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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Burlington, Vermont as of and for the year ended June 30, 2010, which collectively comprise the City of Burlington, Vermont's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Burlington, Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Electric Fund which is a major fund and thirty-eight percent (38%), thirty-six percent (36%), and fifty-three percent (53%), respectively, of the assets, net assets and revenues of the Business-type Activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Electric Fund, is based on the report of the other auditors.

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

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

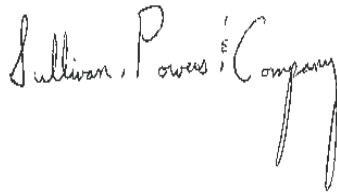
Members of The American Institute and Vermont Society of Certified Public Accountants

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary in the General Fund, the Telecom Fund and the Government-wide financial statements if the City was able to determine the amount of the due to other funds liability of the Telecom Fund will not be repaid within a reasonable time, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Burlington, Vermont, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and School General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

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

Management's Discussion and Analysis

As management of the City of Burlington, Vermont (The City), we offer readers of the City's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2010.

Financial Highlights

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

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

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

- As of the close of the fiscal year ending June 30, 2010, the City's governmental funds reported combined ending fund balances of \$5,975,413. This consists of a fund balance in the General Fund of \$9,915,766 and of \$10,158 in the School fund and a deficit of (\$3,950,511) in all other governmental funds.
- The reserved portion of the governmental fund balance includes \$657,652 for inventories and prepaid expenditures and \$4,162,623 set aside for other restricted purposes.
- The undesignated fund balance of the General Fund component of the governmental funds had a positive ending fund balance of \$6,094,554, an increase of \$1,657,630 from the previous fiscal year.
- Management has designated \$1,688,462 of the General Fund balance for various purposes. Included in this number is \$938,106 that has been designated in the General Fund for various items pending the receipt of uncollected taxes, penalties and interest. These are discussed in detail later in this report called Financial Analysis of the Government's Funds.
- The undesignated fund balance of the other governmental funds reported as a group amounted to a shortfall of (\$6,172,531). This was due primarily to the timing of the receipt of state grants, federal grants, tax increments, and reimbursements for capital projects and development projects. Simply stated, revenues for grant funds received 60 days or more after the end of the fiscal year is deferred and counted in the period they are received as required by GASB Statement #33.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

The City of Burlington maintains 28 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the School Fund, which are considered to be major funds.

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Notes to the Financial Statements

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

Government-Wide Financial Analysis

CITY OF BURLINGTON NET ASSETS
(Refer to Exhibit A)

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

As noted earlier, net assets may serve over time to be a useful indicator of a government’s financial position. In the case of the City of Burlington, assets exceeded liabilities by \$277,074,413 at the close of fiscal year 2010. This is an increase of \$20,406,506 over the amount reported at June 30, 2009.

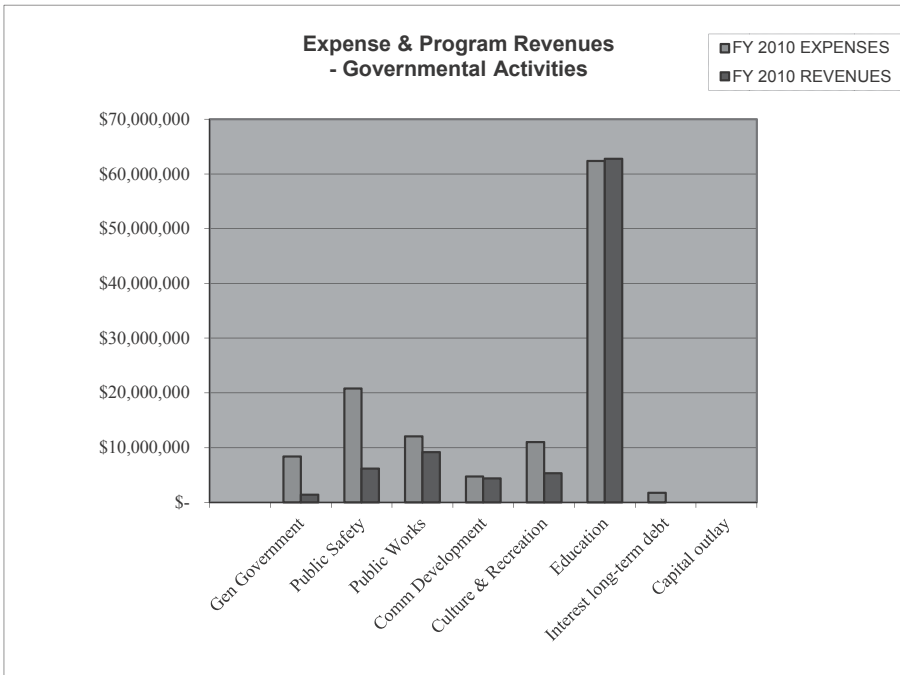
By far, the largest portion of the City's net assets (86.7% or \$240,279,955) reflects its investments in capital assets (e.g., land buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (15% or \$42,110,202) represents resources that are subject to external restrictions as to how they may be used.

