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

Investment Policy – Other Funds

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

Cash deposits and investments as June 30, 2010 consist of the following:

Deposit and Investment Type		Amount
Cash and Cash Equivalents:		
Demand Deposits with Financial Institutions	$	18,493,183
Demand Deposits held by Broker		1,790,780
Certificates of Deposit - Cash		5,615
Cash on Hand		143,414
Total Cash and Cash Equivalents		20,432,992
Investments:		
Certificates of Deposits - Investments		399,104
Money Market Accounts - Investments		226,739
Cash Equivalents Invested in U.S. Government Obligations		22,726,256
Equity Mutual Funds		2,898,342
Timberland		3,326,414
Private Equity		800,929
Investments with Vermont Pension Investment Committee (VPIC)		101,985,670
Total Investments		132,363,454
Total Cash and Investments	$	152,796,446

The City has ten (10) certificates of deposit at various banks ranging from $4,212 to $102,177 with interest rates ranging from 0.198% to 1% and maturity dates ranging from July 23, 2010 to June 1, 2011.

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counter-party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. The City's cash equivalent mutual funds and equity mutual funds are open-ended and therefore not exposed to custodial credit risk. The City's private equity, timberland and the money market fund are also not exposed to custodial credit risk. The City does not have any policy to limit the exposure to custodial credit risk. The custodial credit risk for deposits is presented in the table below.

Deposits with Financial Institutions	Book Balance	Bank Balance
Insured - FDIC/NCUA	$ 1,596,910	$ 1,607,559
Secured by Irrevocable Standby Letter of Credit Issued by Federal Home Loan Bank of Pittsburgh	16,784,796	18,463,894
Uninsured, Collateralized by U.S. Government Agencies Securities	216,732	216,732
Uninsured, Uncollateralized	2,090,244	2,103,447
Total Deposits	$ 20,688,682	$ 22,391,632

Deposits is comprised of the following:	
Deposits with Financial Institutions	$ 18,493,183
Deposits held by Broker	1,790,780
Certificates of Deposit - Cash	5,615
Certificates of Deposit - Investments	399,104
Total Deposits	$ 20,688,682

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

Burlington Community Development Corporation's had $7,168 in cash that was fully insured by the FDIC. These amounts are included in the above table. There were no reconciling items.

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

Credit Risk

Generally, credit risk is the risk than an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization such as Standard and Poor's or Moody's rating services. These organizations look at a number of factors in order to evaluate the risk of an obligation and rate the risk. The rating allows investors to make informed buying and selling decisions. The City's certificates of deposit are exempt from the credit risk analysis. The City's cash equivalent mutual funds and equity mutual funds are open-ended and, therefore are also excluded from the credit risk analysis. The money market fund, timberland and private equity are not rated.

Concentration of Credit Risk

There are no investments that represent 5% or more of the total City investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity. When available, mutual funds are shown at their weighed average maturity. The certificates of deposit are not subject to be interest rate risk disclosure requirements.

	Remaining Maturity (In Years)			
Investment Type	0-1	10-15	N/A	Total
Cash Equivalent Mutual Funds	$ 22,726,256	$ 0	$ 0	22,726,256
Money Market Fund	226,739	0	0	226,739
Timberland	0	3,326,414	0	3,326,414
Private Equity	0	0	800,929	800,929
Equity Mutual Funds	0	0	2,898,342	2,898,342
	$ 22,952,995	$ 3,326,414	$ 3,699,271	$ 29,978,680

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

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

Restricted Cash

The Airport Fund has $616,344 of cash that is restricted passenger facility charges to be used for approved projects.

Investments-Pension Fund

The total amount of investments held by the Vermont Pension Investment Committee (VPIC) are $101,985,670. See the State of Vermont's financial statements which are available on the State's website for all applicable disclosures related to these investments. The remaining $7,025,685 are invested in alternate investments such as timber, private equity and emerging markets.

B. Restricted Investments

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. The Telecom Fund has issued capital leases which require proceeds to be used for specific purposes as outlined in the lease agreements. These funds and the construction funds have been classified as Restricted Assets. These amounts are included in the Deposits and Investments in Note IV. A.

A summary of the restricted investments is as follows:

Category	Electric	Airport	Telecom	Water Resources	Total
Debt Service Reserve Fund	$ 9,539,702	$ 902,304	$ 226,739	$ 0	$ 10,668,745
Renewal and Replacement Funds	1,060,147	0	0	110,005	1,170,152
Construction Funds	0	1,725,611	0	0	1,725,611
Debt Service Funds	7,902,960	0	0	1,299,625	9,202,585
Accrued Interest Receivable	160,113	0	0	0	160,113
Total	$ 18,662,922	$ 2,627,915	$ 226,739	$ 1,409,630	$ 22,927,206

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

C. Receivables

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

	Governmental Activities	Business-Type Activities	Total
Taxes Receivable	$ 2,927,260	$ 0	$ 2,927,260
Billed User Charges	65,072	8,891,330	8,956,402
Unbilled User Charges	59,518	3,389,032	3,448,550
Billed Service Fees	0	160,949	160,949
Unbilled Service Fees	0	211	211
Allowance for Doubtful Taxes/Fees	(1,285,000)	(2,013,468)	(3,298,468)
Police, Fire and Ambulance Fees	2,129,165	0	2,129,165
Allowance for Doubtful Accounts - Police, Fire and Ambulance Fees	(1,530,958)	0	(1,530,958)
Franchise Fees	141,811	0	141,811
Other General Fund Reimbursements	235,336	0	235,336
School Tuition	189,291	0	189,291
School Other Receivables	619	0	619
Public Works Receivables	290,809	0	290,809
Allowance for Doubtful Accounts - Public Works	(58,000)	0	(58,000)
Recreation Fees Receivable	126,010	0	126,010
Traffic Fees Receivable	23,930	0	23,930
Marketplace Fees Receivable	18,102	0	18,102
Grants Receivable	5,333,358	13,087,473	18,420,831
Passenger Facility Charges	0	308,909	308,909
Interest Receivable on Deposits/Short - Term Loans	172,838	0	172,838
Other Receivables	241,005	121,089	362,094
Other Allowance for Doubtful Accounts	(10,616)	0	(10,616)
Accrued Interest Receivable on Deposits	412	0	412
Total Receivables	$ 9,069,962	$ 23,945,525	$ 33,015,487

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

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

Taxes receivable consisted of the following at June 30, 2010:

Year Ended	Balance 06/30/09	Additions	Adjustments/ Abatements	Collections	Balance 06/30/10
1986-1999	$ 180,857	$ 0	$ (54,902)	$ 3,454	$ 122,501
2000	27,457	0	(52)	120	27,285
2001	18,369	0	(57)	87	18,225
2002	53,410	0	(63)	14	53,333
2003	79,128	0	(456)	791	77,881
2004	94,886	0	(438)	139	94,309
2005	125,995	0	(530)	255	125,210
2006	47,099	0	(3,907)	4,604	38,588
2007	77,514	0	(4,166)	18,675	54,673
2008	126,585	0	(692)	49,898	75,995
2009	488,695	0	(1,413)	334,933	152,349
2010	0	595,597	(3,389)	108,809	483,399
Total	$ 1,319,995	$ 595,597	$ (70,065)	$ 521,779	$ 1,323,748

Also included in taxes receivable are $360,705 in gross receipts taxes, $769,841 of delinquent tax penalties and interest, $472,470 of local option sales taxes and $496 of Downtown Improvement District Taxes.

D. Notes, Loans and Capital Lease Receivables

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

The City has a capital lease receivable related to land under the Cherry Street Parking Garage. The City conveyed the land under the Cherry Street Parking Garage to Security Capital Corporation in June, 1993. On the same date, the land was leased by Security Capital to the City with annual rent payments of $80,000 per year. Security Capital then became Lasalle. It is now in the hands of Bank of America.

CITY OF BURLINGTON, VERMONT
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The City then subleased the same land to Donohoe O'Brien Burlington Square Limited Partnership (DOBBSLP) on the same date, under the same terms, whereas Donohoe O'Brien had to pay the City $80,000 per year There is a sublease agreement with an option to purchase between the City and DOBBSLP. The original loan amount dated February 1, 1993 showed a loan balance of $837,884 with interest at 4.7739%.

