street improvements	81,350	139,059
Engineering	95,132	-
Fuel depot	-	23,750
Other capital projects	168,796	-
Debt Service Fund	733,525	-
Subtotal Nonmajor Governmental Funds	1,830,499	484,749

(continued)

(continued)

Governmental Funds:	Transfers In	Transfers Out
Business-Type Funds:		
Nonmajor Funds:		
School food service	97,500	-
Subtotal Nonmajor Business-Type Funds	97,500	-
Grand Total	$ 1,951,749	$ 1,951,749

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

12. Capital Assets

Capital asset activity for the City's Governmental and Business-Type Activities, as well as each enterprise fund, for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 15,932,130	$ -	$ -	$ 15,932,130
Construction in progress [(A)]	3,646,608	8,682,602	-	12,329,210
Antiques and works of art	52,000	-	-	52,000
Total capital assets, not being depreciated	19,630,738	8,682,602	-	28,313,340
Capital assets, being depreciated:				
Land improvements	2,559,806	42,769	-	2,602,575
Buildings and building improvements	93,495,551	1,014,049	-	94,509,600
Vehicles, machinery, equipment and furniture	27,411,830	1,177,131	(1,570,792)	27,018,169
Book collections	1,432,732	166,338	(151,427)	1,447,643
Infrastructure	112,193,765	1,160,419	-	113,354,184
Total capital assets, being depreciated	237,093,684	3,560,706	(1,722,219)	238,932,171
Less accumulated depreciation for:				
Land improvements	(516,071)	(102,782)	-	(618,853)
Buildings and building improvements	(20,503,910)	(1,665,157)	-	(22,169,067)
Vehicles, machinery, equipment and furniture	(17,720,509)	(2,175,652)	1,535,206	(18,360,955)
Book collections	(873,410)	(201,379)	134,926	(939,863)
Infrastructure	(55,390,600)	(3,689,095)	-	(59,079,695)
Total accumulated depreciation	(95,004,500)	(7,834,065)	1,670,132	(101,168,433)
Total capital assets, being depreciated, net	142,089,184	(4,273,359)	(52,087)	137,763,738
Governmental activities capital assets, net	$ 161,719,922	$ 4,409,243	$ (52,087)	$ 166,077,078

	Beginning Balance	Increases	Decreases	Ending Balance
City:				
Capital assets, not being depreciated:				
Land	$ 13,680,454	$ -	$ -	$ 13,680,454
Construction in progress	2,937,131	3,879,071	-	6,816,202
Antiques and works of art	52,000	-	-	52,000
Total capital assets, not being depreciated	16,669,585	3,879,071	-	20,548,656
Capital assets, being depreciated:				
Land improvements	2,559,806	42,769	-	2,602,575
Buildings and building improvements	51,740,166	476,707	-	52,216,873
Vehicles, machinery, equipment and furniture	19,969,864	973,197	(185,135)	20,757,926
Book collections	1,432,732	166,338	(151,427)	1,447,643
Infrastructure	112,193,765	1,160,419	-	113,354,184
Total capital assets, being depreciated	187,896,333	2,819,430	(336,562)	190,379,201
Less accumulated depreciation for:				
Land improvements	(516,071)	(102,782)	-	(618,853)
Buildings and building improvements	(10,350,286)	(788,406)	-	(11,138,692)
Vehicles, machinery, equipment and furniture	(11,941,569)	(1,740,355)	176,730	(13,505,194)
Book collections	(873,410)	(201,379)	134,926	(939,863)
Infrastructure	(55,390,600)	(3,689,095)	-	(59,079,695)
Total accumulated depreciation	(79,071,936)	(6,522,017)	311,656	(85,282,297)
Total capital assets, being depreciated, net	108,824,397	(3,702,587)	(24,906)	105,096,904
City capital assets, net	$ 125,493,982	$ 176,484	$ (24,906)	$ 125,645,560

	Beginning Balance	Increases	Decreases	Ending Balance
School:				
Capital assets, not being depreciated:				
Land	$ 2,251,676	$ -	$ -	$ 2,251,676
Construction in progress	709,477	4,803,531	-	5,513,008
Total capital assets, not being depreciated	2,961,153	4,803,531	-	7,764,684
Capital assets, being depreciated:				
Buildings and building improvements	41,755,385	537,342	-	42,292,727
Vehicles, machinery, equipment and furniture	7,441,966	203,934	(1,385,657)	6,260,243
Total capital assets, being depreciated	49,197,351	741,276	(1,385,657)	48,552,970
Less accumulated depreciation for:				
Buildings and building improvements	(10,153,624)	(876,751)	-	(11,030,375)
Vehicles, machinery, equipment and furniture	(5,778,940)	(435,297)	1,358,476	(4,855,761)
Total accumulated depreciation	(15,932,564)	(1,312,048)	1,358,476	(15,886,136)
Total capital assets, being depreciated, net	33,264,787	(570,772)	(27,181)	32,666,834
School capital assets, net	$ 36,225,940	$ 4,232,759	$ (27,181)	$ 40,431,518

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities-				
Combined all Enterprise Funds:				
Capital assets, not being depreciated:				
Land	$ 23,495,048	$ -	$ -	$ 23,495,048
Construction in progress	22,623,615	15,170,953	(13,276,965)	24,517,603
Total capital assets, not being depreciated	46,118,663	15,170,953	(13,276,965)	48,012,651
Capital assets, being depreciated:				
Land improvements	96,644,208	1,372,001	(404)	98,015,805
Buildings and building improvements	85,081,978	1,462,059	-	86,544,037
Vehicles, machinery, equipment and furniture	24,214,379	185,398	(337,388)	24,062,389
Distribution and collection systems	192,232,043	13,596,294	(1,117,908)	204,710,429
Total capital assets, being depreciated	398,172,608	16,615,752	(1,455,700)	413,332,660
Less accumulated depreciation for:				
Land improvements	(37,851,728)	(3,731,789)	-	(41,583,517)
Buildings and building improvements	(24,899,970)	(2,576,134)	-	(27,476,104)
Vehicles, machinery, equipment and furniture	(14,861,729)	(1,273,475)	318,792	(15,816,412)
Distribution and collection systems	(102,405,875)	(4,677,193)	891,669	(106,191,399)
Total accumulated depreciation	(180,019,302)	(12,258,591)	1,210,461	(191,067,432)
Total capital assets, being depreciated, net	218,153,306	4,357,161	(245,239)	222,265,228
Business-type activities capital assets, net	$ 264,271,969	$ 19,528,114	$ (13,522,204)	$ 270,277,879

	Beginning Balance	Increases	Decreases	Ending Balance
Electric Enterprise Fund:				
Capital assets, not being depreciated:				
Land	$ 559,594	$ -	$ -	$ 559,594
Construction in progress	4,069,222	9,132,912	(11,918,034)	1,284,100
Total capital assets, not being depreciated	4,628,816	9,132,912	(11,918,034)	1,843,694
Capital assets, being depreciated:				
Distribution and collection systems	140,345,096	13,329,138	(1,101,730)	152,572,504
Total capital assets, being depreciated	140,345,096	13,329,138	(1,101,730)	152,572,504
Less accumulated depreciation for:				
Distribution and collection systems	(73,390,030)	(3,897,984)	875,491	(76,412,523)
Total accumulated depreciation	(73,390,030)	(3,897,984)	875,491	(76,412,523)
Total capital assets, being depreciated, net	66,955,066	9,431,154	(226,239)	76,159,981
Electric Enterprise Fund capital assets, net	$ 71,583,882	$ 18,564,066	$ (12,144,273)	$ 78,003,675

Airport Enterprise Fund:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 21,878,452	$ -	$ -	$ 21,878,452
Construction in progress	18,554,393	6,038,041	(1,358,931)	23,233,503
Total capital assets, not being depreciated	40,432,845	6,038,041	(1,358,931)	45,111,955
Capital assets, being depreciated:				
Land improvements	66,725,173	1,372,001	(404)	68,096,770
Buildings and building improvements	81,916,625	614,385	-	82,531,010
Vehicles, machinery, equipment and furniture	9,719,352	135,707	(266,372)	9,588,687
Total capital assets, being depreciated	158,361,150	2,122,093	(266,776)	160,216,467
Less accumulated depreciation for:				
Land improvements	(24,486,037)	(2,999,487)	-	(27,485,524)
Buildings and building improvements	(24,543,144)	(2,503,082)	-	(27,046,226)
Vehicles, machinery, equipment and furniture	(4,179,422)	(524,240)	259,194	(4,444,468)
Total accumulated depreciation	(53,208,603)	(6,026,809)	259,194	(58,976,218)
Total capital assets, being depreciated, net	105,152,547	(3,904,716)	(7,582)	101,240,249
Airport Enterprise Fund capital assets, net	$ 145,585,392	$ 2,133,325	$ (1,366,513)	$ 146,352,204

Telecom Enterprise Fund:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 157,800	$ -	$ -	$ 157,800
Total capital assets, not being depreciated	157,800	-	-	157,800
Capital assets, being depreciated:				
Buildings and building improvements	3,165,353	847,674	-	4,013,027
Vehicles, machinery, equipment and furniture	804,065	-	-	804,065
Total capital assets, being depreciated	3,969,418	847,674	-	4,817,092
Less accumulated depreciation for:				
Buildings and building improvements	(356,826)	(73,052)	-	(429,878)
Vehicles, machinery, equipment and furniture	(763,179)	(156,243)	-	(919,422)
Total accumulated depreciation	(1,120,005)	(229,295)	-	(1,349,300)
Total capital assets, being depreciated, net	2,849,413	618,379	-	3,467,792
Telecom Enterprise Fund capital assets, net	$ 3,007,213	$ 618,379	$ -	$ 3,625,592