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

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

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

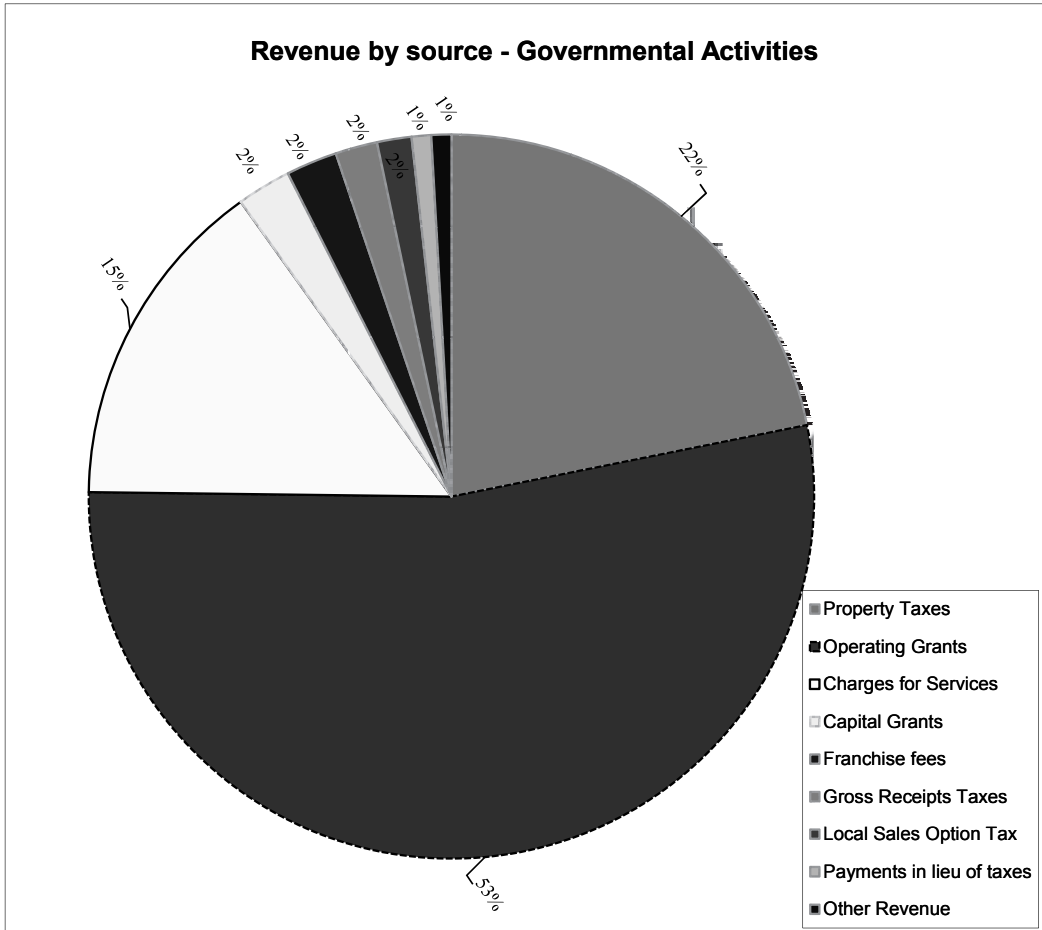


The above graph illustrates the expenses associated with the various functions of governmental activities and the revenues that are directly associated with or generated by these functions. The expenses of these functions are also funded with general revenues, such as property taxes, gross receipt taxes,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