The City paid off the lease to Bank of America on August 1, 2008 in the amount of $347,845. DOBBSLP now makes monthly payments of $6,667 to the City. The capital lease receivable balance at June 30, 2010 is $193,333. Future lease payments of $80,000 will be received over the next three (3) years and then $33,333 in fiscal year 2013.

The Electric Department has notes receivable totaling $1,453,471 which are due from the Winooski One Partnership for engineering and from a logging contractor who was advanced monies to buy a tree chipper that is being repaid as wood chips are brought to the Department.

Burlington Community Development Corporation has loaned funds to the Champlain Housing Trust Corporation. The balance of the loans at June 30, 2010 is $1,218,612 and will be repaid at the same terms as the offsetting notes payable.

Burlington Community Development Corporation also has a capital lease receivable for the Westlake Parking Garage from Westlake Parking, LLC. The lease requires annual payments of $72,000 for twenty (20) years and then a lump sum payment of $448,000. The lease also requires an annual contribution of $6,000 to a Capital Reserve Fund. The present value of the lease utilizing a 7% interest rate is $844,777.

A summary of notes, loans and capital lease receivables and the related accrued interest receivable are as follows:

	Governmental Activities	Business-Type Activities	Total	Component Unit - BCDC
Notes, Loans and Capital Lease Receivable	$ 16,595,668	$ 1,453,471	$ 18,049,139	$ 2,063,389
Loan Discounts	(2,567,077)	0	(2,567,077)	0
Allowance for Doubtful Loans	(10,476,526)	0	(10,476,526)	0
Accrued Interest Receivable - Loans	4,648,985	0	4,648,985	4,062
Allowance for Doubtful Accrued Interest	(4,036,036)	0	(4,036,036)	0
Net Notes and Loans Receivable	$ 4,165,014	$ 1,453,471	$ 5,618,485	$ 2,067,451

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

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

E. INVESTMENTS IN ASSOCIATED COMPANIES

The Electric Department follows the cost method of accounting for its 6.38% class B common stock, 1.97% class C common stock and 7.69% class C preferred stock ownership interest in Vermont Electric Power Company, Inc. ("VELCO"); and its 3.79% ownership interest in Vermont Transco LLC, which is an affiliated entity of VELCO.

VELCO owns and operates a transmission system in the State of Vermont over which bulk power is delivered to all electric utilities in the State of Vermont. Under a power transmission contract with the State of Vermont, VELCO bills all costs, including amortization of its debt and a fixed return on equity, to the State of Vermont and others using the system.

On September 29, 2006, the Electric Department purchased 97,239 Class A units and 123,759 Class B units in Vermont Transco, LLC for $2,209,980.

On December 28, 2007, the Electric Department purchased 81,457 Class A units and 103,674 Class B units in Vermont Transco, LLC for $1,851,330.

On December 29, 2008, the Electric Department purchased 175,292 Class A units and 223,098 Class B units in Vermont Transco, LLC for $3,983,900.

On December 30, 2008, the Electric Department purchased 9,651 Class A units and 12,282 Class B units in Vermont Transco, LLC for $219,330. This was an oversubscription allocation offering.

On March 31, 2009, the Electric Department purchased 94,170 Class A units and 119,853 Class B units in Vermont Transco, LLC for $2,140,230.

On December 29, 2009, the Electric Department purchased 230,800 Class A units and 293,747 Class B units in Vermont Transco, LLC for $5,245,470.

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

F. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 15,932,130	$ 0	$ 0	$ 15,932,130
Construction in Progress	32,346,512	5,087,065	653,024	36,780,553
Antiques and Works of Art	52,000	0	0	52,000
Total Capital Assets, Not Being Depreciated	48,330,642	5,087,065	653,024	52,764,683
Capital Assets, Being Depreciated:				
Land Improvements	2,371,585	65,003	0	2,436,588
Buildings and Building Improvements	76,627,147	2,314,092	0	78,941,239
Vehicles, Machinery, Equipment and Furniture	21,465,120	2,491,082	566,727	23,389,475
Book Collections	3,629,445	340,570	443,590	3,526,425
Infrastructure	94,235,188	4,673,228	0	98,908,416
Totals	198,328,485	9,883,975	1,010,317	207,202,143
Less accumulated depreciation for:				
Land improvements	763,898	0	0	763,898
Buildings and Building Improvements	15,944,573	1,291,348	0	17,235,921
Vehicles, Machinery, Equipment and Furniture	12,801,702	1,781,886	445,460	14,138,128
Book Collections	2,788,878	308,733	443,590	2,654,021
Infrastructure	45,054,742	3,223,915	0	48,278,657
Totals	77,353,793	6,605,882	889,050	83,070,625
Total Capital Assets, Being Depreciated	120,974,692	3,278,093	121,267	124,131,518
Governmental Activities Capital Assets, Net	$ 169,305,334	$ 8,365,158	$ 774,291	$ 176,896,201

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 20,286,743	$ 874,841	$ 928	$ 21,160,656
Construction in Progress	17,321,635	26,318,938	5,648,808	37,991,765
Total Capital Assets, Not Being Depreciated	37,608,378	27,193,779	5,649,736	59,152,421
Capital Assets, Being Depreciated:				
Land Improvements	26,968,535	134,879	203,611	26,899,803
Buildings and Building Improvements	75,744,819	269,199	6,766,250	69,247,768
Vehicles, Machinery, Equipment and Furniture	19,636,656	1,221,308	42,074	20,815,890
Distribution and Collection Systems	202,427,439	5,476,223	842,023	207,061,639
Fiber Optic Network	32,579,660	950,879	14,812	33,515,727
Totals	357,357,109	8,052,488	7,868,770	357,540,827
Less Accumulated Depreciation for:				
Land Improvements	18,640,299	1,271,061	203,033	19,708,327
Buildings and Building Improvements	24,544,576	2,411,718	6,766,250	20,190,044
Vehicles, Machinery, Equipment and Furniture	11,934,558	1,047,583	34,923	12,947,218
Distribution and Collection Systems	103,303,101	4,544,943	671,914	107,176,130
Fiber Optic Network	5,377,606	1,874,474	7,406	7,244,674
Totals	163,800,140	11,149,779	7,683,526	167,266,393
Total Capital Assets, Being Depreciated	193,556,969	(3,097,291)	185,244	190,274,434
Business-Type Activities Capital Assets, Net	$ 231,165,347	$ 24,096,488	$ 5,834,980	$ 249,426,855

Certain amounts in the beginning balance column have been reclassified.

At June 30, 2010, approximately $3,869,563 and $33,093,422 in assets were acquired through existing capital leases for governmental and business type activities, respectively. These assets are included in vehicles, machinery, equipment and furniture and distribution and collection systems. The amortization on these assets is included with depreciation.