	Beginning Balance	Increases	Decreases	Ending Balance
Wastewater Enterprise Fund:				
Capital assets, not being depreciated:				
Land	$ 847,952	$ -	$ -	$ 847,952
Total capital assets, not being depreciated	847,952	-	-	847,952
Capital assets, being depreciated:				
Land improvements	29,919,035	-	-	29,919,035
Vehicles, machinery, equipment and furniture	11,906,511	17,501	(10,839)	11,913,173
Distribution and collection systems	17,540,634	149,035	-	17,689,669
Total capital assets, being depreciated	59,366,180	166,536	(10,839)	59,521,877
Less accumulated depreciation for:				
Land improvements	(13,365,691)	(732,302)	-	(14,097,993)
Vehicles, machinery, equipment and furniture	(8,721,072)	(504,258)	10,839	(9,214,491)
Distribution and collection systems	(6,466,752)	(367,305)	-	(6,834,057)
Total accumulated depreciation	(28,553,515)	(1,603,865)	10,839	(30,146,541)
Total capital assets, being depreciated, net	30,812,665	(1,437,329)	-	29,375,336
Wastewater Enterprise Fund capital assets, net	$ 31,660,617	$ (1,437,329)	$ -	$ 30,223,288

	Beginning Balance	Increases	Decreases	Ending Balance
Water Enterprise Fund:				
Capital assets, not being depreciated:				
Land	$ 51,250	$ -	$ -	$ 51,250
Total capital assets, not being depreciated	51,250	-	-	51,250
Capital assets, being depreciated:				
Vehicles, machinery, equipment and furniture	1,321,537	32,190	(60,177)	1,293,550
Distribution and collection systems	34,346,313	118,121	(16,178)	34,448,256
Total capital assets, being depreciated	35,667,850	150,311	(76,355)	35,741,806
Less accumulated depreciation for:				
Vehicles, machinery, equipment and furniture	(876,555)	(62,271)	48,759	(890,067)
Distribution and collection systems	(22,549,093)	(411,904)	16,178	(22,944,819)
Total accumulated depreciation	(23,425,648)	(474,175)	64,937	(23,834,886)
Total capital assets, being depreciated, net	12,242,202	(323,864)	(11,418)	11,906,920
Water Enterprise Fund capital assets, net	$ 12,293,452	$ (323,864)	$ (11,418)	$ 11,958,170

	Beginning Balance	Increases	Decreases	Ending Balance
Other Nonmajor Enterprise Funds:				
Capital assets, being depreciated:				
Vehicles, machinery, equipment and furniture	$ 462,914	$ -	$ -	$ 462,914
Total capital assets, being depreciated	462,914	-	-	462,914
Less accumulated depreciation for:				
Vehicles, machinery, equipment and furniture	(321,501)	(26,463)	-	(347,964)
Total accumulated depreciation	(321,501)	(26,463)	-	(347,964)
Total capital assets, being depreciated, net	141,413	(26,463)	-	114,950
Other Nonmajor Enterprise Funds capital assets, net	$ 141,413	$ (26,463)	$ -	$ 114,950

Certain amounts in the beginning balance column have been reclassified from amounts reported in the fiscal year 2012 financial statements.

Depreciation expense was charged to functions of the City as follows:

Governmental Activities:	
General government	$ 284,193
Public safety	955,386
Public works	4,055,705
Community development	4,376
Culture and recreation	1,222,357
Education	1,312,048
Total depreciation expense - governmental activities	$ 7,834,065
Business-Type Activities:	
Electric	$ 3,897,984
Airport	6,026,809
Telecom	229,295
Wastewater	1,603,865
Water	474,175
Education	26,463
Total depreciation expense - business-type activities	$ 12,258,591

A summary of Burlington's component unit Burlington Community Development Corporation's capital assets activity is as follow:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit				
Capital Assets, Not Being Depreciated:				
Land	$ 1,155,249	$ -	$ -	$ 1,155,249
Total Capital Assets, Not Being Depreciated	1,155,249	-	-	1,155,249
Capital Assets, Being Depreciated:				
Buildings	5,340,387	-	-	5,340,387
Land Improvements	342,548	-	-	342,548
Total	5,682,935	-	-	5,682,935
Less accumulated depreciation for:				
Buildings	(566,092)	(70,325)	-	(636,417)
Land Improvements	(57,092)	(5,710)	-	(62,802)
Totals	(623,184)	(76,035)	-	(699,219)
Total Capital Assets, Being Depreciated	5,059,751	(76,035)	-	4,983,716
Component Unit Capital Assets, Net	$ 6,215,000	$ (76,035)	$ -	$ 6,138,965

13. Deferred Charges

Deferred Charges represent unamortized bond issue costs and various other Burlington Electric Department's accounts. Amounts deferred at June 30, 2013 are comprised of the following:

	Governmental Activities	Electric Fund	Airport Fund	Total Enterprise Funds
Unamortized bond issue costs	$ 643,214	$ 1,355,335	$ 846,583	$ 2,201,918 (A)
Deferred depreciation expense to be recovered in future years	-	2,272,848	-	2,272,848
Unamortized costs of demand side management (DSM)	-	952,263	-	952,263
Loss on transfer of Moran Station	-	209,800	-	209,800
Costs associated with Chace Hydro	-	458,726	-	458,726
Deferred VPSB accounting orders	-	667,831	-	667,831
Retirement of meters	-	203,637	-	203,637
Total	$ 643,214	$ 6,120,440	$ 846,583	$ 6,967,023

(A) Considered current as the City will implement GASB 65 in fiscal year 2014.

A. *Unamortized Bond Issue Costs*

The City has deferred charges resulting from the cost of issuing new debt. Consistent with the rate-making treatment, such deferred charges are being amortized using the sinking fund method as they are recovered through rates over the terms of the related debt. In 2013, the City incurred additional bond issuance costs in the amount of $83,168, while Burlington Electric Department (BED) incurred additional costs of $74,195. Amortization of BED's debt issuance costs was $195,374 for the year ended June 30, 2013.

B. *Unamortized Costs of Demand Side Management (DSM)*

In March 1990, the voters of the City of Burlington approved an $11,300,000 bond issue to fund DSM programs. In October 1992, the 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 the rate making treatment, the Department is amortizing and recovering these costs using the sinking fund method as they are recovered rates over the terms of the related debt. Amortization was $904,227 for the year ending June 30, 2013. On December 31, 2002, the Department discontinued its deferral of new costs incurred for its demand side management programs as a statewide energy efficiency charge (EEC), billable to Department customers, went into effect January 1, 2003. Accordingly, future program costs incurred are charged directly to expense. The Department is allowed reimbursement for these program costs from the EEC up to 100% of the aggregate amount billed to its customers.

C. *Loss on Transfer of Moran Station*

The Moran Station was deactivated in 1986. Consistent with the rate making treatment, the undepreciated costs of the plant are being amortized using the sinking fund method as they are recovered through rates over the related debt used to finance improvements to the Station. Amortization was $201,128 for the year ending June 30, 2013.

D. *Costs Associated with Chace Hydro*

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 Department-owned land on the Winooski River. The costs associated with Chace Hydro are being amortized and recovered through rates over the life of the outstanding bonds which were issued to finance the Department's interest in the project. Amortization was $435,585 for the year ending June 30, 2013.

E. *Deferred-VPSB Accounting Orders*

In 2012, the Electric Department obtained an accounting order from the VPSB approving the deferral of its 50% joint ownership share of the costs incurred related to the 2011 McNeil Station turbine overhaul. The total deferred cost was $934,044 and will be amortized over 84 months beginning July 2011. Amortization expense related to the deferred overhaul charges was $133,566 for 2013, and has been reported as a component of production expense.

F. *Retirement of Meters*

Due to the Smart Grid project, under a Department of Public Service directive, the depreciated book cost of certain retired meters has been deferred and will be amortized over a five year period.

14. Accounts Payable and Accrued Expenses

Accounts payable represent 2013 expenditures paid on or after July 1, 2013.

15. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2013 receivable balances, except certain receipts that were received within 60 days of the end of the year.

16. Anticipation Notes Payable

The City had the following notes outstanding at June 30, 2013:

	Interest Rate	Date of Issue	Date of Maturity	Balance at 6/30/13
Grant anticipation notes:				
Airport line of credit	variable	8/18/2011	12/31/2013	$ 1,051,892
Total grant anticipation notes				1,051,892
Total notes outstanding				$ 1,051,892

The following summarizes activity in bond anticipation notes (BANS) and lines of credit (LOC) during fiscal year 2013:

Note		Balance Beginning of Year		New Issues		Maturities		Balance End of Year
BAN - Airport fund	$	12,000,000	$	-	$	(12,000,000)	$	-
BAN - General fund		1,000,000		-		(1,000,000)		-
BAN - BED		2,000,000		-		(2,000,000)		-
GAN - Airport (LOC)		819,000		610,097		(377,205)		1,051,892
RAN - BED (LOC)		3,500,000		-		(3,500,000)		-
TAN - General fund (LOC)		-		9,500,000		(9,500,000)		-
RAN - Airport		-		2,000,000		(2,000,000)		-
RAN - BED (LOC)		-		2,500,000		(2,500,000)		-
RAN - Airport (LOC)		-		750,000		(750,000)		-
Total	$	19,319,000	$	15,360,097	$	(33,627,205)	$	1,051,892

17. Long-Term Obligations – City of Burlington

A. *Types of Long-Term Obligations*

General Obligation Bonds. The City issues general obligation bonds to provide resources for the acquisition and construction of major capital facilities and to refund prior bond 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.

No-Interest Revolving Loans. The State of Vermont offers a number of no-interest revolving loan programs to utilize for predetermined purposes. Two of the five no-interest loans do charge a 2% administration fee. The City has borrowed money from the Vermont Special Environmental Revolving Fund for sewer stormwater projects. These bonds are both general obligation and revenue supported bonds.

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

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

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

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

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

Unamortized Premiums, Discounts, Issue Costs, and Refunding Losses

Debt premiums, discounts, issue costs, and refunding losses incurred in connection with the sale of bonds are amortized over the terms of the related debt. Unamortized balances are included as a component of long-term debt.