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

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

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

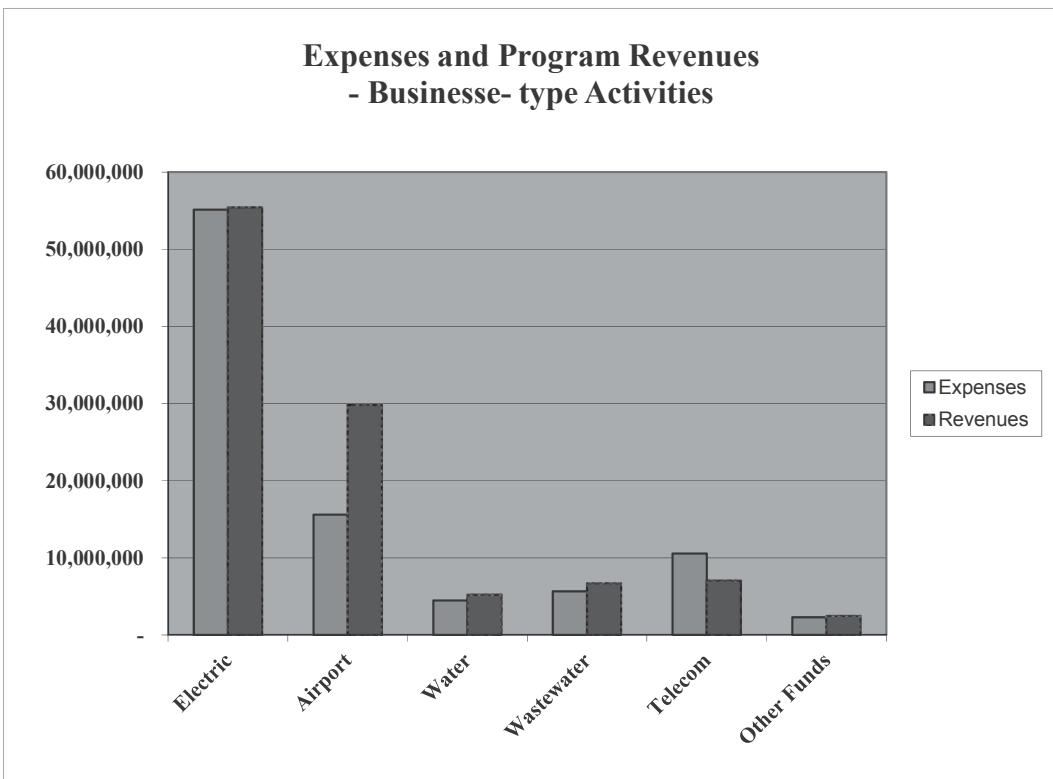


Business-type activity. Net assets for business-type activities amounted to \$134,293,570. Key factors which contribute to this amount are as follows:

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

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

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



Program revenues for business-type activities amounted to \$106,661,559 for the year. A large share (82%) of the program revenues for business-type activities comes from charges for services. \$19,074,399 comes from capital grants and contributions for the business activities.

Financial Analysis of the Government’s Funds

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

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

- At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,975,413 an increase of \$1,165,423 from the previous fiscal year.
- The reserved portion of the governmental fund balance includes \$657,652 for inventories and prepaid expenditures and \$4,162,623 set aside for other restricted purposes such as capital and grant-funded projects, as well as Cemetery endowments.
- The City has designated \$1,144,037 of the General Fund balance for various purposes after subtracting \$544,425 of uncollected taxes. The General Fund designated portion of the governmental fund balance include the Conservation Legacy Tax of \$438,840, Parks dedicated tax of \$189,132, Pennies for Parks dedicated tax of \$173,422 an insurance reserve of \$210,586, CCTA & County Tax dedicated tax of \$136,712 and several others amounting to \$539,770.
- The unreserved, undesignated, fund balance/(deficit) of all governmental funds amounts to \$(467,439). The General Fund balance component had a positive undesignated fund balance of \$6,094,554, an increase of 37.4% from the previous fiscal year. Deficits from other funds offset the general fund amount.
- The undesignated balance in the other governmental funds reported as a group amounted to (\$6,561,993). As stated previously in the Financial Highlights, this was due primarily to the timing of the receipt of state grants, federal grants, tax increments, and reimbursements for capital projects and development projects. Simply put, revenues for grants funds received 60 days or more after the end of the fiscal year are deferred and counted in the period they are received as required by GASB Statement #33. Another factor that contributed to this negative fund balance was that capital financing for the City's master lease was not obtained until after the year end.