Depreciation was charged to programs as follows:

Governmental Activities:		Business - Type Activities:	
General Government	$ 242,464	Electric	$ 2,992,511
Public Safety	815,102	Airport	3,923,954
Public Works	3,460,187	Wastewater	1,584,388
Community Development	3,734	Telecom	2,095,179
Culture and Recreation	1,042,872	Water	532,350
Education	1,041,523	School	21,397
Total Depreciation Expense - Governmental Activities	$ 6,605,882	Total Depreciation Expense - Business-Type Activities	$ 11,149,779

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The jointly-owned generating facility, the Joseph C. McNeil Generating Station, is included in the business type capital assets. Under the Agreement for Joint Ownership, Construction and Operation of the Joseph C. McNeil Generating Station dated May 14, 1982, as amended, the owners are tenants in common with undivided interests in the Station. Ownership percentages of the Station as of June 30, 2010 are as follows:

Burlington Electric Department	50%
Central Vermont Public Service Corporation	20%
Vermont Public Power Supply Authority	19%
Green Mountain Power Corporation	11%
Total	100%

Under the Agreement for Joint Ownership, Construction and Operation of the Highgate Transmission Interconnection dated August 1, 1984, as amended, the owners of the Highgate Converter and the Highgate-Canada Transmission Line are tenants in common with undivided interests in the converter. Ownership percentages of the converter as of December 31, 2009 are as follows:

Central Vermont Public Service Corporation	47.52%
Green Mountain Power Corporation	34.77%
Vermont Public Power Supply Authority	9.36%
Burlington Electric Department	7.70%
Others	.65%
Total	100.00%

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

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

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A summary of the McNeil Generating Station financial statements as of and for the year ended June 30, 2010 and the Highgate Converter cash basis financial statements as of and for the year ended December 31, 2010 are as follows:

Category	McNeil Generating Station	Highgate Converter
Total Assets	$ 92,360,839	$ 29,992,482
Liabilities	462,421	0
Owners' Equity	91,898,418	29,992,482
Total Liabilities & Owners' Equity	$ 92,360,839	$ 29,992,482
Contribution by Joint Owners	$ 20,471,261	$ 1,629,363
Station Operating Expenses	20,646,581	1,115,367
Increase in Owners' Equity	(175,320)	513,996
Owners' Equity - Beginning of Year	92,073,738	29,478,486
Owners' Equity - End of Year	$ 91,898,418	$ 29,992,482

Burlington Community Development Corporation owns two buildings at the Burlington Airport with a cost of $5,340,385 and accumulated depreciation of $425,440. It also owns the land on Winooski Avenue at the site of the Onion River Food Co-Operative with a cost of $662,604 and land known as the Gilbane lot that was purchased in 2006 for $372,645. The Corporation was donated a small parcel of land adjacent to the Gilbane lot known as the Morton Parcel. The value of this donation was $120,000. The Corporation has land improvements at the site of the Onion River Co-Operative with a cost of $342,548 with accumulated depreciation of $45,673. The net carrying value of the Corporation's properties are $6,367,069. The buildings are being depreciated over seventy-five (75) years and the land improvements over sixty (60) years.

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
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A summary of the Corporation's capital assets activity is as follow:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit				
Capital Assets, Not Being Depreciated:				
Land	$ 1,155,249	$ 0	$ 0	$ 1,155,249
Construction in Progress	1,256	0	1,256	0
Total Capital Assets, Not Being Depreciated	1,156,505	0	1,256	1,155,249
Capital Assets, Being Depreciated:				
Buildings	5,340,385	0	0	5,340,385
Land Improvements	342,548	0	0	342,548
Totals	5,682,933	0	0	5,682,933
Less accumulated depreciation for:				
Buildings	355,114	70,326	0	425,440
Land Improvements	39,964	5,709	0	45,673
Totals	395,078	76,035	0	471,113
Total Capital Assets, Being Depreciated	5,287,855	(76,035)	0	5,211,820
Component Unit Capital Assets, Net	$ 6,444,360	$ (76,035)	$ 1,256	$ 6,367,069

G. Interfund Balances and Activity

The composition of interfund balances at June 30, 2010, is as follows:

Fund	Due From Other Funds	Due To Other Funds
General Fund	$ 3,530,280	$ 0
School Fund	7,945,903	0
Airport Fund	4,107,770	11,421
Telecom Fund	0	17,009,040
Wastewater Fund	1,637,826	4,581
Pension Trust Fund	3,276,822	0
Other Non-Major Funds:		
Special Revenue Funds	938,053	959,968
Capital Project Funds	42,643	4,611,726
Permanent Funds	978,814	0
Water Fund	0	632,067
School Enterprise Funds	770,692	0
Total	$ 23,228,803	$ 23,228,803

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The $17,009,040 due to other funds in the Telecom Fund consist of two (2) different components; $16,936,492 was frozen by the City in October 2009 and the remaining $72,548 consists of amounts that must be repaid within sixty (60) days.

The main purpose of the interfund balances is so that the City can pool its cash balances. 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.

Interfund transfers during the year ended June 30, 2010 were as follows:

Transfer From	Transfer To		Amount	Purpose
General Fund	Southern Connector Fund	$	10,526	Fund Capital Outlay
General Fund	Fuel Depot Fund		8,415	Fund Capital Outlay
General Fund	Street Improvement Projects Funds		245,102	Fund Capital Outlay
General Fund	Heating Upgrade Fund		20,420	Fund Interfund Loans
General Fund	Other Capital Projects		53,271	Fund Local Share
General Fund	Traffic Fund		270,000	Fund Free Parking
General Fund	Traffic Fund		40,000	Meter Replacement
General Fund	CEDO Fund		299,402	Subsidy
General Fund	Housing Trust Fund		189,227	Tax Transfer
General Fund	Marketplace Fund		11,845	Subsidy
Traffic Fund	General Fund		64,400	Subsidy
Traffic Fund	CEDO Fund		30,000	Subsidy
CEDO Fund	Street Improvement Projects Fund		3,206	Fund Local Share
Marketplace Fund	Street Improvement Projects Fund		15,519	Fund Local Share
Stormwater Fund	Street Improvement Projects Fund		10,808	Fund Local Share
Cemetery Fund	General Fund		20,328	Fund Cemetery Operations
Loomis Library Fund	General Fund		29	Fund Library Operations
	Total	$	1,292,498	

Interfund Loans

In 2009, the City's General Fund issued a $50,858 interfund loan to the Wastewater Fund to assist in capital financing. The loan will be repaid beginning in fiscal year 2013 and completely repaid by the end of fiscal year 2014. Interest of approximately 4% is being charged on this loan.

The Burlington Community Development Corporation, a component unit of the City, owes three (3) separate City funds a total of $1,976,565 related to a short-term loan on a former property held for resale, for other pieces of property, plant and equipment and for excess cash withdrawals from the City's pooled cash account. Debt of $660,325 related to the Westlake Parking garage will be repaid to the Westlake Projects Fund without interest. A time frame for this repayment has not been established. Debt of $1,182,811 relates to a loan from the Airport Fund for financing of the Aviation Support Hanger. This note will be repaid over twenty (20) years with interest at 3%. Excess cash withdrawals in the amount of $133,429 will be repaid to the City in fiscal year 2011.

H. Other Long-Term Assets

The Governmental Activities other long-term assets, net of accumulated amortization, consists of deferred debt issuance costs of $369,902 as of June 30, 2010.

The Business-type Activities other long-term assets, net of accumulated amortization, consists of the following as of June 30, 2010:

Category	Electric Fund	Airport Fund	Telecom Fund	Water Resources Fund	Total
Deferred Debt Issuance Costs	$ 1,323,434	$ 1,184,836	$ 49,937	$ 39,201	$ 2,597,408
Deferred Depreciation Expense	3,505,333	0	0	0	3,505,333
Unamortized Demand Side Side Mgt (DSM)	2,371,711	0	0	0	2,371,711
Other Unamortized Charges	2,471,152	0	0	0	2,471,152
Non-Utility Property	775,600	0	0	0	775,600
Deferred VPSB Accounting Orders	246,546	0	0	0	246,546
Licensing Costs	0	0	40,981	0	40,981
Total	$ 10,693,776	$ 1,184,836	$ 90,918	$ 39,201	$ 12,008,731

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

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

In March 1990, the voters of the City of Burlington approved an $11,300,000 bond issue to fund Demand Side Management (DSM) programs. In October 1992, the Electric Department issued revenue bonds of $40,900,000 of which $11,300,000 was designated to finance the costs of these programs. The costs of these programs have been deferred. Consistent with rate making treatment, the Electric Department is recovering these costs over the life of the long-term bonds and the related debt service. Other Unamortized charges at June 30, 2010 are as follows:

Category	Amount
Loss on Transfer of Moran Station	$1,326,122
Costs Associated with Chase Hydro	1,142,503
Deferred Prepayment	2,527
Total	$2,471,152

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

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

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

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

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

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

I. Deferred Revenue

Deferred Revenue in the Governmental Funds consists of:

General Fund:		
Unavailable Property Taxes, Interest, and Penalties	$	544,425
Unavailable Gross Receipts, Taxes, Interest and Penalties		73,360
Unavailable Public Safety Non-Exchange Transaction Fees		361,831
Unavailable Public Works Non-Exchange Transaction Fees		13,660
Other Unavailable Receivables		50,160
Prepaid Culture & Recreation Fees		170,862
Prepaid Public Safety Fire Alarm Fees		100
Prepaid Public Safety Charges for Services		1,154,818
Total General Fund	$	2,369,216
School Fund:		
Unavailable Grant Receivables	$	97,147
Grants Received in Advance		2,254,977
Total School Fund	$	2,352,124

Other Governmental Funds:		
Traffic Fund:		
Parking Fees Received in Advance	$	16,465
Total Traffic Fund		16,465
CEDO Fund:		
Unavailable Loans Receivable		3,411,490
Unavailable Accrued Interest Receivable		612,649
Unavailable Land Held For Resale		570,934
Unavailable Grant Receivables		210,871
Grants Received in Advance		18,344
Total CEDO Fund		4,824,288
Marketplace Fund:		
Unavailable Vendor Assessment Receivables		7,486
Vendor Assessments Received in Advance		18,254
Total Marketplace		25,740
Capital Projects Funds:		
Unavailable Grants Receivable		3,828,801
Grants Received in Advance		116,340
Total Capital Projects Funds		3,945,141
Total Other Governmental Funds	$	8,811,634

The unavailable amounts are those receivables that were not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities.

The revenue from the Loans, Interest on Loans and Land Held for Resale of will be recognized as the loans are repaid to the City and the land is sold. The revenue from Unavailable Receivables will be recognized as the receivables are collected. The Prepaid Fees and Assessments will be recognized as assessments are levied and services are provided. The Grant Revenue received in advance will be recognized as eligible grant expenditures are incurred.

The Water Fund has $42,424 of deferred revenue from receiving deposits for work not yet performed. This revenue will be earned once the work has been completed.

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

J. Long-term Liabilities

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

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

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

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

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

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

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

CITY OF BURLINGTON, VERMONT
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For the year ended June 30, 2010

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

Unamortized Premium

Debt premiums incurred in connection with the sale of bonds are amortized over the terms of the related debt. Unamortized balances are included as a component of long-term debt.

Unamortized Discount

Debt discounts incurred in connection with the sale of bonds are amortized over the terms of the related debt. Unamortized balances are included as a component of long-term debt.

Other Post Employment Benefits

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

Deferred Loss on Refunding Bonds and Capital Leases

The City has incurred various accounting losses in connection with the refinancing of bonded debt and capital leases. Although the refinancing results in an accounting loss, the City always reduces its aggregate debt service. The deferred loss on refunding is amortized over the life of the new debt issuance.

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds Payable	$ 15,897,809	$ 7,000,000	$ 2,140,310	$ 20,757,499	$ 1,704,166
Other Debt	16,783,000	74,875	1,168,000	15,689,875	1,105,000
Bond Anticipation Note Payable	4,000,000	0	4,000,000	0	0
Obligations Under Capital Leases	2,289,762	1,939,210	977,487	3,251,485	985,000
Insurance Reserves	2,069,000	0	450,000	1,619,000	915,523
City Compensated Absences	2,151,805	13,547	0	2,165,352	0
School Compensated Absences	2,743,390	516,114	0	3,259,504	0
Landfill Post-Closure	57,000	0	16,000	41,000	16,000
City - Post Employment Benefits	393,073	215,712	0	608,785	2,800
School - Post Employment Benefits	691,604	172,754	0	864,358	63,000
Net Pension Obligation	1,873,565	0	22,854	1,850,711	24,000
Total Governmental Activities Long-term Liabilities	$ 48,950,008	$ 9,932,212	$ 8,774,651	50,107,569	$ 4,815,489
Add Unamortized Premium				159,150	
Subtract Deferred Loss on Refunding				(64,408)	
Total				$ 50,202,311	

		Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities						
General Obligation Bonds Payable	*	$ 26,655,565	$ 17,600,000	$ 307,481	$ 43,948,084	$ 1,534,979
Revenue Bonds Payable	*	119,289,869	2,974	10,654,889	108,637,954	15,079,789
Obligations Under Capital Leases		33,878,667	3,499,553	406,363	36,971,857	1,908,996
Bond Anticipation Note Payable		1,000,000	0	1,000,000	0	0
Compensated Absences		1,362,100	37,684	0	1,399,784	0
Post Employment Benefits		0	131,538	0	131,538	0
Deferred Electric Credit		1,312	0	549	763	0
Total Business-type Activities Long-Term Liabilities		$ 182,187,513	$ 21,271,749	$ 12,369,282	191,089,980	$ 18,523,764
Add Unamortized Premium					1,415,870	
Subtract Unamortized Discount					(121,420)	
Subtract Deferred Loss on Refunding Bonds					(12,636,102)	
Subtract Deferred Loss on Refunding Capital Leases					(613,836)	
Total					$ 179,134,492	

* The beginning balances for General Obligation Bonds Payable and Revenue Bonds Payable have been reclassified.

The Electric Fund has not recorded $172,677 of post employment benefit liabilities.

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

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

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

		Issue Date	Interest Rate %	Maturity Date	Original Issue	Outstanding 6/30/2009	New Issue	Principal Reduction	Outstanding 6/30/2010
Governmental Activities:									
General Obligation Bonds:									
87	Urban Renewal 1998 Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	835,000	230,000	0	75,000	155,000
90	G.O. 1998 Series B Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	174,167	47,499	0	15,000	32,499
100	General Improvements 1999 Series B	07/20/99	4.25-4.80	12/01/2009	750,000	90,000	0	90,000	0
105	General Improvements 2000 Series A	10/12/00	4.25-4.75	12/01/2010	750,000	180,000	0	90,000	90,000
107	General Improvements 2001 Series A	10/01/01	3.00-4.00	11/01/2011	750,000	255,000	0	80,000	175,000
115	General Improvements 2002 Series A	07/30/02	3.00-4.00	09/01/2012	750,000	335,000	0	80,000	255,000
118	Fire Equipment Bond 2003A	05/01/03	3.50-4.00	11/01/2018	2,500,000	1,815,000	0	150,000	1,665,000
129	General Improvements 2003 Series B	10/15/03	2.00-3.75	11/01/2013	750,000	410,000	0	75,000	335,000
136	General Improvements 2004 Refunding Series B	07/15/04	2.00-3.80	12/01/2016	530,000	320,000	0	40,000	280,000
138	General Improvements 2004 Series A	07/15/04	2.25-3.75	05/01/2015	750,000	480,000	0	75,000	405,000
139	General Improvements 2005 Series A	06/28/05	3.50-3.60	11/01/2015	250,000	185,000	0	25,000	160,000
143	General Improvements 2005 Series B	07/06/05	3.25-3.50	11/1/2015	1,000,000	745,000	0	95,000	650,000
148	General Improvements 2006 Refunding Series B	10/10/06	3.75	12/1/2009	1,454,867	411,783	0	411,783	0
150	General Improvements 2006 Series B	10/10/06	3.50-4.00	11/1/2026	1,000,000	935,000	0	35,000	900,000
154	General Improvements 2007 Series A	12/10/07	3.50-4.25	11/1/2027	1,000,000	970,000	0	35,000	935,000
163	General Improvements 2009 Series C	08/18/09	2.00-4.125	11/1/2029	1,000,000	0	1,000,000	0	1,000,000
164	General Improvements 2009 Series C	08/18/09	2.00-4.125	11/1/2029	1,000,000	0	1,000,000	0	1,000,000
165	General Improvements 2009 Series C Street Improv	08/18/09	2.00-4.125	11/1/2029	2,250,000	0	2,250,000	0	2,250,000
88	G.O. School 1998 Series C Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	696,667	190,000	0	60,000	130,000
112	G.O. School 2002 Series Refunding Bonds	07/30/02	2.50-4.00	09/01/2013	1,070,000	545,000	0	100,000	445,000
114	G.O. School 2002 Series A Bonds	07/30/02	3.00-4.375	03/01/2018	860,000	670,000	0	35,000	635,000
137	G.O. School 2004 Refunding Series B Bonds	07/15/04	2.00-3.80	12/01/2016	2,370,000	1,410,000	0	175,000	1,235,000
145	G.O. School 2005 Series B Bonds	07/06/05	3.25-4.2	11/1/2025	750,000	680,000	0	30,000	650,000
147	G.O. School 2006 Refunding Series B Bonds	10/10/06	3.75	12/1/2006	614,105	188,527	0	188,527	0
152	G.O. School 2006 Series A Bonds	10/10/06	3.50-4.00	11/1/2026	750,000	700,000	0	25,000	675,000
153	G.O. School 2006 Series A Bonds - Athletic Field	10/10/06	3.50-4.00	11/1/2026	3,615,000	3,375,000	0	130,000	3,245,000
156	G.O. School 2007 Series A Bonds	12/10/07	3.50-4.25	11/1/2027	750,000	730,000	0	25,000	705,000
166	G.O. School 2009 Series C Bonds	08/18/09	2.00-4.125	11/1/2029	750,000	0	750,000	0	750,000
167	G.O. School 2009 Series C Bonds	08/18/09	2.00-4.125	11/1/2029	2,000,000	0	2,000,000	0	2,000,000
	General Obligation Bonds Subtotal				31,719,806	15,897,809	7,000,000	2,140,310	20,757,499
Other Debt									
94	Downtown Parking - Certificate of Participation	06/01/99	4.30-4.80	12/01/2018	5,500,000	2,340,000	0	195,000	2,145,000
95	Waterfront Refunding - Certificate of Participation	06/01/99	4.30-4.80	12/01/2018	1,390,000	855,000	0	70,000	785,000
103	Capital Projects - Certificate of Participation	06/27/00	5.375-5.75	12/01/2020	4,100,000	2,950,000	0	180,000	2,770,000
116	Police Facility - Certificate of Participation Refunding	07/30/02	3.00-4.25	05/01/2015	2,075,000	1,080,000	0	160,000	920,000
140	Downtown Parking - Certificate of Participation	6/7/05	4.0-4.375	05/01/2025	7,870,000	7,250,000	0	330,000	6,920,000
158	HUD Section 108 - US Guaranteed Notes 1999	04/28/99	5.40-6.20	08/01/2017	1,930,000	910,000	0	130,000	780,000
128	HUD Section 108 - US Guaranteed Notes 2003	02/12/03	3.25	08/01/2022	3,602,000	598,000	0	103,000	495,000
159	HUD Section 108 - US Guaranteed Notes 2005	1/23/09	variable	08/01/2018	1,827,000	800,000	0	0	800,000
	State of VT-EPA 2009 Series 1 (Stormwater)	2/9/10	2.00	10/01/2031	1,204,000	0	74,875	0	74,875
	Other Debt Subtotal				29,498,000	16,783,000	74,875	1,168,000	15,689,875
	Total Governmental Activities Bonds and Other Debt				61,217,806	32,680,809	7,074,875	3,308,310	36,447,374