Other Post-employment Benefits

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

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

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

Governmental Activities:	Serial Maturities Through	Interest Rate(s) %	Amount Issued	Amount Outstanding as of 6/30/13
General obligation bonds:				
Fire Equipment Bond 2003A	11/01/2018	3.50 - 4.00%	$ 2,500,000	$ 1,180,000
General Improvements 2003 Series B	11/01/2013	2.00 - 3.75%	750,000	90,000
General Improvements 2004 Refunding Series B	12/01/2016	2.00 - 3.80%	530,000	165,000
General Improvements 2004 Series A	11/1/2014	2.25 - 3.75%	750,000	170,000
General Improvements 2005 Series A	11/01/2015	3.50 - 3.60%	250,000	85,000
General Improvements 2005 Series B	11/1/2015	3.25 - 3.50%	1,000,000	345,000
General Improvements 2006 Series B	11/1/2026	3.50 - 4.00%	1,000,000	780,000
General Improvements 2007 Series A	11/1/2027	3.50 - 4.25%	1,000,000	820,000
General Improvements 2009 Series C	11/1/2029	2.00 - 4.125%	1,000,000	885,000
General Improvements 2009 Series C	11/1/2029	2.00 - 4.125%	1,000,000	885,000
General Improvements 2009 Series C Street Impr.	11/1/2029	2.00 - 4.125%	2,250,000	2,010,000
General Improvements 2011 Series A - City FY 2010	11/1/2031	3.00 - 4.75%	1,000,000	975,000
General Improvements 2011 Series A - City Fire	11/1/2031	3.00 - 4.75%	1,325,000	1,290,000
General Improvements 2011 Series A - Street Paving	11/1/2031	3.00 - 4.75%	3,250,000	3,160,000
General Improvements 2011 Series B - City FY 2011	11/1/2031	2.00 - 4.75%	1,000,000	970,000
G.O. School 2002 Series Refunding Bonds	09/01/2013	2.50 - 4.00%	1,070,000	120,000
G.O. School 2002 Series A Bonds	03/01/2018	3.00 - 4.75%	860,000	520,000
G.O. School 2004 Refunding Series B Bonds	12/01/2016	2.00 - 3.80%	2,370,000	730,000
G.O. School 2005 Series B Bonds	11/1/2025	3.25 - 4.2%	750,000	560,000
G.O. School 2006 Series A Bonds	11/1/2026	3.50 - 4.00%	750,000	585,000
G.O. School 2006 Series A Bonds - Athletic Field	11/1/2026	3.50 - 4.00%	3,615,000	2,825,000
G.O. School 2007 Series A Bonds	11/1/2027	3.50 - 4.25%	750,000	620,000
G.O. School 2009 Series C Bonds	11/1/2029	2.00 - 4.125%	750,000	665,000
G.O. School 2009 Series C Bonds	11/1/2029	2.00 - 4.125%	2,000,000	1,780,000
G.O. School 2010 Series B Taxable GO Public Impr.	11/1/2026	6.50%	2,000,000	2,000,000

(continued)

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Governmental Activities:	Serial Maturities Through	Interest Rate(s) %	Amount Issued	Amount Outstanding as of 6/30/13
G.O. School 2010 Series A Qualified School Constr.	11/1/2026	6.50%	9,700,000	9,700,000
General Improvements 2011 Series B - School	11/1/2031	2.00 - 4.75%	2,000,000	1,940,000
Public Improvement Bonds 2012 Series A - 2012 City	11/1/2032	5.00%	1,000,000	1,000,000
Public Improvement Bonds 2012 Series A - 2013 City	11/1/2032	5.00%	2,000,000	2,000,000
Public Improvement Bonds 2012 Series A - 2013 School	6/30/2033	5.00%	3,250,000	3,250,000
Taxable G.O. Bonds 2013 Series A - Fiscal Stability	11/1/2028	3.50 - 5.25%	9,000,000	9,000,000
Total general obligation bonds				51,105,000
Other debt:				
Downtown Parking - Certificate of Participation	12/01/2018	4.30 - 4.80%	5,500,000	1,510,000
Waterfront Refunding - Certificate of Participation	12/01/2018	4.30 - 4.80%	1,390,000	560,000
Capital Projects - Certificate of Participation	12/01/2020	5.375 - 5.75%	4,100,000	2,175,000
Downtown Parking - Certificate of Participation	05/01/2025	4.0 - 4.375%	7,870,000	5,855,000
HUD Section 108 - US Guaranteed Notes 1999	08/01/2017	5.40 - 6.20%	1,930,000	490,000
HUD Section 108 - US Guaranteed Notes 2003	08/01/2022	3.25%	3,602,000	495,000
HUD Section 108 - US Guaranteed Notes 2005	08/01/2018	variable	1,827,000	800,000
Stormwater Revenue Obligation Bond	10/01/2031	2.00%	1,204,000	368,572
Total other debt				12,253,572
Total Governmental Activities:				$ 63,358,572

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

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

Business-Type Activities:	Serial Maturities Through	Interest Rate(s) %	Amount Issued	Amount Outstanding as of 6/30/13
General obligation bonds:				
Electric 2004 Series B Refunding Bonds	12/01/2016	2.00 - 3.80%	$ 510,002	$ 160,000
Electric 2005 Series A Bonds	11/01/2025	3.50 - 4.20%	1,000,000	745,000
Electric 2005 Series B Bonds	11/01/2025	3.25 - 4.20%	1,000,000	745,000
Electric 2006 Series A Bonds	11/01/2026	3.50 - 4.00%	1,000,000	780,000
Electric 2007 Series A Bonds	11/01/2032	3.50 - 4.25%	1,000,000	820,000
Electric 2009 Series A Bonds	11/01/2029	2.00 - 4.375%	12,750,000	11,285,000
Electric 2009 Series B Bonds	11/01/2029	4.00 - 6.00%	8,250,000	7,465,000
Electric 2009 Series D Bonds	11/01/2029	1.45 - 5.60%	4,615,000	4,200,000
Electric 2009 Series C Bonds	11/01/2029	2.00 - 4.125%	1,000,000	885,000
Electric 2009 Series C Bonds	11/01/2029	2.00 - 4.125%	1,000,000	885,000
Electric 2009 Series C Bonds	11/01/2029	2.00 - 4.125%	10,985,000	9,770,000
General Improvements 2011 Series A - Electric Portion	11/01/2031	3.00 - 4.75%	1,000,000	975,000
General Improvements 2011 Series B - Electric Portion	11/01/2031	2.00 - 4.75%	1,000,000	970,000
Public Improvement 2012 Series A - 2012 Electric	11/01/2032	5.00%	2,000,000	2,000,000
Public Improvement 2012 Series A - 2013 Electric	11/01/2032	5.00%	1,750,000	1,750,000
Taxable Public Improvement 2012 Series B - Electric	11/01/2032	6.00%	1,250,000	1,250,000
Total general obligation bonds				44,685,000

(continued)

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Business-Type Activities:	Serial Maturities Through	Interest Rate(s) %	Amount Issued	Amount Outstanding as of 6/30/13
Other debt:				
Electric Revenue Bonds 2001 Series A	07/01/2014	2.30 - 4.60%	11,115,000	4,975,000
Electric Revenue Bonds 2002 Series A	07/01/2014	5.00 - 5.375%	20,875,000	9,855,000
Electric Revenue Bonds 2004 Series A	07/01/2024	2.75 - 5.00%	10,000,000	6,860,000
Electric Revenue Bonds 2011 Series A	07/01/2031	4.25 - 5.75%	8,775,000	8,775,000
Electric Revenue Bonds 2011 Series B	07/01/2031	7.25 - 8.25%	3,135,000	3,135,000
Wastewater State of VT-EPA 1991 Series 1	01/01/2014	0.00%	19,403,807	14,570,620
Wastewater State of VT-EPA 2006 Series 1 (Siphon)	02/01/2027	2.00%	1,650,000	1,137,043
Wastewater State of VT-EPA 2009 Series I (Turbo)	10/01/2031	2.00%	120,000	46,451
State of VT-EPA 2001 Series 1 (Digester)	08/01/2027	2.00%	2,500,000	1,268,968
Airport Revenue Bonds 2003 Series A and B	07/01/2028	2.00 - 5.00%	24,800,000	19,360,000
Airport Revenue Refunding 2012 Series A	07/01/2028	4.00 - 5.00%	17,670,000	17,670,000
Airport Revenue Refunding 2012 Series B	07/01/2018	3.50%	7,130,000	7,130,000
Airport Revenue Refunding 2012 Series C	07/01/2013	4.00%	80,000	80,000
Total other debt				94,863,082
Total Business-Type Activities:				$ 139,548,082

B. *Future Debt Service*

The annual payments to retire all governmental general obligation long-term debt outstanding as of June 30, 2013 are as follows:

Governmental Activities Combined	Principal	Interest	Total
2014	$ 2,955,000	$ 2,892,326	$ 5,847,326
2015	3,400,000	2,756,610	6,156,610
2016	3,430,000	2,617,471	6,047,471
2017	3,415,000	2,484,009	5,899,009
2018	3,580,000	2,342,832	5,922,832
2019 - 2023	15,268,117	9,726,136	24,994,253
2024 - 2028	24,896,296	5,602,481	30,498,777
2029 - 2033	6,414,159	566,228	6,980,387
Total	$ 63,358,572	$ 28,988,093	$ 92,346,665

City		Principal		Interest		Total
2014	$	2,095,000	$	1,589,802	$	3,684,802
2015		2,625,000		1,483,127		4,108,127
2016		2,630,000		1,372,188		4,002,188
2017		2,585,000		1,268,601		3,853,601
2018		2,910,000		1,155,734		4,065,734
2019 - 2023		11,503,117		4,218,660		15,721,777
2024 - 2028		9,341,296		2,060,500		11,401,796
2029 - 2033		4,374,159		351,810		4,725,969
Total	$	38,063,572	$	13,500,422	$	51,563,994