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

The School's Fund balance increased \$1,073,933 this year to a positive \$10,158 from (\$1,063,775) in the prior year. Total actual revenues are \$64,187,163. The positive revenue variance was primarily due to an increase in tuition, interest, and special education intensive and extraordinary reimbursement revenues. Total actual expenditures are \$63,113,230, which resulted in increased spending of 8.6% in various functional areas in the budget with major increases in the special education and facilities maintenance categories.

Proprietary Funds

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

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

General Fund Budgetary Highlights

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

Revenues:

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

Expenditures:

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

Fiduciary Funds

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

The City recorded a Net Pension Obligation of \$1,596,290 in fiscal year 2005 and another Net Pension Obligation in fiscal year 2006 of \$756,403, however, it has been reduced to a cumulative amount of \$1,850,711 as of June 30, 2010,

The amount of the annual contribution by the City through the tax rate and utility fees has increased significantly over the past five years. The City is continuing its efforts to moderate the burden of the system. The City recently adopted several changes to the retirement benefits, and the City now requires all eligible employees to contribute to the plan. Please refer to the audit footnotes in the Financial Statement for additional information regarding this issue.

Capital Assets and Debt Administration

Capital Assets. The City of Burlington’s investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounted to \$426,323,056 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, water and wastewater distribution systems, electric generating and transmissions capital assets and land, land improvements and buildings at the Burlington International Airport.

In the governmental area, the total amounted to \$176,896,201 and the capital assets of the City’s business-type activities netted to \$249,426,855.

Expenditures in the Capital Projects funds were as follows:

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

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

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

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

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

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

Long-term Debt

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

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

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

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

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

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

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

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

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

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

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

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

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

Economic Factors, Future Budgets and Rates

Listed below are some of the factors involved in formulating the budget for fiscal year 2010:

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

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

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

Fiscal Year 2011 City Budget

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

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

Tax Rate Item	FY 10 Tax Rate per \$100	FY11 Approved Tax Rate	Change
Revenue Neutral Rates:			
General City	0.2329	0.2329	0.0000
Police/Fire	0.0807	0.0807	0.0000
Housing Trust	0.0054	0.0054	0.0000
Open Space	0.0054	0.0054	0.0000
Streets	0.0617	0.0617	0.0000
Fixed Rates:			
Parks	0.0350	0.0350	0.0000
Highway	0.0312	0.0312	0.0000
Library	0.0050	0.0050	0.0000
Budget Driven Rates:			
CCTA	0.0337	0.0336	-0.0001
County Tax	0.0054	0.0054	0.0000
Retirement	0.1587	0.1768	0.0181
Debt Service	0.0569	0.0469	-0.0100
Total	0.7120	0.7200	0.0080

2011 School Budget

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

2011 Budget for Utility Funds

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

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

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

CITY OF BURLINGTON, VERMONT
Statement of Net Assets –
For the year ended June 30, 2010

Exhibit A

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

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

CITY OF BURLINGTON, VERMONT
Statement of Activities –
For the year ended June 30, 2010

Exhibit B

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

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

**CITY OF BURLINGTON, VERMONT
Balance Sheet – Governmental Funds
For the year ended June 30, 2010**

Exhibit C

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

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

CITY OF BURLINGTON, VERMONT
 Statement of Revenues, Expenditures and Changes in Fund Balances –
 Governmental Funds
 For the year ended June 30, 2010

Exhibit D

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

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

CITY OF BURLINGTON, VERMONT
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statment of Activities –
 For the year ended June 30, 2010

Exhibit E

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total government funds (Exhibit D)	\$ 1,165,423
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (\$14,159,910) is allocated over their estimated useful lives and reported as depreciation expense (\$6,605,882). This is the amount by which capital outlays exceeded depreciation in the current period.	7,554,028
In the Statement of Activities, the gain/loss on the disposition/sale of capital assets and the donation of capital assets is reported, whereas, in the Governmental Funds, the disposition of and the donation of capital assets is not reflected and the proceeds of assets sold increases other financial resources. Thus, the change in net assets differs from the changes in fund balances by the gain/loss on the disposition of capital assets and donation of capital assets.	36,839
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	277,374
The issuance of long-term debt (\$5,014,085) (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt (\$4,285,797) consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, Governmental Funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount, is the net effect of these differences in the treatment of long-term debt and related items.	(712,086)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(428,419)</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ 7,893,159</u>