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

In addition to the above long-term debt, the City incurred the following short-term obligations during the year.

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

	Issue Date	Interest Rate %	Maturity Date	Original Issue	Outstanding 6/30/2009	New Issue	Principal Reduction	Outstanding 6/30/2010
Tax and Bond Anticipation & Other Notes Payable								
Bond Anticipation Note - GF, School & BED	2/24/2009	2.00%	8/24/2009	5,000,000	5,000,000	0	5,000,000	0
Tax Anticipation Note - School	7/1/2009	1.29%	9/30/2009	7,000,000	0	7,000,000	7,000,000	0
Revenue Anticipation Note - BED	7/10/2009	1.85%	6/30/2010	4,000,000	0	4,000,000	4,000,000	0
Revenue Anticipation Note - Water	7/10/2009	1.85%	6/30/2010	1,000,000	0	1,000,000	1,000,000	0
Revenue Bond Anticipation Note - Wastewater	7/10/2009	1.85%	6/30/2010	1,000,000	0	1,000,000	1,000,000	0
Tax Anticipation Note - General Fund	8/7/2009	2.35%	6/30/2010	11,500,000	0	8,000,000	8,000,000	0
Revenue Anticipation Note - BED	6/30/2010	2.99%	9/30/2010	4,000,000	0	4,000,000	0	4,000,000
Revenue Anticipation Note - Water	6/30/2010	2.99%	9/30/2010	1,000,000	0	1,000,000	0	1,000,000
Revenue Anticipation Note - Wastewater	6/30/2010	2.99%	9/30/2010	1,000,000	0	1,000,000	0	1,000,000
				35,500,000	5,000,000	27,000,000	26,000,000	6,000,000

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

		Issue Date	Interest Rate %	Maturity Date	Original Issue	Outstanding 6/30/2009	New Issue	Principal Reduction	Outstanding 6/30/2010
Business-type Activities:									
General Obligation Bonds:									
89	Electric 1998 Series C Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	174,167	47,500	0	15,000	32,500
135	Electric 2004 Series B Refunding Bonds	07/15/04	2.00-3.80	12/01/2016	510,002	300,000	0	35,000	265,000
141	Electric 2005 Series A Bonds	06/28/05	3.50-4.20	11/01/2025	1,000,000	910,000	0	40,000	870,000
144	Electric 2005 Series B Bonds	07/06/05	3.25-4.20	11/01/2025	1,000,000	905,000	0	40,000	865,000
149	Electric 2006 Series B Refunding Bonds	10/10/06	3.75	12/1/2009	146,028	39,690	0	39,690	0
151	Electric 2006 Series A Bonds	10/10/06	3.50-4.00	11/1/2026	1,000,000	935,000	0	35,000	900,000
157	Electric 2007 Series A Bonds	12/20/07	3.50-4.30	11/1/2027	1,000,000	970,000	0	35,000	935,000
159	Electric 2009 Series A Bonds	04/20/09	2.00-4.375	11/1/2029	12,750,000	12,750,000	0	0	12,750,000
160	Electric 2009 Series B Bonds	04/20/09	4.00-6.00	11/1/2029	8,250,000	8,250,000	0	0	8,250,000
162	Electric 2009 Series D Bonds	08/18/09	1.45-5.60	11/1/2029	4,615,000	0	4,615,000	0	4,615,000
168	Electric 2009 Series C Bonds	08/18/09	2.00-4.125	11/1/2029	1,000,000	0	1,000,000	0	1,000,000
169	Electric 2009 Series C Bonds	08/18/09	2.00-4.125	11/1/2029	1,000,000	0	1,000,000	0	1,000,000
170	Electric 2009 Series C Bonds	08/18/09	2.00-4.125	11/1/2029	10,985,000	0	10,985,000	0	10,985,000
161	State of VT-EPA 2001 Series 1 (Digester)	07/01/00	2.00	10/01/2026	2,500,000	1,548,375	0	67,791	1,480,584
	General Obligation Bonds Subtotal				45,930,197	26,655,565	17,600,000	307,481	43,948,084
Revenue Obligation Bonds:									
77	Electric Revenue Bonds 1996 Series A	04/01/96	3.80-6.38	12/01/2012	54,475,000	18,150,000	0	4,125,000	14,025,000
126	Electric Revenue Bonds 2001 Series A	12/01/01	2.30-4.60	07/01/2014	11,115,000	7,755,000	0	655,000	7,100,000
127	Electric Revenue Bonds 2002 Series A	04/01/02	5.00-5.375	07/01/2014	20,875,000	15,045,000	0	1,195,000	13,850,000
130	Electric Revenue Bonds 2004 Series A	04/15/04	4.27	07/01/2024	10,000,000	8,530,000	0	395,000	8,135,000
102	State of VT-EPA 1990 Series 1	12/06/90	0.00	12/01/2010	5,378,105	4,275,597	0	242,015	4,033,582
101	State of VT-EPA 1991 Series 1	02/12/92	0.00	12/01/2014	19,403,807	17,481,190	0	582,114	16,899,076
103	Wastewater State of VT-EPA 2006 Series 1 (Siphon)	09/06/06	2.00	02/01/2027	1,650,000	1,408,082	0	65,760	1,342,322
173	State of VT-EPA 2009 Series 1 (Turbo Blower)	2/9/2010	2.00	10/1/2031	120,000	0	2,974	0	2,974
82	Water Revenue Bonds 1997 Series A	07/10/97	4.10-5.00	12/01/2012	13,925,000	4,930,000	0	1,145,000	3,785,000
78	Airport Revenue Bonds 1997 Series A	05/01/97	3.85-5.60	07/01/2017	12,380,000	7,210,000	0	640,000	6,570,000
79	Airport Revenue Bonds 1997 Series B	05/01/97	4.00-5.75	07/01/2017	7,450,000	4,370,000	0	385,000	3,985,000
104	Airport Revenue Bonds 2000 Series A	05/17/00	4.80-6.20	07/01/2020	10,435,000	7,550,000	0	455,000	7,095,000
119	Airport Revenue Bonds 2003 Series A and B	06/11/03	2.00-5.00	07/01/2028	24,800,000	22,585,000	0	770,000	21,815,000
	Revenue Obligation Bonds Subtotal				192,006,912	119,289,869	2,974	10,654,889	108,637,954
	Total Business-type				237,937,109	145,945,434	17,602,974	10,962,370	152,586,038
	Total of All Bonds				299,154,915	178,626,243	24,677,849	14,270,680	189,033,412