School		Principal		Interest		Total
2014	$	860,000	$	1,302,524	$	2,162,524
2015		775,000		1,273,483		2,048,483
2016		800,000		1,245,283		2,045,283
2017		830,000		1,215,408		2,045,408
2018		670,000		1,187,098		1,857,098
2019 - 2023		3,765,000		5,507,476		9,272,476
2024 - 2028		15,555,000		3,541,981		19,096,981
2029 - 2033		2,040,000		214,418		2,254,418
Total	$	25,295,000	$	15,487,671	$	40,782,671

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2013:

		Principal		Interest		Total
General fund - City	$	35,690,970	$	13,288,198	$	48,979,168
General fund - School Department		25,295,000		15,487,671		40,782,671
Special revenue fund - City		2,372,602		212,224		2,584,826
Total	$	63,358,572	$	28,988,093	$	92,346,665

The annual payments to retire all business-type (and each Enterprise fund) long-term debt outstanding as of June 30, 2013 are as follows:

Business-Type Activities Combined all Enterprise Funds	Principal	Interest	Total
2014	$ 25,752,625	$ 5,372,881	$ 31,125,506
2015	12,339,896	4,782,717	17,122,613
2016	5,322,845	4,417,296	9,740,141
2017	5,490,853	4,225,647	9,716,500
2018	5,663,922	4,021,973	9,685,895
2019 - 2023	31,957,818	16,349,441	48,307,259
2024 - 2028	37,345,345	8,389,347	45,734,692
2029 - 2033	15,674,778	1,197,644	16,872,422
Total	$ 139,548,082	$ 48,756,946	$ 188,305,028

Electric Enterprise Fund	Principal	Interest	Total
2014	$ 9,565,000	$ 3,392,660	$ 12,957,660
2015	10,030,000	2,941,131	12,971,131
2016	2,955,000	2,655,317	5,610,317
2017	3,045,000	2,545,044	5,590,044
2018	3,115,000	2,426,978	5,541,978
2019 - 2023	17,815,000	10,032,397	27,847,397
2024 - 2028	19,875,000	5,594,916	25,469,916
2029 - 2033	11,885,000	1,113,695	12,998,695
Total	$ 78,285,000	$ 30,702,138	$ 108,987,138

Airport Enterprise Fund	Principal	Interest	Total
2014	$ 1,470,000	$ 1,932,101	$ 3,402,101
2015	2,160,000	1,796,357	3,956,357
2016	2,215,000	1,719,699	3,934,699
2017	2,290,000	1,641,331	3,931,331
2018	2,390,000	1,558,791	3,948,791
2019 - 2023	13,300,000	6,184,238	19,484,238
2024 - 2028	16,635,000	2,748,075	19,383,075
2029	3,780,000	83,949	3,863,949
Total	$ 44,240,000	$ 17,664,541	$ 61,904,541

Wastewater Enterprise Fund	Principal	Interest	Total
2014	$ 14,717,625	$ 48,120	$ 14,765,745
2015	149,896	45,229	195,125
2016	152,845	42,280	195,125
2017	155,853	39,272	195,125
2018	158,922	36,204	195,126
2019 - 2023	842,818	132,806	975,624
2024 - 2028	835,345	46,356	881,701
2029 - 2033	9,778	-	9,778
Total	$ 17,023,082	$ 390,267	$ 17,413,349

C. *Changes in General Long-Term Liabilities*

During the year ended June 30, 2013, the following changes occurred in long-term liabilities for the City's Governmental and Business-Type Activities, as well as each enterprise fund:

	Total Balance 7/1/2012	Additions	Reduction/ Refunding	Total Balance 6/30/2013	Less Current Portion	Equal Long Term Portion
Governmental Activities						
General obligation bonds payable	$ 37,605,000	$ 15,250,000	$ (1,750,000)	$ 51,105,000	$ (1,955,000)	$ 49,150,000
Other debt	14,151,866	-	(1,898,294)	12,253,572	(1,000,000)	11,253,572
Add unamortized premium	405,273	427,172	(30,491)	801,954	(50,858)	751,096
Subtract deferred loss on refunding bonds	(46,004)	-	9,202	(36,802)	9,202	(27,600)
Subtotal	52,116,135	15,677,172	(3,669,583)	64,123,724	(2,996,656)	61,127,068
Obligations under capital leases	2,749,589	261,242	(1,064,407)	1,946,424	(899,312)	1,047,112
Long-term note payable	1,000,000	-	(1,000,000)	-	-	-
Compensated absences	4,056,578	96,130	-	4,152,708	(415,271)	3,737,437
Insurance reserves	1,619,000	876,981	-	2,495,981	(215,537)	2,280,444
Net OPEB obligation	2,148,666	253,120	-	2,401,786	-	2,401,786
Net pension obligation	1,799,371	-	(28,791)	1,770,580	-	1,770,580
Total	$ 65,489,339	$ 17,164,645	$ (5,762,781)	$ 76,891,203	$ (4,526,776)	$ 72,364,427

Business-type activities - Combined all Enterprise funds	Total Balance 7/1/2012	Additions	Reduction/ Refunding	Total Balance 6/30/2013	Less Current Portion	Equal Long Term Portion
General obligation bonds payable	$ 41,385,000	$ 5,000,000	$ (1,700,000)	$ 44,685,000	$ (1,875,000)	$ 42,810,000
Add unamortized premium	197,738	266,692	(8,267)	456,163	-	456,163
Subtract unamortized discount	(36,072)	-	1,341	(34,731)	-	(34,731)
Subtract deferred loss on refunding bonds	(10,540)	-	1,892	(8,648)	-	(8,648)
Subtotal	41,536,126	5,266,692	(1,705,034)	45,097,784	(1,875,000)	43,222,784
Revenue bonds payable	95,204,433	24,880,000	(25,221,348)	94,863,085	(23,877,625)	70,985,460
Add unamortized premium	913,977	-	(261,134)	652,843	(19,666)	633,177
Subtract unamortized discount	(58,301)	-	40,721	(17,580)	-	(17,580)
Subtract deferred loss on refunding bonds	(8,442,609)	-	4,118,479	(4,324,130)	-	(4,324,130)
Subtotal	87,617,500	24,880,000	(21,323,282)	91,174,218	(23,897,291)	67,276,927
Obligations under capital leases	2,320,054	-	(605,487)	1,714,567	(591,058)	1,123,509
Long-term note payable	2,000,000	-	(2,000,000)	-	-	-
Compensated absences	1,581,455	45,214	(32,048)	1,594,621	-	1,594,621
Net OPEB obligation	189,175	60,926	-	250,101	-	250,101
Other noncurrent liabilities	4,676,845	1,205,414	(179,697)	5,702,562	-	5,702,562
Total	$ 139,921,155	$ 31,458,246	$ (25,845,548)	$ 145,533,853	$ (26,363,349)	$ 119,170,504

Electric Enterprise Fund	Total Balance 7/1/2012	Additions	Reduction/ Refunding	Total Balance 6/30/2013	Less Current Portion	Equal Long Term Portion
General obligation bonds payable	$ 41,385,000	$ 5,000,000	$ (1,700,000)	$ 44,685,000	$ (1,875,000)	$ 42,810,000
Add unamortized premium	197,738	266,692	(8,267)	456,163	-	456,163
Subtract unamortized discount	(36,072)	-	1,341	(34,731)	-	(34,731)
Subtract deferred loss on refunding bonds	(10,540)	-	1,892	(8,648)	-	(8,648)
Subtotal	41,536,126	5,266,692	(1,705,034)	45,097,784	(1,875,000)	43,222,784
Revenue bonds payable	41,150,000	-	(7,550,000)	33,600,000	(7,690,000)	25,910,000
Add unamortized premium	720,083	-	(240,537)	479,546	-	479,546
Subtract unamortized discount	(34,439)	-	16,859	(17,580)	-	(17,580)
Subtract deferred loss on refunding bonds	(8,442,609)	-	4,118,479	(4,324,130)	-	(4,324,130)
Subtotal	33,393,035	-	(3,655,199)	29,737,836	(7,690,000)	22,047,836
Long-term note payable	2,000,000	-	(2,000,000)	-	-	-
Compensated absences	1,078,585	38,173	-	1,116,758	-	1,116,758
Net OPEB obligation	-	-	-	-	-	-
Other noncurrent liabilities	4,676,845	1,171,272	(179,697)	5,668,420	-	5,668,420
Total	$ 82,684,591	$ 6,476,137	$ (7,539,930)	$ 81,620,798	$ (9,565,000)	$ 72,055,798

Airport Enterprise Fund	Total Balance 7/1/2012	Additions	Reduction/ Refunding	Total Balance 6/30/2013	Less Current Portion	Equal Long Term Portion
Revenue bonds payable	$ 34,650,000	$ 24,880,000	$ (15,290,000)	$ 44,240,000	$ (1,470,000)	$ 42,770,000
Add unamortized premium	193,894	-	(20,597)	173,297	(19,666)	153,631
Subtract unamortized discount	(23,862)	-	23,862	-	-	-
Subtotal	34,820,032	24,880,000	(15,286,735)	44,413,297	(1,489,666)	42,923,631
Obligations under capital leases	2,100,078	-	(504,417)	1,595,661	(518,542)	1,077,119
Compensated absences	201,423	-	(10,742)	190,681	-	190,681
Net OPEB obligation	61,988	19,964	-	81,952	-	81,952
Total	$ 37,183,521	$ 24,899,964	$ (15,801,894)	$ 46,281,591	$ (2,008,208)	$ 44,273,383

Telecom Enterprise Fund	Total Balance 7/1/2012	Additions	Reduction/ Refunding	Total Balance 6/30/2013	Less Current Portion	Equal Long Term Portion
Compensated absences	$ 48,479	$ 7,041	$ -	$ 55,520	$ -	$ 55,520
Net OPEB obligation	60,119	19,362	-	79,481	-	79,481
Other noncurrent liabilities	-	34,142	-	34,142	-	34,142
Total	$ 108,598	$ 26,403	$ -	$ 135,001	$ -	$ 135,001