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

CITY OF BURLINGTON, VERMONT
 Statement of Revenues, Expenditures and Changes in Fund Balances –
 Budget and Actual – General Fund and School General Fund
 For the year ended June 30, 2010

Exhibit F

	General Fund			School "General Fund"		
	Budget	Final	Actual	Budget	Actual	Variance with Final Budget
Revenues:						
Taxes and Special Assessments	\$ 27,739,703	\$ 27,739,703	\$ 28,543,419	\$ 0	\$ 0	\$ 0
Local Option Sales Tax	2,000,000	2,000,000	1,937,967	0	0	0
Payments in Lien of Taxes	3,747,242	3,885,144	3,717,622	1,504,127	1,486,220	(17,907)
Permits and Licenses	3,925,750	4,548,838	4,548,838	0	0	0
Intergovernmental Revenues	1,033,177	1,638,881	1,721,344	47,661,857	47,894,919	233,062
Charges for Services	8,694,749	8,799,825	10,250,743	970,361	1,145,194	174,833
Fines and Forfeits	1,729,195	1,729,195	2,034,247	0	0	0
Investment Income	275,000	275,000	379,799	100,000	0	(100,000)
Miscellaneous Revenues	344,167	335,741	218,674	370,720	576,581	205,861
Total Revenues	49,488,983	50,329,239	53,352,653	50,607,065	51,102,914	495,849
Expenditures:						
Current:						
General Administration	12,506,583	12,386,915	12,006,583	0	0	0
Safety Services	15,997,983	16,255,406	16,175,187	0	0	0
Public Works	2,466,329	2,476,085	2,468,150	0	0	0
Cultural and Recreation	6,806,467	7,340,862	8,266,164	0	0	0
Education	0	0	0	48,544,049	48,636,419	(92,370)
Debt Service	2,031,330	2,031,330	1,781,080	1,359,039	1,155,622	203,417
Capital Outlay	6,115,255	6,125,359	7,162,635	0	0	0
Total Expenditures	45,923,947	46,615,957	47,859,799	49,905,088	49,792,041	111,047
Excess/(Deficiency) of Revenues Over Expenditures	3,565,036	3,713,282	5,492,854	703,977	1,310,873	606,896
Other Financing Sources/(Uses):						
Proceeds of Long-Term Debt	3,000,000	3,000,000	2,310,448	0	0	0
Transfers Out	(6,580,965)	(6,766,965)	(6,741,292)	0	(50,000)	(50,000)
Total Other Financing Sources/(Uses)	(3,580,965)	(3,766,965)	(4,430,844)	0	(50,000)	(50,000)
Net Change in Fund Balances	\$ (15,929)	\$ (53,683)	\$ 1,062,010	\$ 703,977	\$ 1,260,873	\$ 556,896

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

CITY OF BURLINGTON, VERMONT
Statement of Net Assets – Proprietary Funds
For the year ended June 30, 2010

Exhibit G
Page 1 of 2

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

CITY OF BURLINGTON, VERMONT
Statement of Net Assets – Proprietary Funds
For the year ended June 30, 2010

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

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

CITY OF BURLINGTON, VERMONT

Exhibit H

Statement of Revenues, Expenses and Changes in Net Assets –
Proprietary Funds
For the year ended June 30, 2010

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

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

CITY OF BURLINGTON, VERMONT
Statement of Cash Flows – Proprietary Funds
For the year ended June 30, 2010

Exhibit I
Page 1 of 2

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

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

CITY OF BURLINGTON, VERMONT
 Statement of Cash Flows – Proprietary Funds
 For the year ended June 30, 2010

Exhibit I
 Page 2 of 2

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

Non-Cash Financing Activities:

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

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

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

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

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

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

CITY OF BURLINGTON, VERMONT
 Statement of Fiduciary Net Assets – Fiduciary Funds
 For the year ended June 30, 2010

Exhibit J

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

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

CITY OF BURLINGTON, VERMONT
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds
For the year ended June 30, 2010