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Revenue Bonds have been issued pursuant to General Bond Resolutions and are collateralized by a pledge of revenues. Pursuant to the General Bond Resolutions, revenues (as defined) means all rates, fees, charges or other income and includes rentals, proceeds of insurance or condemnation or other disposition of assets, proceeds of bonds or notes and earnings from the investment of revenues. On an annual basis, revenues must be sufficient after deducting operating expenses (as defined) to meet minimum debt service coverage requirements (as defined). If minimum debt service coverage requirements are not met, the City must take timely corrective action. For the year ended June 30, 2010, the City did not meet the debt service coverage requirements for the Airport and Water Funds. As a result, the Airport will be required to perform and implement a study to meet this ratio requirement and the Water Department has increased water rates in fiscal year 2010 and 2011 to meet this ratio requirement.

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

Anticipated maturities of the bonds and notes excluding the bond anticipation note are as follows:

Year Ending	Governmental Activities		Business-Type Activities	
June 30	Principal	Interest	Principal	Interest
2011	$ 2,809,166	$ 1,391,391	$ 16,614,769	$ 5,890,836
2012	2,818,333	1,286,775	13,381,765	5,275,235
2013	2,677,246	1,184,454	14,117,873	4,623,925
2014	2,687,791	1,084,227	26,795,180	4,132,405
2015	2,574,838	983,307	12,787,451	3,557,870
2016-2020	11,890,000	3,433,254	25,987,688	12,425,583
2021-2025	7,550,000	1,509,154	22,674,150	7,308,228
2026-2030	3,440,000	290,889	20,227,162	2,287,619
Total	$ 36,447,374	$ 11,163,451	$ 152,586,038	$ 45,501,701

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The City is the lessee of various equipment under capital leases expiring in various years through 2028. Future minimum payments under the capital leases consisted of the following as of June 30, 2010.

Year Ending 6/30	Governmental Activities	Business-type Activities
2011	$ 1,051,579	$ 3,529,825
2012	920,738	3,523,489
2013	740,724	3,479,472
2014	552,117	3,448,001
2015	180,395	3,147,565
2016-2020	28,793	15,005,187
2021-2025	0	14,137,886
2026-2029	0	6,362,047
Total Minimum Lease Payments	3,474,346	52,633,472
Less Amounts Representing Interest	(222,861)	(15,661,615)
Net Present Value of Future Payments	3,251,485	36,971,857
Deferred Loss on Lease Refunding	0	(613,836)
Net Capital Leases Payable	$ 3,251,485	$ 36,358,021

There is a capital lease in the amount of $33,500,000 for the Telecom Fund. The lease repayments are to be paid back from Telecom revenues. If these revenues are insufficient, other City funds are not obligated in any manner to repay this lease. This lease is not supported by the general taxing authority of the City. Subsequent to the end of the year, the City did not appropriate funds to pay this lease and, therefore, terminated the lease pursuant to its terms.

Burlington Community Development Corporation has one (1) note payable with TD Bank on the Gilbane property totaling $327,803 which is secured by a mortgage. The loan is for ten years and has a fixed rate of 7.66%. Subsequent to year end, the note was renewed for another ten (10) year period with interest at 6.25%.

The Corporation also has four (4) notes payable with Peoples United Bank with a balance of $1,218,612 which are offset by notes receivable from Champlain Housing Trust Corporation and will be repaid as the notes receivable are collected. Interest rates are between 3.25% and 4%.

The Corporation also has borrowed $3,320,000 from the Vermont Economic Development Authority (VEDA) to construct an Aviation Support Hanger. The loan is for twenty (20) years with interest at 7.15%. The balance as of June 30, 2010 is $2,973,670. Subsequent to year end, the Corporation issued a $2,977,500 note with the Union Bank for the purpose of refinancing the VEDA loan. Interest is at 4.09% and the note is due November 1, 2020.

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As part of the subsequent refinancing of the VEDA note as discussed previously, the Corporation issued a $560,000 note with VEDA to pay for a swap termination fee and other related costs associated with refinancing. Interest is at 3.75% and is due November 19, 2020.

The Corporation also borrowed $1,400,000 from the Airport Fund to assist in financing the construction of the above mentioned Aviation Support Hanger. The terms of the note require monthly payments for twenty (20) years with interest at 3%. The note is due in June, 2026. This is reported as due to primary government. The balance as of June 30, 2010 is $1,182,811.

The Corporation also owes a City Capital Projects Fund $660,325 for its share of the Westlake Parking Garage. The amount will be paid in 2011 when the Corporation secures permanent financing from a bank. This liability is reported as due to primary government.

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

Year Ending June 30	Principal	Interest
2011	$ 182,522	$ 242,895
2012	179,814	200,373
2013	187,744	191,762
2014	195,645	183,133
2015	208,352	174,135
2016-2020	1,155,725	713,115
2021-2025	2,331,173	106,636
2026-2030	79,110	5,844
Total	$ 4,520,085	$ 1,817,893

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

Year Ending June 30	Principal	Interest
2011	$ 58,488	$ 34,684
2012	60,267	32,905
2013	62,100	31,072
2014	63,989	29,183
2015	65,935	27,237
2016-2020	361,005	104,855
2021-2025	419,351	46,509
2026-2027	91,676	1,496
Total	$ 1,182,811	$ 307,941

K. Restricted Net Assets

The restricted net assets of the City's Governmental Activities as of June 30, 2010 are as follows:

Restricted for Specific General Fund Purposes By Various Instruments	$1,229,734
Restricted for Education by Grant Agreements	399,620
Restricted for Traffic Activities by Charter	326,118
Restricted for Community Development by Grant Agreement	4,565,559
Restricted for TIF District Debt Service by Ordinance	277,050
Restricted for Wadell Fund by Donations	13,821
Restricted for Capital Construction by Donations and Debt Agreement	16,860
Restricted for Perpetual Care by Trust Agreements	1,102,366
Total Restricted Governmental Activities Net Assets	$7,931,128

The restricted net assets of the City's Business-type Activities as of June 30, 2010 are as follows:

Restricted for Debt Service by Revenue Bond	$18,567,488
Restricted for Renewal & Replacement Projects by Revenue Bond	1,170,152
Restricted for Capital Projects by PFC Regulations	7,221,471
Restricted for Capital Projects by Revenue Bond	7,219,963
Total Restricted Business-type Activities Net Assets	$34,179,074

The City also has eight Private Purpose Trust Funds that are restricted by trust agreements and donations totaling $205,238.

BCDC, a component unit of the City has $18,000 of net assets restricted for future capital reserves as required by the Capital Lease Agreement.