Wastewater Enterprise Fund	Total Balance 7/1/2012	Additions	Reduction/ Refunding	Total Balance 6/30/2013	Less Current Portion	Equal Long Term Portion
Revenue bonds payable	18,084,433	-	(1,061,348)	17,023,085	(14,717,625)	2,305,460
Subtotal	18,084,433	-	(1,061,348)	17,023,085	(14,717,625)	2,305,460
Obligations under capital leases	75,528	-	(42,591)	32,937	(24,990)	7,947
Compensated absences	96,817	-	(9,720)	87,097	-	87,097
Net OPEB obligation	28,756	9,261	-	38,017	-	38,017
Total	$ 18,285,534	$ 9,261	$ (1,113,659)	$ 17,181,136	$ (14,742,615)	$ 2,438,521

Water Non-Major Enterprise Fund	Total Balance 7/1/2012	Additions	Reduction/ Refunding	Total Balance 6/30/2013	Less Current Portion	Equal Long Term Portion
Revenue bonds payable	$ 1,320,000	$ -	$ (1,320,000)	$ -	$ -	$ -
Subtotal	1,320,000	-	(1,320,000)	-	-	-
Obligations under capital leases	144,448	-	(58,479)	85,969	(47,526)	38,443
Compensated absences	156,151	-	(11,586)	144,565	-	144,565
Net OPEB obligation	38,312	12,339	-	50,651	-	50,651
Total	$ 1,658,911	$ 12,339	$ (1,390,065)	$ 281,185	$ (47,526)	$ 233,659

18. Current Refunding

On December 6, 2012, the City issued Airport Revenue Refunding Bonds in the amount of $24,880,000 with a variable interest rate ranging from 3.50% to 5.00% to:

- Currently refund the $12,000,000 Subordinate Airport Improvement Bond Anticipation Note, Series 2011, with the interest rate of 6.50% maturing on December 15, 2012 issued for the interim financing of the expansion of the parking garage at the Burlington International Airport.
- Currently refund the $12,705,000 Airport Revenue Bonds, Series 1997 and 2000 for parking improvements and airport expansion with interest rates ranging from 3.85% to 6.20% maturing between July 1, 2017 and July 1, 2020.
- Fund the $2,254,825 Debt Service Fund required for Series 2012 Bonds.
- Cover the $372,400 Series 2012 debt issuance costs.

The proceeds of $26,217,568 from the refunding bonds and debt service release funds, net of issuance costs, were used to purchase U.S. Treasury bills, bonds, notes or securities and deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on January 7, 2013. The current refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the City's financial statements.

As a result of the current refunding, the City reduced its total debt service cash flow requirements by $4.3 million through 2017 to create annual level debt service under $4.0 million through 2028, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $573,181 or 4.51% of the refunded 1997A, 1997B and 2000 Bonds.

19. Capital Lease Obligations

The City is the lessee of certain equipment under capital and operating leases expiring in various years through 2020. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2013:

	Governmental Activities		Business-Type Activities	
Capital lease for equipment. The rental payments are to be made in equal monthly installments of $2,561 including interest at 3.69% annually, maturing on April 27, 2015.	$	54,401	$	-
Capital lease for garage equipment. The rental payments are to be made in equal monthly installments of $12,380 including interest at 4.3601% annually, maturing on June 29, 2017.		45,367		-
Capital lease for vehicles for the following departments: water, traffic, police, public works, parks and recreation, and wastewater. The rental payments are to be made in equal monthly installments of $27,510 including interest at 3.83% annually, maturing on October 29, 2013.		93,562		15,422
Capital lease for various equipment for the following departments: water, traffic, airport, public works, police, parks and recreation, and human resources. The rental payments are to be made in equal monthly installments of $27,008 including interest at 3.19% annually, maturing on July 6, 2014.		168,467		176,506
Capital lease for various equipment for the following departments: wastewater, traffic, airport, public works, information technology, police, parks and recreation, fire, and marketplace. The rental payments are to be made in equal semiannual installments of $259,908 including interest at 2.29% annually, maturing on December 25, 2014.		371,717		388,334
Capital lease for airport equipment. The rental payments are to be made in equal semiannual installments of $86,730 including interest at 3.214% annually, maturing on June 26, 2020.		-		1,078,311
Capital lease for accounting software, police cars, public works vehicles, office equipment, mowers, tractors, backhoe, and zamboni. The rental payments are to be made in equal semiannual installments of $120,160 including interest at 1.96% annually, maturing on November 18, 2016.		753,106		55,994
Capital lease for recycling equipment. The rental payments are to be made in equal annual installments of $96,147 including interest at 3.43% annually, maturing on March 9, 2016.		269,729		-
Capital lease for traffic vehicles. The rental payments are to be made in equal annual installments of $28,649 including interest at 5.155% annually, maturing on June 22, 2017.		99,819		-
Capital lease for equipment. The rental payments are to be made in equal annual installments of $48,884.2 including interest at 5.50% annually, maturing on December 19, 2014.		90,256		-
Total capital lease obligations		1,946,424		1,714,567
Less: amount due within one year		(899,312)		(591,058)
Capital lease obligation, net of current portion	$	1,047,112	$	1,123,509

Fiscal Year		Governmental Activities		Business-Type Activities
2014	$	945,690	$	637,035
2015		575,805		336,197
2016		360,866		190,091
2017		152,874		181,776
2018		-		172,569
2019-2020		-		346,920
Total minimum lease payments		2,035,235		1,864,588
Less amounts representing interest		(88,811)		(150,021)
Present Value of Minimum Lease Payments	$	1,946,424	$	1,714,567

20. Long-Term Obligations – BCDC

A. Notes Payable

The Burlington Community Development Corporation (BCDC) has various loans outstanding as follows:

		Component Unit
TD Bank (Gilbane Property) Note secured by the mortgage on the property. The terms require annual payment of $33,483 for 15 years with an interest rate of 6.25% maturing in October 2025.	$	286,000
People's United Bank notes offset by notes receivable from Champlain Housing Trust Corporation. The terms require annual payments of $22,547 for 21 years with an interest rate of 5.00% maturing October 1, 2028.		241,069
Union Bank Note (refinanced previous VEDA Loan) requiring annual payment of $217,818 for 10 years with an interest rate of 4.09% maturing in November 2020. A balloon payment of $1,803,380 is due at maturity. The City guarantees the debt.		2,699,667
BCDC 1993 Relief Bonds terms require annual payments of $86,352 with an interest rate ranging between 3.25% - 4.00% maturing in FY2024 and FY2025.		780,219
Swap Terminator Fee Loan (related to above noted VEDA refinancing) terms require annual payment of $38,333 for 10 years with an interest rate of 3.75% maturing in November 2020.		512,992
Total Notes Payable	$	4,519,947

B. Future Debt Service

The annual payments to retire BCDC's notes payable outstanding as of June 30, 2013 are as follows:

Fiscal Year	Principal	Interest	Total
2014	$ 215,015	$ 183,512	$ 398,527
2015	442,613	174,527	617,140
2016	221,191	154,787	375,978
2017	230,668	145,313	375,981
2018	240,231	135,749	375,980
2019 - 2023	3,097,800	315,268	3,413,068
2024 - 2026	72,429	5,385	77,814
Total	$ 4,519,947	$ 1,114,541	$ 5,634,488

C. Due to Primary Government

	Component Unit
BCDC borrowed $1,400,000 from the Airport Enterprise fund to assist in financing construction of the Aviation Support Hanger. The terms require annual payments of $93,172 for 20 years with an interest rate of 3%, maturing in June 2026.	$ 1,001,956
BCDC owes the City (the Primary Government) for its share of the Westlake Parking Garage. The terms requires annual payment of at least $72,000 with an interest rate of 2.3%, maturing in December 2020.	480,756
Total Due to Primary Government	$ 1,482,712

D. Future Debt Service

The annual payments to retire the amounts that BCDC owes to the City (the Primary government) are as follows:

Fiscal Year		Principal		Interest		Total
2014	$	124,800	$	40,373	$	165,173
2015		128,163		36,959		165,122
2016		131,720		33,453		165,173
2017		135,324		29,848		165,172
2018		139,029		26,143		165,172
2019 - 2023		556,686		76,437		633,123
2024 - 2026		266,990		12,529		279,519
Total	$	1,482,712	$	255,742	$	1,738,454

21. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The City has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions,* which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2013:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority, the City Council. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at City Council meetings and various special revenue funds.

Assigned - Represents amounts that are constrained by the City's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various City departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the City's fund balances at June 30, 2013:

	General Fund	School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Inventory and prepaid expenditures	$ 226,138	$ -	$ 197,198	$ 423,336
Advances to other funds	20,108,830	-	-	20,108,830
Nonexpendable permanent funds	-	-	909,230	909,230
Total Nonspendable	20,334,968	-	1,106,428	21,441,396
Restricted				
Bonded projects	-	-	2,497,101	2,497,101
Tax increment financing	-	-	1,347,489	1,347,489
Impact fees	-	-	871,942	871,942
Debt service	-	-	1,797,413	1,797,413
School	-	-	796,671	796,671
Expendable permanent funds	-	-	263,234	263,234
Mary Waddell fund	-	-	13,886	13,886
Other purposes	17,261	-	-	17,261
Total Restricted	17,261	-	7,587,736	7,604,997
Committed				
Conservation legacy	-	-	671,089	671,089
CCTA and County tax	363,129	-	-	363,129
Street repaving	-	-	346,901	346,901
Police equitable sharing funds	419,961	-	-	419,961
Pennies for parks	-	-	681,205	681,205
Greenbelt	-	-	299,132	299,132
Library books and donations	165,682	-	-	165,682
Public records restoration	69,763	-	-	69,763
Parking	23,000	-	-	23,000
Traffic	-	-	157,217	157,217
Stormwater	-	-	361,749	361,749
Total Committed	1,041,535	-	2,517,293	3,558,828

(continued)

(continued)

	General Fund	School Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assigned				
Recycling funds	24,947	-	-	24,947
Insurance reserves	184,015	-	-	184,015
Total Assigned	208,962	-	-	208,962
Unassigned	(2,178,623)	(2,580,545)	(4,252,016)	(9,011,184)
Total Unassigned	(2,178,623)	(2,580,545)	(4,252,016)	(9,011,184)
Total Fund Balance	$ 19,424,103	$ (2,580,545)	$ 6,959,441	$ 23,802,999

22. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position are segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

23. Subsequent Events

Burlington Telecom - See Note 27

Debt

On January 7, 2014, the City refinanced the $14,570,620 of wastewater revenue bonds payable due in January 2014. The new bonds were issued with a principal balance of $14,645,620, with annual principal payments and semi-annual interest payments (at a net interest cost of 3.853%) maturing in January 2033.