Exhibit K

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

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

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
For the year ended June 30, 2010

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

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

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
For the year ended June 30, 2010

B. Basis of Presentation

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

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

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

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

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

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
For the year ended June 30, 2010

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

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

The City reports on the following major governmental funds:

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

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

The City reports on the following major Enterprise funds:

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

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

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

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

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
For the year ended June 30, 2010

Additionally, the City reports the following fund types:

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

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
For the year ended June 30, 2010

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

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

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

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

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

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

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
For the year ended June 30, 2010

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

E. Use of Estimates

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

F. Assets, Liabilities and Equity

1. Cash

Cash balances of most City funds are pooled and invested by the City Treasurer. Excess cash of individual funds are shown as due from other funds and excess withdrawals of individual funds are shown as due to other funds. Interest income is allocated based on these balances. The City considers all short-term investments of ninety (90) days or less to be cash equivalents.

2. Investments

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

3. Receivables

Receivables are shown net of an allowance for uncollectible accounts for the estimated losses that will be incurred in the collection of the receivables. The estimated losses are based on the judgment of management and a review of the current status of existing receivables. Unbilled revenues consist of various revenues earned as of June 30, but not yet billed as of that date.

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
For the year ended June 30, 2010

Transactions between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as “interfund receivables/payables”. All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. The majority of the internal balances is the result of the pooling of cash.

4. Inventories and Prepaid Expenses

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

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets acquired are reported at actual cost or estimated historical cost based on appraisals or deflated current replacement cost if purchased or constructed. Contributed assets are recorded at their estimated fair value at the time received. Major outlays for capital assets and improvements are capitalized as constructed. Interest incurred during the construction phase for proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of any interest earned on the invested proceeds during the same period. Interest is not capitalized during the construction phase of capital assets used in governmental activities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets’ lives are not capitalized.

CITY OF BURLINGTON, VERMONT
 Notes to the Financial Statements –
 For the year ended June 30, 2010

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

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight line method of calculating depreciation. The Electric Department depreciates the McNeil & Highgate Converter Stations using the straight-line method. However, only a portion of the current depreciation is recoverable through future rates. The difference is included in deferred depreciation and will be recovered through future rates. The amount of deferred depreciation expense recognized during the year was \$2,367,804. The total deferred depreciation at June 30, 2010 was \$3,505,333.

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

	<u>Capitalization Threshold</u>	<u>Estimated Service Life</u>
Land	\$ 25,000	N/A
Antiques and Works of Art	5,000	N/A
Land Improvements	25,000	5-30 Years
Buildings and Building Improvements	20,000	25-150 Years
Vehicles, Machinery, Equipment and Furniture	5,000*	5 -15 Years
Book Collections	1,000	5 Years
Infrastructure	25,000	10-40 Years
Distribution, Production and Collection Systems	10,000	10-100 Years
Fiber Optic Network	5,000	7-30 Years

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

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

7. Compensated Absences

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

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
For the year ended June 30, 2010

8. Accrued Landfill Closure/Postclosure Costs

The City of Burlington has closed two landfills in prior years. The City's landfill at Manhattan Drive was closed on December 31, 1989. At that time, the City opened a lined landfill on property owned by the Rathe family in Colchester, Vermont. This landfill was considered to be full and was closed in 1992. At that time, the City's landfill needs were taken over by the Chittenden Solid Waste District. Funds held in reserve to cover closure costs have been expended but certain post closure costs and commitments remain. The amount needed to fund all future post closure costs as of today is estimated to be \$41,000. Actual payments will take place through the year 2013.

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

9. Liabilities to be Paid from Restricted Assets

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

10. Long-term Liabilities

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

11. Fund Equity

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

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
For the year ended June 30, 2010

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

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

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

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

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

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
For the year ended June 30, 2010

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

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

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

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
For the year ended June 30, 2010

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

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

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

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
For the year ended June 30, 2010