CITY OF BURLINGTON, VERMONT
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For the year ended June 30, 2010

L. Reserved Fund Balances

The reserved fund balances of the City's Governmental Funds as of June 30, 2010 are as follows:

General Fund:	
Reserved for Inventories and Prepaid Expenses	$ 447,808
Reserved for Parking Fund by Charter	23,000
Reserved for Library Books by Grants and Donations	162,019
Reserved for Public Record Restoration by Grants	47,669
Reserved for Capital Construction by Impact Fees	355,909
Reserved for Public Safety Expenditures by Police Equitable Sharing Funds	641,137
Reserved for Capital Reserve Expenses by Bond Proceeds	755,442
Reserved for Capital Lease Receivable – Long Term	193,333
Reserved for Wastewater Interfund Loan – Long Term	50,858
Total General Fund	2,677,175
School Fund:	
Reserved for Education Expenditures by Donations and Grants	399,620
Total School Fund	399,620
Other Governmental Funds:	
Reserved for Traffic Fund Prepaid Expenses and Inventories	201,204
Reserved for Traffic Fund Expenditures by City Charter	124,914
Reserved for Tax Increment Financing Fund Prepaid Expenses	1,375
Reserved for Tax Increment Financing Fund Debt Service by Ordinance	275,675
Reserved for Stormwater Fund Prepaid Expenses	6,817
Reserved for Church Street Marketplace Prepaid Expenses	448
Reserved for Mary E. Waddell Fund by Trust Agreement	13,821
Reserved for Capital Construction by Donations	16,860
Reserved for Cemetery Endowments by Trust Agreements	1,066,052
Reserved for Other Permanent Funds by Donations	36,314
Total Other Governmental Funds	1,743,480
Total Reserved Fund Balances	$4,820,275

CITY OF BURLINGTON, VERMONT
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M. Designated Fund Balances

The designated fund balances of the City's Governmental Funds as of June 30, 2010 are as follows:

General Fund:	
Designated for CCTA & County Tax – Dedicated Tax	$ 136,712
Designated for Conservation Legacy – Dedicated Tax	438,840
Designated for Parks – Greenbelt – Dedicated Tax	189,132
Designated for Parks – Pennies for Parks – Dedicated Tax	173,422
Total Tax Items	938,106
Less: Uncollected Property Taxes, Penalties and Interest	(544,425)
Total Designated Tax Items	393,681
Designated for Insurance Reserves	210,586
Designated for General Capital Reserve	294,709
Designated for Financed Capital	21,520
Designated for Recycling	223,541
Total Designated Fund Balance	$1,144,037

The City's General Fund designated tax items were reduced by the $544,425 revenue deferral for uncollected property taxes, penalties and interest. The expending of funds for the designated tax items is contingent upon the receipt of these monies.

The remaining unreserved and undesignated fund balance of the City's General Fund as of June 30, 2010 was $6,094,554.

The unreserved deficit of $389,462 in the School Fund will be funded in fiscal year 2011 by budgeting a surplus.

The unreserved, designated fund balances in the Other Governmental Funds as of June 30, 2010 are as follows:

Special Revenue Funds:	
Designated for Housing	$334,019
Designated for Stormwater	144,521
Total Special Revenue Funds	$478,540

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The unreserved, undesignated fund balances/(deficits) in the Other Governmental Funds as of June 30, 2010 are as follows:

Special Revenue Funds:	
Community and Economic Development Fund	$ (240,385)
Church Street Marketplace Fund	(45,368)
Total Special Revenue Funds	(285,753)
Capital Projects Funds:	
Southern Connector Fund	(593,819)
South End and Downtown Transit Centers Fund	(10,285)
Fuel Depot	(288,788)
Street Improvement Projects Fund	(2,395,876)
Riverside Avenue and North Street Projects Fund	(23,069)
Burlington/Winooski Bridge Fund	(19,922)
Moran Plant Project Fund	(519,075)
Stormwater Upgrade Fund	(288,838)
Other Capital Projects Fund	(320,735)
Lakeview and College Street Garages and Westlake Project Fund	(8,874)
School Capital Projects Fund	(1,417,497)
Total Capital Projects Funds	(5,886,778)
Total Unreserved, Undesignated Fund Balances/(Deficits)	$(6,172,531)

The deficit in the Church Street Marketplace Fund will be funded in 2011 with increased revenue collection efforts and decreased expenses. The Lakeview and College Street Garages and Westlake Project Fund deficits will be funded in 2011 by a transfer from the General Fund. The Moran Plant Project Fund deficit will be funded with a combination of grants and proceeds of long-term debt. The School Capital Projects Funds deficit and the Stormwater Upgrade Fund deficit were funded in 2011 with proceeds of long-term debt. All other City funds with deficits will be funded as grants receivable are collected in fiscal year 2011.

V. OTHER INFORMATION

A. Property Taxes

The City is responsible for assessing and collecting its own property taxes as well as education property taxes for the State. Property taxes are assessed based on property valuations as of April 1 annually. Taxes are collected four (4) times per year. During the tax year ended June 30, 2010, taxes became due and payable on August 12, 2009, November 12, 2009, March 12, 2010 and June 12, 2010. Taxes unpaid after each due date are considered to be late and are subject to 1% interest added on the next day, an additional 4% interest added after the tenth (10th) day late and an additional 1% per month thereafter. Taxes unpaid ten (10) days after the June due date are delinquent and are subject to an 8% penalty and interest calculated at twelve percent (12%). Unpaid taxes become an enforceable lien on the property and such properties are subject to tax sale.

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The amount of taxes the City may levy is subject to charter limitations. These limits and the rates assessed for 2009-2010 are as follows:

Category	Charter Limits	Rate per $100 of Assessed Value Residential	Rates per $100 of Assessed Value Non-Residential
General City	$ 0.2329	$ 0.2329	$ 0.2329
Highways (charter-prescribed minimum)	0.0312	0.0312	0.0312
Police/Fire	0.0807	0.0807	0.0807
Parks (charter-prescribed minimum)	0.0350	0.0350	0.0350
Streets-Special	0.0617	0.0617	0.0617
County Tax	Actual	0.0054	0.0054
General Long-Term			
Debt Retirement & Interest	Actual	0.0569	0.0569
Retirement Contribution	Actual	0.1587	0.1587
Chittenden County			
Transportation Authority	Actual	0.0337	0.0337
Library Tax	0.0050	0.0050	0.0050
Housing Trust Fund	0.0100	0.0054	0.0054
Open Space	0.0100	0.0054	0.0054
Total City Tax Rate		0.7120	0.7120
Total School Tax Rate	Actual	1.2394	1.5334
Total Tax Rate		1.9514	2.2454

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

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

Total Property Taxes Assessed	
School (Homestead)	$ 19,575,901
School (Non-Residential)	27,303,654
City Real	24,234,005
City 120% Commercial Adjustment	1,098,535
City Personal	1,010,022
Total Taxes Assessed	73,222,117
Less: Current Year Collections and Adjustments	72,738,718
Delinquent Taxes	$ 483,399
Percentage of Current Tax Collections to Total Levies	99.34%

The City also assessed a $ .09 tax levy on the commercial values of properties within the "Downtown Improvement District" to assist in funding two hours of free parking in the downtown garages. The City assessed $284,310 in "Downtown Improvement District" taxes.

B. Commitments and Contingencies

ELECTRIC DEPARTMENT

1. The Department purchases a portion of its electricity requirements pursuant to long-term contracts. Sources of purchased power include power contracts from New York State Electric and Gas (NYSEG) and Vermont Electric Power Producers, Inc. (VEPPI). Payments under long-term power supply contracts were $5,027,661 for the year ended June 30, 2010. Future budgeted commitments for the next five (5) years under these contracts totaled approximately $12 million at June 30, 2010. The remainder of energy requirements are satisfied through short-term purchases, generation at the McNeil Station, which the Department is a 50% owner, and the Burlington Gas Turbine, which the Department wholly owns. The costs of power purchased under these contracts are accounted for as purchased power expense in the statement of revenues, expense and changes in net assets.