The City anticipates (subject to City Council approval in February 2014) approving an extension of the maturity date of the Burlington Electric Department's $5,000,000 Revenue Anticipation Note.

24. Retirement System

The City follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. *Plan Description and Contribution Information*

The City maintains a single employer cost sharing 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 City's total covered payroll, except for school teachers, was $42,253,742. The System does not issue a stand-alone financial report.

Class A participants vest 20 percent after three years of creditable service, and 20 percent for each year thereafter until they are 100 percent vested after 7 years of creditable service. The normal benefit is payable commencing at age 55 or with 25 years of service. Class A participants who retire at or after age 55 with 7 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2.75 percent of their average final compensation (AFC) during the highest three non-overlapping twelve-month periods (five years for certain non-union police employees) times creditable service not in excess of 25 years plus .5 percent of the AFC times years of creditable service between 25 and 35 years, prior to age 60 and a yearly COLA based on CPI. Class A retirees could alternatively elect to choose an accrual rate of 3.25% and one-half the yearly COLA, or an accrual rate of 3.8% (3.6% for service from July, 2006 forward) and no COLA. The half and no COLA options have been eliminated for new policemen hired after July 1, 2006 and new firemen hired after January 1, 2007. Also, these new hires have a 2.65 percent accrual rate only. Employees may retire prior to age 55 and receive reduced retirement benefits. Class A employees have unreduced benefits after 25 years of service, regardless of age.

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

All eligible City Class B employees vest 20 percent after three years of creditable service, and 20 percent for each year thereafter until they are 100 percent vested after 7 years of creditable service. Class B participants who retire at or after age 65 are entitled to a retirement benefit, payable monthly for life, equal to 1.60 percent of AFC (at age 65) during the highest three non-overlapping twelve-month periods times creditable service at age 65 not in excess of 25 years plus .5 percent of AFC times creditable service at age 65 in excess of 25 years and a yearly COLA based on the CPI. Class B retirees could alternatively elect to choose an accrual rate of 1.9% for service up to June 30, 2006 and 1.8% thereafter and one half the yearly COLA, or an accrual rate of 2.2% for service up to June 30, 2006 and 2.0% thereafter and no COLA. The half and no COLA options have been eliminated for new hires after January 1, 2006 and they are only entitled to a 1.4% accrual rate. Employees may retire prior to age 65 and receive reduced retirement benefits. Creditable service or an actuarial increase is used after age 65. Class B participants contribute 3% of earnable compensation except for IBEW employee hired prior to May 1, 2008 who elected to contribute 4% of earnable compensation. For Class B IBEW participants hired after October 30, 2012, the number of years used in the calculation of AFC was changed from three years to five. Also the disability retirement was revised from 75% of pay to 66 2/3% of pay.

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

There are 170 active members and 154 retirees and beneficiaries in Class A and 700 active members and 407 retirees and beneficiaries in Class B. Additionally, there are 358 former Class A and Class B employees with vested rights.

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. The City funded one-hundred percent (100%) of the annual required contribution in 2013. The cumulative net pension obligation as of June 30, 2013 is $1,770,580 which is being amortized over thirty (30) years with interest at eight percent (8%). The City's Schedule of Employer Contributions is as follows:

Schedule of Employer Contributions:

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2013	$ 8,175,461	$ 8,175,461	100%
2012	$ 7,547,910	$ 7,547,954	100%
2011	$ 6,778,735	$ 6,779,226	100%
2010	$ 5,728,980	$ 5,752,571	100%
2009	$ 5,798,294	$ 5,875,295	101%
2008	$ 5,978,195	$ 5,719,282	96%
2007	$ 5,514,753	$ 6,241,147	113%

B. *Summary of Significant Accounting Policies*

Basis of Accounting - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value.

C. *Funding Status and Funding Progress*

The information presented below is from the Burlington Employee Retirement System's most recent valuation (in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent-age of Covered Payroll [(b-a)/c]
6/30/2013	$ 143,944,820	$ 207,539,449	$ (63,594,629)	69.4%	$ 45,788,173	-138.9%

The Schedule of Funding Progress following the notes to the financial statements presents multi-year trend information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

D. *Actuarial Methods and Assumptions*

The total annual required contribution (ARC) to the system for 2013 was $8,175,461 which was computed through an actuarial valuation performed as of June 30, 2013. All funds contributed approximately 12.24% percent of current covered payroll. The Electric Department also pays additional amounts based on exposure and past service.

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

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

E. *Teachers*

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. Employees participating in the Class A level contribute 5.5 percent and Class C employees contribute 5.0 percent of the total gross wages through a payroll deduction plan. The State of Vermont makes the remaining retirement contribution on behalf of the City. 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 position 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 7.74% of all eligible covered salaries on-behalf of the School District. The Schools' estimated eligible covered payroll was $28,374,000 resulting in an estimated $2,196,000 of on-behalf payments. This amount is included as revenue and as an expense. Additional information regarding the Vermont State Teacher's Retirement system can be obtained from the State of Vermont.

25. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions,* requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the City provides post-employment healthcare and life insurance benefits for retired employees through the City and School's plan. The School Department pays for half of the cost of health benefits to retired educators with 15 years of service until they reach the age of 62. The School Department also pays for half of the cost of health benefits for administrative assistants who have 15 years of service with the Department and have reached the age of 55. There are 536 active members and 41 retirees and beneficiaries as of June 30, 2010, the date of the last actuarial valuation.

The City 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, 2013 was $325,922. 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.

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

B. *Benefits Provided*

The City provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria may receive these benefits.

C. *Funding Policy*

Retirees contribute various amounts of the cost of the health plan, as determined by the City. The City contributes the remainder of the health plan costs on a pre-funded basis.

D. *Annual OPEB Costs and Net OPEB Obligation*

The City's fiscal 2013 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The City has elected not to pre-fund OPEB liabilities. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2013, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of June 30, 2013 for the City and June 30, 2012 for the School District.

	City	School Department	Total
Annual Required Contribution (ARC)	$ 325,922	$ 309,229	$ 635,151
Interest on net OPEB obligation	55,484	41,484	96,968
Adjustment to ARC	(46,237)	45,190	(1,047)
Annual OPEB cost	335,169	395,903	731,072
Contributions made	(363,122)	(60,863)	(423,985)
Increase in net OPEB obligation	(27,953)	335,040	307,087
Net OPEB obligation - beginning of year	1,387,098	1,209,866	2,596,964
Net OPEB obligation - end of year (1)	$ 1,359,145	$ 1,544,906	$ 2,904,051

(1) $252,183 of the Net OPEB obligation relates to Burlington Electric Department, but is not recorded on their Statement of Net Position as it is deemed immaterial.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Fiscal year ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Combined City and School Plan:			
2013	$ 731,072	58.0%	$ 2,904,051
2012	600,887	30.2%	2,596,964
2011	580,995	31.2%	2,177,225
2010	560,368	11.7%	1,777,358
2009	689,360	3.7%	1,282,664
2008	666,054	5.1%	618,796
City Plan:			
2013	$ 335,169	108.3%	$ 1,359,145
2012	365,319	32.4%	1,387,098
2011	345,427	34.3%	1,140,113
2010	324,800	0.8%	913,000
2009	306,048	0.9%	591,000
2008	303,548	0.9%	287,452

Fiscal year ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
School Department Plan:			
2013	$ 395,903	15.4%	$ 1,544,906
2012	235,568	26.7%	1,209,866
2011	235,568	26.7%	1,037,112
2010	235,568	26.7%	864,358
2009	383,312	6.0%	691,664
2008	362,506	8.6%	331,344

E. *Funded Status and Funding Progress*

The funded status of the plan as of the date of the most recent actuarial valuation (City's valuation June 30, 2013, School's valuation June 30, 2012) was as follows:

	City	School Department	Total
Actuarial accrued liability (AAL)	$ 3,862,554	$ 2,365,074	$ 6,227,628
Actuarial value of plan assets		-	-
Unfunded actuarial accrued liability (UAAL)	$ 3,862,554	$ 2,365,074	$ 6,227,628
Funded ratio (actuarial value of plan assets/AAL)	0%	0%	0%
Covered payroll (active plan members)	$ 36,346,808	$ 30,358,375	$ 66,705,183
UAAL as a percentage of covered payroll	10.6%	7.8%	9.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. *Actuarial Methods and Assumptions*

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

In the June 30, 2013 City actuarial valuation and June 30, 2012 School actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the City has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 8%, which decreases to a 5% long-term rate for all healthcare benefits after six years for the City and an initial annual healthcare cost trend rate of 10%, which decreases to a 5% long-term rate for all healthcare benefits after twenty years for the School. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open basis. This has been calculated assuming the amortization payment increases at a rate of 4%.

26. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

27. Commitments and Contingencies

A. Burlington Telecom (including subsequent event through January 30, 2014)

The City of Burlington previously entered into a Master State and Municipal Lease/Purchase Agreement dated August 15, 2007 (the "Lease") with Municipal Leasing Consultants, for certain equipment used in the Burlington Telecom system. The Lease was subsequently assigned by Municipal Leasing Consultants to CitiCapital Municipal Finance. The payments under the Lease were subject to annual appropriation. The City did not appropriate funds to make the payments due in fiscal year 2011 and, pursuant to the terms of the Lease, the Lease terminated.

On September 2, 2011, Citibank, N.A., as purported assignee of CitiCapital Municipal Finance ("Citibank"), filed a complaint in the United States District Court for the District of Vermont against the City with respect to the Lease. The complaint called for monetary damages, including the return of the $33,500,000 lease proceeds, punitive damages, and/or equitable relief, including the return of the equipment under the Lease and rescission of the Lease. On December 22, 2011, the City filed an answer, affirmative defenses and counterclaims in response to the lawsuit commenced by Citibank, N.A. On December 19, 2011, Citibank filed a Motion for Mandatory Preliminary Injunction and/or Preliminary Injunction against the City. The City filed an opposition thereto.

In March 2012, a hearing was held on Citibank's motion for a Mandatory Preliminary Injunction. The Court did not order the removal or de-installation of the equipment and indicated to the parties that it was unlikely to do so. The parties stipulated to entry of an order that would provide for the City of Burlington to set aside 60% of the net revenues of the Burlington Telecom Enterprise. Of such amount, the amount of interest due on the debt to the City of Burlington's cash pool on account of the approximate $16.9 million due from Burlington Telecom to the City of Burlington's general fund will be paid into the US District Court. The balance was to be paid to Citibank on account of the continued use of equipment by Burlington Telecom. The City of Burlington pursued relief from such stipulated order.

The City's financial statements reflect the termination of the Lease by removing any future lease payments as a liability on the books of Burlington Telecom and by removing the depreciated leased assets from Burlington Telecom's fixed asset records. Whether the City had any obligation or liability to Citibank for the return, replacement or monetary compensation of the Burlington Telecom's assets or for use of Burlington Telecom's assets during fiscal 2013 and future years, costs or other demands made in the complaint, was subject to pending proceeding.

On January 30, 2014, the parties to the litigation executed a mediated settlement agreement. The settlement agreement is subject to approval by the City Council, which is expected to be requested in February 2014. The terms of the Settlement Agreement calls for the Citibank lawsuit to be dismissed fully in exchange for a total $10.5 million of payments, with the City of Burlington's share being approximately $9.03 million, $500,000 of which will be paid by the City's insurance carrier. Approximately $1.469 million will be paid by the co-defendant McNeil, Leddy & Sheahan, P.C. law firm and/or its insurance carrier.

The City's portion is expected to be paid from a combination of payments from revenues of the Burlington Telecom system, and new financing for the Burlington Telecom system. The negotiated agreement has certain milestones and steps that the City will undertake to implement, including the completion of and closing on the financing for the Burlington Telecom System, monthly payments to Citibank from Burlington Telecom revenues pending completion of the settlement, and obtaining all necessary approvals from the Public Service Board. Upon completion of the financing, and payment of the sums due under the mediated settlement agreement, the litigation would be dismissed with prejudice. The City and Citibank would then exchange mutual releases for all claims in the litigation. The US District Court has approved a stay of the litigation. If the milestones are not met, or if the Vermont Public Service Board were to disapprove the financing or payments to be made to complete the settlement, Citibank or the City of Burlington could seek to terminate the stay or could negotiate an extension of the terms for reaching such milestones. If the stay is terminated, the litigation would resume.

The settlement agreement contemplates that the terms of the financing will provide for the City to sell the Burlington Telecom System in an arm's length transaction. The City would seek to find the right entity for Burlington Telecom that would be committed to working with the City on its economic and community development initiative. Under the terms of the settlement agreement, the net proceeds from any sale that would be payable to the City of Burlington, after payment of outstanding principal and interest associated with the financing, would be shared equally with Citibank. These future net proceeds will provide the City with an opportunity for partial repayment of the $16.9 million previously expended on Burlington Telecom.

Although no assurances can be given, the City expects to complete the financing and the settlement during the 2014 calendar year.

There is a pending proceeding before the State of Vermont Public Service Board (the "Public Service Board") regarding violations by Burlington Telecom of certain conditions of its "Certificate of Public Good" or "CPG" issued in connection with the operation of certain aspects of the Burlington Telecom system. The proceeding includes matters seeking to address the City's use of funds from sources other than the Burlington Telecom system for Burlington Telecom capital and operating expenses. On or about October 8, 2010, the Public Service Board issued a partial summary judgment on several motions related to non-compliance with several conditions and provisions of the CPG, including a condition restricting use of City funds and a condition requiring a build-out of the Burlington telecom system. The summary judgment provides the opportunity for Burlington Telecom to cure the violations effective on the date of the order.

Burlington Telecom has requested relief related to certain conditions of the CPG, including a determination that certain payments, primarily for legal services and to Dorman & Fawcett on behalf of the City, do not constitute a violation of condition 60 of the CPG. The Public Service Board ruled in favor of the City of Burlington on such payments and the Public Service Board requires monthly reports to be filed in connection with the October 8, 2010 order.

B. Burlington International Airport

The City is in receipt of communication from the Federal Aviation Administration (FAA) requesting additional information regarding taxes and fees paid by the City to the City of South Burlington and the payment's compliance with the Office of Management and Budget's Circular's A-87 and A-133 and the FAA's Revenue Use Policy. The communication also requests a meeting in Washington, DC to determine a final correction action plan. The City is unable to determine a liability, if any, at this time.

C. Electric Department Commitments and Contingencies

The Burlington Electric Department (BED) receives output from generation of the McNeil Station (of which BED is the 50% owner and operator) and the Burlington Gas Turbine (which BED wholly owns and operates).

In addition to energy provided by its owned generation, BED purchases a portion of its electricity requirements pursuant to long-term (greater than one year in duration) contracts. During the fiscal year ended June 30, 2013, long-term sources of purchased power included:

- New York Power Authority (NYPA) power from hydro stations on the Niagara and St. Lawrence rivers under contracts through September 1, 2025 (Niagara) and through April 30, 2017 (St. Lawrence).
- Vermont Electric Power Producers, Inc. (VEPP) which is agent for 16 hydro facilities and one biomass facility located within Vermont (hydro facility

contracts expire between 2013 and 2020 and the biomass facility contract expired in 2012).

- Deliveries pursuant to a long term contract with Vermont Wind commenced in September 2011 (for test energy), with the official ten year contract start date being October 19, 2011 when commercial energy production began. Under the contract, the Department receives 16 MW (40%) of Vermont Wind s wind farm in northeast Vermont (Sheffield). BED's 16 MW entitlement is expected to provide approximately 13% of BED's annual energy requirements.
- BED began taking energy from the Georgia Mountain Community Wind project in December 2012, with commercial operation on December 31, 2012. Pursuant to a 25 year contract, the Department receives 11 MW entitlement from Georgia Mountain's wind farm in Milton/Georgia, Vermont.
- The output from a small landfill methane to electricity project located in the Burlington Interval (production of electricity at this facility ended in FY2012 due to decreased methane output).
- Long-term purchases from a number of small in-state resources under a state mandated feed-in tariff program (called SPEED resources).
- Purchase of the output from 5 small in-city solar projects under long term agreements.
- BED is purchasing energy and Renewal Energy Credits (RECs) from Nextera for a 5 year period beginning January 1, 2013. For calendar year 2013 and 2014, hourly energy is 10 MW, for the final 3 years (calendar 2015 – 2017), the volume is 5 MW per hour. The delivered energy is unit contingent on a portfolio of hydro facilities, and includes RECs from those units equal in volume to the energy purchased.
- The Burlington City Council, the Vermont Public Service Board, and the voters of Burlington have approved a 23 year energy-only contract with Hydro-Quebec. The contract has been executed and deliveries will begin in 2015 for BED. Under the contract, BED will receive 5 MW of contract energy for the period of November 1, 2015 to October 31, 2020 and an additional 4 MW of contract energy for the period of November 1, 2020 to October 31, 2038. BED's entitlement is expected to provide approximately 6-15% of BED's annual energy requirements depending on whether one or both contract entitlements are flowing in a particular year.

Payments under these long-term power supply contracts were $6,858,381 for the year ended June 30, 2013. Budgeted commitments under these long-term contracts and long-term contracts approved and executed for future delivery periods total approximately $71,821,525 for the 5-year period from July 1, 2013 to June 30, 2017.

The remainder of the Department s energy requirement is satisfied through short-term purchases including:

- Short-term purchases from a number of market counterparties.
- Net exchange of energy through the Independent System Operator New England power markets.
- Green Mountain Power Corporation (GMP) power to serve the Burlington International Airport (physically located in GMP s service territory). Note the purchase of power under this agreement was terminated by BED effective May 1, 2011 at which time BED began to serve the airport from its own portfolio of resources.

The costs of power purchased under these contracts are accounted for as purchase power expenses in the statements of revenues, expenses, and changes in net position. The percentages of the Department's total energy requirements were provided as follows:

	2013	**2012**
McNeil Generating Station and Gas Turbine	39.0%	32.1%
New York Power Authority	4.4%	4.6%
Vermont Electric Power Producers, Inc.	2.9%	4.6%
Landfill/SPEED	0.7%	0.5%
Vermont Wind	12.3%	8.3%
Solar	0.1%	0.1%
Other	40.6%	49.8%
Total	100.0%	100.0%

In 2008, the Department entered into a contract with Enernoc, Inc. This contract is not designed to meet energy needs, but rather allows Enernoc to assist the Department and its customers in managing their demand on peak days. The contract continues through December 31, 2013.

The Department 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 Department manages these risks through a combination of commercial insurance packages purchased in the name of the Department, and through the City s risk management program. Insurance settlements have not exceeded insurance coverage for any of the past three fiscal years.