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

1. Departments, and departments with commission approval, prepare detailed recommendations to the Mayor on the budget. Prior to June 15, the Mayor, with the assistance of the other members of the Board of Finance, prepares and submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimated revenues.
2. Prior to July 1, the budget is legally enacted through passage of a resolution of the City Council.
3. The Mayor may propose, with the advice of the Board of Finance, amendments to the budget. Such proposed amendments require a majority approval of the City Council. The amount of such proposed amendments may be decreased by a simple majority vote of the City Council. Such proposed amendments may be increased above the level proposed by the Mayor only with a two-thirds vote of the City Council.
4. The Board of Finance is authorized to transfer budgeted amounts between line items within an appropriation account or within accounts of a department. Any revisions which increase the total expenditures of any department function or fund above the original appropriation must be approved by resolution of the City Council.
5. That portion of the designated fund balance that consists of operating and capital improvement carry-overs, represents unexpended appropriations which are allowed to be carried over to later years as provided for by City Charter or by resolution of the City Council. All other unexpended appropriations lapse at the close of the fiscal year. The City Charter specifically prohibits expenditures in excess of appropriations except on an emergency basis for health, police, fire and public welfare.
6. The City of Burlington tax rate can change each year by the cost of CCTA, Retirement, County and Debt Service without voter approval. However, any rate change on the tax rate for other purposes, above the maximum approved tax rate previously approved by voters, must be approved by City voters.
7. The City elected to budget expenditures in excess of revenues by \$53,683 in order to utilize a portion of prior year's surplus. This is reflected as a current year's budgeted deficiency of revenue over expenditures in Exhibit F for the General Fund.

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
For the year ended June 30, 2010

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

1. In December, the Superintendent submits recommendations based upon the budget prioritization team spending priority list to the School Board. The operating budget includes proposed expenditures and estimated revenues.
2. In December, public hearings are conducted to obtain taxpayer comments and the budget is formally approved by the School Board in January.
3. Any tax increase requested by the School Board must be submitted to the City Council during the first week of January so that they can put it on the March ballot.
4. The School Board is authorized to transfer budgeted amounts between line items, however, any revisions that alter the total expenditures in excess of total revenues plus budgeted fund balance designated for subsequent years' expenditures must be authorized by the legal voters of the City.
5. The budget that is adopted is only for the School's "General Fund". Budgets for the School's other funds were not formally adopted for the year ended June 30, 2010.
6. The School elected to budget revenues in excess of expenditures by \$703,977 in order to fund prior years' deficits. This is reflected as a current year's budgeted excess of revenue over expenditures in Exhibit F for the School Fund.

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

B. Excess of Expenditures Over Appropriations

For the year-ended June 30, 2010, expenditures in the City General Fund exceeded appropriations by \$1,243,842. The over-expenditures were funded by excess revenues and available fund balance.

C. Other Financial Statements

Due to bond covenants, and other requests, the City has issued separate financial statements for the Electric, Airport, Telecom and Water Funds. Additional disclosures pertaining to these funds can be found in the separately issued financial statements.

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
For the year ended June 30, 2010

D. Budgetary/GAAP Reconciliation

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

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

IV. DETAILED NOTES ON ALL FUNDS**A. Cash and Investments****Investment Policy – Electric Department**

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

- (1) Direct obligations of the United States of America or obligations guaranteed by the United States of America.
- (2) Bonds, notes or other evidences of indebtedness issued or guaranteed by the Bank for Cooperatives, Federal Intermediate Credit Banks, FHLB, FNMA, GNMA, Export-Import Bank of the United States, Federal Land Banks, U.S. Postal Service, Federal Financing Bank, or any agency or instrumentality of or corporation wholly-owned by the United States of America.
- (3) New Housing Authority Bonds issued by public agencies or municipalities and fully secured by a pledge of annual contributions under annual contributions contract with the United States of America, or Project Notes issued by public agencies or municipalities and fully secured by a requisition or payment agreement with the United States of America.
- (4) Obligations of any state, commonwealth or territory of the United States of America, or the District of Columbia, or any political subdivision of the foregoing, with an investment grade rating not lower than the three highest categories by at least one nationally recognized debt rating service.

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

Investment Policy-Pension Fund

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

In 2008, the Retirement Board elected to adopt the policies and strategies of the Vermont Pension Investment Committee (VPIC) which oversees the Vermont State Retirement System, the Vermont State Teachers Retirement System and the Vermont Municipal Retirement System. Specifically, the City has opted to follow the Vermont State Teachers Retirement System's asset allocation. See the State of Vermont's financial statements which are available on the State's website for a description of the investment policy.

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

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