The City maintains, for itself and the Department, a self-insurance program for health, dental, and life insurance. The City has entered into commercial insurance contracts to administer these programs and the risk of loss has been transferred to re insurance carriers for amounts paid in excess of $150,000 per person per year.

The Department also purchases commercial insurance to cover other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Long Term Contracts Approved and Executed for Future Delivery Periods

The Burlington City Council has approved, and the Vermont Public Service Board has likewise approved, a 25 year contract with Georgia Mountain Community Wind. The contract has been executed, construction has commenced, and commercial operations are expected in late 2012. Under the proposed contract, the Department will receive 11 MW (100%) of Georgia Mountain s permitted wind farm in Milton/Georgia Vermont. BED s 11 MW entitlement is expected to provide approximately 10% of BED s annual energy requirements.

The Burlington City Council, the Vermont Public Service Board, and the voters of Burlington have approved a 23 year energy-only contract with Hydro-Quebec. The contract has been executed and deliveries will begin (for BED) in 2015. Under the contract, the Department will receive 5 MW of contract energy for the period November 1, 2015 to October 31, 2020 and a second (additional) 4 MW of contract energy for the period November 1, 2020 to October 31, 2038. BED s entitlement is expected to provide approximately 6%-15% of BED s annual energy requirements depending on whether one, or both, contract entitlements are flowing in a particular year.

D. <u>Other Funds' Commitments and Contingencies</u>

1. Lake Champlain Barge Canal

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

2. North/South Connector Project

In the 1980's, the City undertook a major project to construct connector highways on the north and south boundaries of the City. The northern part was completed in 1987. However, due to the fact that the southern route was to go through a hazardous waste "superfund" site known as the Lake Champlain Barge Canal, construction in the south side has been delayed. The scope and route for the road has changed much over the years. The City, working with the State of Vermont, has redesigned the route of the highway and a plan is under consideration. Engineering and administrative fees in the amount of $713,744 were expended in fiscal year 2013. Federal and State permitting and final design are ongoing and construction will not begin until sometime in the future.

3. Chittenden Solid Waste District

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

4. Grant Programs

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for, or including, the year ended June 30, 2013 have not yet been conducted. Accordingly, the City's compliance with grant application requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

5. Construction Commitments

The Airport has a number of ongoing Airport Improvement Program (AIP) projects for construction and land acquisition as well as several Passenger Facility Program (PFC) projects for terminal improvements that are funded from restricted assets. AIP projects include taxiway reconstruction, stormwater treatment projects, building demolition related to previously acquired property and land acquisition. The PFC projects include energy projects, cargo apron reconstruction, escalator and baggage carousel projects and related work.

6. Letters of Credit

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

7. Development of the Land at the Corner of Cherry and Battery Streets

On May 19, 2003, the City entered into a development agreement with Westlake Development to provide for the construction of a hotel and parking facility on the southeast corner of Battery and Cherry Streets. The City exercised its right to purchase land and completed construction of a parking garage containing 200 public spaces known as the Westlake Garage. As part of the agreement, the City financed and added two decks to the existing

Lakeview Parking Garage adjacent to the hotel site in 2005. It is anticipated that repayment will come from additional property taxes that will accrue to the City within its tax increment financing (TIF) district.

The developer completed construction of a hotel on this site and residential condominiums on the land adjacent to the Lakeview Garage. The final phase of the project provided for the construction of a project with affordable housing on City property known as "site A". The developer has not initiated construction of this phase and notified the City that the planned housing project was not viable. The City entered into an agreement effective December, 2008, with the hotel developer to lease the land and build a new hotel on Site A. The hotel developer has received local and State permits to build the new hotel on Site A and construction began in fiscal 2012.

8. Transportation Center

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

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

In 2011, the City entered into an agreement to transfer grant funding, project authority and liability for the project to the Chittenden County Transportation Authority.

9. Moran Project

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

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

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

Due to the fact that the Moran Building is a defunct coal-fired electric generating plant, the City has remediation costs associated with known environmental contamination. The City has currently estimated a remediation liability approximating $265,000. However, this estimate is subject to change due to factors such as price increases and decreases, changes in technology, further environmental discoveries, or changes in applicable laws or regulations.

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

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

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

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

E. General Commitments and Contingencies

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

1. Insurance Reserves

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

On January 1, 2007, the City purchased commercial insurance to manage all of its risks except for workers' compensation claims. The City is self-insuring worker's compensation claims up to $250,000 per occurrence and with an aggregate limit that changes each year. On January 1, 2010, the City increased the per occurrence limit to $350,000 per claim. The aggregate limit for calendar years 2010 and 2011 was $2,758,800. The City has hired a third-party administrator, the Travelers Indemnity Company, to process, pay and administer the claims after which they bill the City for reimbursement. The City has an irrevocable standby letter of credit with the Travelers Indemnity Company as beneficiary in the amount of $1,500,000 to secure the payment of claims.

The City also self-insures for health insurance. The Plan is administered by a third-party administrator that is responsible for approval, processing and payment of claims, after which they bill the City for reimbursement. The City has reinsurance for individual claims in excess of $130,000 and for aggregate stop loss of 125% of projected claims for the 2012 policy year. The School is a member of Vermont Educational Health Initiative (VEHI). VEHI is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont school districts and is owned by the participating members. The agreement does not permit VEHI to make additional assessments to its members.

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

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

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

At June 30, 2013, the City has recorded a liability of $215,537 included in other liabilities which represents reported health, dental, property, liability and worker's compensation claims incurred on or before June 30, 2013, but were not paid by the City as of that date. A long-term reserve liability of $2,280,444 is included for claims incurred but not reported. This consists of $164,392 for property and liability insurance claims, $1,981,424 for , workers' compensation claims, $119,076 for health claims, and $15,352 for dental claims. In addition to this long-term liability, a $217,160 liability for insurance reserves 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 paid $126,808 in unemployment claims during fiscal year 2013.

28. Deferred Compensation

The City's also offers its employees two deferred compensation plans in accordance with Internal Revenue Code Section 457 through the International City/County Management Association's (ICMA) Retirement Corporation and Nationwide

Retirement Solutions. The plans permit employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, or death. The City has no liability for losses under the plans, but does have the duty of due care that would be required of an ordinary prudent inventor.

29. Beginning Net Position/Fund Balance Reclassification

The City's beginning net position and major governmental funds for fiscal year 2013, as defined by GASB Statement 34, have been changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

Government-Wide Financial Statements:

	Governmental Activities	Business-Type Activities
As previously reported	$ 125,105,371	$ 181,587,575
To adjust School department fixed assets	(458,098)	-
To reclass the school transportation fund into special revenue	32,883	(32,883)
To reclass the school Raymond Tracy and Reed estates and scholarship fund to special revenue	184,387	-
To recognize grant revenue deferred in prior year	1,223,604	-
As restated	$ 126,088,147	$ 181,554,692

Fund Basis Financial Statements:

	General Fund	School Major Fund	Nonmajor Governmental Funds	Non-Major Enterprise Funds	Private Purpose Funds
As previously reported	$ 15,625,780	$ (511,725)	$ 5,581,016	$ 12,066,136	$ 222,118
To reclass prior year unspent bond proceeds into capital projects	(3,064,963)	-	3,064,963	-	-
To reclass unspent impact fees into special revenue	(802,973)	-	802,973	-	-
To reclass unspent dedicated taxes into special revenue and capital project funds	(2,340,375)	-	2,340,375	-	-
To reclass the school vocational center fund into special revenue	-	65,612	(65,612)	-	-
To reclass school grant fund into special revenue	-	(547,568)	547,568	-	-
To reclass the school transportation fund into special revenue	-	-	32,883	(32,883)	-
To reclass the school Raymond Tracy and Reed estates and scholarship fund to special revenue	-	-	184,387	-	(184,387)
To recognize school grant revenue deferred in prior year	-	309,682	913,922	-	-
As restated	$ 9,417,469	$ (683,999)	$ 13,402,475	$ 12,033,253	$ 37,731

30. Implementation of New GASB Standard

The GASB has issued Statement 68 Accounting and Financial Reporting for Pensions, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the City's basic financial statements by recognizing as a liability and expense, the City's applicable portion of the Retirement System's actuarially accrued liability.

CITY OF BURLINGTON, VERMONT

SCHEDULE OF FUNDING PROGRESS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013
(Unaudited)

Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent-age of Covered Payroll [(b-a)/c]
6/30/2013	$ 143,944,820	$ 207,539,449	$ 63,594,629	69.4%	$ 45,788,173	138.9%
6/30/2012	137,838,546	196,445,981	58,607,435	70.2%	43,865,945	133.6%
6/30/2011	135,097,458	190,196,691	55,099,233	71.0%	42,971,870	128.2%
6/30/2010	130,594,539	179,323,343	48,728,804	72.8%	41,161,579	118.4%
6/30/2009	129,841,522	169,319,955	39,478,433	76.7%	39,769,493	99.3%
6/30/2008	129,101,729	156,313,830	27,212,101	82.6%	36,751,722	74.0%
6/30/2007	119,785,835	150,002,528	30,216,693	79.9%	34,256,676	88.2%
6/30/2006	108,343,798	140,615,645	32,271,847	77.0%	30,954,711	104.3%

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent-age of Covered Payroll [(b-a)/c]
			City Plan			
6/30/2013	$ -	$ 3,862,554	$ (3,862,554)	0.0%	$ 36,346,808	10.6%
6/30/2011	-	3,920,235	(3,920,235)	0.0%	34,624,868	11.3%
6/30/2009	-	3,593,453	(3,593,453)	0.0%	33,073,193	10.9%
			School Department Plan			
6/30/2012	$ -	$ 2,365,074	$ (2,365,074)	0.0%	$ 30,358,375	7.8%
6/30/2010	-	2,257,751	(2,257,751)	0.0%	28,831,983	7.8%
6/30/2008	-	3,891,509	(3,891,509)	0.0%	24,767,727	15.7%

See Independent Auditors' Report.