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

McNeil Generating Station and Gas Turbine	36.0%
NYPA	4.0%
NYSEG	9.0%
VEPPI	6.0%
Other	45.0%
Total	100.0%

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2. The Burlington City Council has approved, and the Vermont Public Service Board has likewise approved, a 10 year contract with Vermont Wind. Under the proposed contract, the Department would receivable 16 MW (40%) of Vermont Wind's permitted wind farm in Northeast Vermont. The contract, while approved, has not yet been executed and commercial operations are not expected before 2010.

3. On May 12, 2009, the Department filed with the VPSB a request to increase rates by 11.33% to a revenue level of $50,393,364. By law, the Department is allowed to begin charging these new rates for service rendered 45 days after the filing, subject to refund should the Board ultimately approve less than the filed amount. Therefore, on June 26, 2009 the Department began charging the new rates. The rates received Vermont Public Service Board approval on March 1, 2010.

4. The Department faces possible liability as a potentially responsible party ("PRP") with respect to the cleanup of certain hazardous waste sites. The City is currently a PRP as a landowner of a hazardous waste superfund site in Burlington, Vermont which is the subject of a remediation investigation by the Environmental Protection Agency. The Department has agreed to share on an equal basis in all past and future costs incurred in connection with any and all settlements or actions resulting from the designation of the City as a PRP at this site. In light of a recent agreement between the City and the E.P.A. concerning the remediation plan at the site, the City believes that the likelihood of any liability material to the financial position of the City is remote and, as such, no liability has been accrued as of June 30, 2010.

5. In 2008, the McNeil Generating Station (McNeil) installed a Regenerative Selective Catalytic Reduction (RSCR) unit. The RSCR unit significantly reduces McNeil's Nitrous Oxide (NOx) emission level which allows the station to qualify to sell Connecticut Class I Renewable Energy Certificated (RECs). On March 4, 2009, the Connecticut Department of Public Utilities finalized approval of McNeil Station to sell Class I RECs retroactive to October 1, 2008. Connecticut Class 1 RECs are one of the more valuable REC products in New England and REC sales are expected to be a significant revenue source for the Department. The Department planning staff monitors McNeil output levels, REC commitments made, and the markets for these RECs and periodically sells RECs either through an action structure, through broker initiated transactions, or through direct placement with entities who need the RECs to comply with Connecticut statutes. The Department enters into agreements to sell these RECs for both the current year's generation, and for future years production.

   The RECs are determined to be qualified for sale based on consistent review of outputs garnered by McNeil. At the end of every quarter, an affidavit is signed stating whether or not McNeil's emissions output met the requirements needed to sell the RECs. McNeil receives a certificates from the State of Connecticut indicating that they met the standards based on the statistics provided by McNeil. At the time of the certificates received, the sales contract is consummated with the customer, and upon delivery of the RECs to the customer, the sale is recorded as revenue.

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6. In November, 2006, the GASB issued GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. Under GASB Statement No. 49, the Department will be required to estimate the components of expected pollution remediation outlays and determine whether outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. The Department has determined the adoption of GASB Statement No. 49 did not have a material effect on the financial statements.

OTHER FUNDS

LAKE CHAMPLAIN BARGE CANAL

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

NORTH/SOUTH CONNECTOR PROJECT

In the 1980's, the City undertook a major project to construct connector highways on the north and south boundaries of the City. The northern part was completed in 1987. However, due to the fact that the southern route was to go through a hazardous waste "superfund" site known as the Barge Canal, construction in the south side has been delayed. The scope and route for the road has changed much over the years. The City, working with the State of Vermont, has redesigned the route of the highway and a plan is under consideration. Engineering and administrative fees in the amount of $421,385 were expended in fiscal year 2010. Federal and State permitting and final design are ongoing and construction will not begin until at least 2011.

CHITTENDEN SOLID WASTE DISTRICT

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

GRANT PROGRAMS

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for, or including, the year ended June 30, 2010 have not yet been conducted. Accordingly, the City's compliance with grant application requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

CONSTRUCTION COMMITMENTS

The Airport has commitments for ongoing Airport Improvement Projects as well as the completion of construction in progress funded from the restricted assets. Airport Improvement Projects and other projects in progress include parking expansion, south end development, VORTEX conversion project, land acquisition and mitigation, taxiway and runway improvements, security and lighting enhancements, and various engineering projects, as well as an airport master plan.

LETTERS OF CREDIT

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

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

On May 19, 2003, the City entered into a development agreement with Westlake Development to provide for the construction of a hotel and parking facility on the southeast corner of Battery and Cherry Streets. The City exercised its right to purchase land and completed construction of a parking garage containing 200 public spaces known as the Westlake Garage. As part of the agreement, the City financed and added two decks to the existing Lakeview Parking Garage adjacent to the hotel site in 2005. This was financed by funding in the form of $7,870,000 of Certificates of Participation (COP's). It is anticipated that repayment will come from additional property taxes that will accrue to the City within its tax increment financing (TIF) district.

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

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TRANSPORTATION CENTER

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

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

In 2010, the City entered into an agreement to transfer grant funding, project authority and liability for the project to the Chittenden County Transportation Authority.

BURLINGTON TELECOM

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

In May 2004, the City Council authorized the Chief Administrative Officer to solicit financing opportunities for the Phase III expansion of the project to include delivery of voice, data, and cable television services throughout the City. The technology for this phase had been updated since Phase I was constructed, which necessitated a different design. In November 2004, additional financing of $10,000,000 was again secured from Koch Financial of Scottsdale, Arizona. The original $2,600,000 was refinanced at a lower interest rate at this time.

In March 2005, the City purchased a building at 200 Church Street to house the equipment and administration for the expanded services. In September 2005, the City received a Certificate of Public Good (CPG) to operate a cable television system within the City. The City previously had obtained a CPG to offer telecommunication services. Thereafter, Phase III service was initiated in a defined area in the south end of the City in February, 2006. Construction and expansion of the system continued through fiscal year 2006 and fiscal year 2007. In January, 2006, an additional $10,000,000 in financing was secured to cover construction and hookup costs for the Phase III expansion. Subsequently, additional funding required for this project led to authorization by the City Council for a refinancing of the Koch financing and an additional lease/purchase financing for a total of $33.5 million was secured with CitiCapital. This refinancing was completed in August, 2007.

By January 2008, the CitiCapital financing was expended and in the spring of 2008, CitiCapital notified the City that it was terminating its leasing business and would not be able to provide the City additional funding as expected. Subsequently, the City explored other opportunities for financing. However, the national constriction of financing in 2008 and 2009 precluded a favorable refinancing of the CitiCapital lease to restructure Burlington Telecom's debt and provide additional funding. In anticipation of financing, the City utilized pooled cash for Burlington Telecom.

In September 2008, the City filed a petition with the Vermont Public Service Board to amend the City's CPG to extend the September, 2008 timetable for completion of the build out of Burlington Telecom's system in Burlington. The City conducted an audit to determine the number of homes that were not passed in the City and the costs to complete this build out. This evaluation was completed in August, 2009 and determined that cost would be an estimated $3 to $10 million depending on the method of build out (aerial or underground construction) and determination of whether this was for the completion of the entire City of Burlington, including private-rights of way.

In December 2009, a civil lawsuit was filed entitled Osier and Shaver v. Burlington Telecom. The original lawsuit was later amended to include the City of Burlington and Jonathan Leopold as parties. The Amended Complaint seeks recovery of the monies used by Burlington Telecom from the City's pooled cash management system, plus attorney's fees. The parties have agreed to an Interim Stipulated Order providing that the City shall not utilize its pooled cash management system nor any other City monies to make any payment to CitiCapital Leasing unless authorized by order of the PSB. Under the Order, the City may make payments from the pooled cash in the ordinary course of business that are reimbursed to the pooled cash management system within sixty (60) days of payment. The City filed a Motion to Dismiss this lawsuit which was denied by the Court. The parties are currently engaged in discovery.

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In December 2009, the City Council appointed a Blue Ribbon Committee, consisting of four citizens with business and/or telecommunications expertise, and three City Councilors, to make recommendations regarding the financial structure of Burlington Telecom. In February, 2010, the Blue Ribbon Committee delivered its report containing a series of recommendations to address the challenges facing Burlington Telecom. The Committee recommended that the first step is to retain a restructuring financial advisor.

Pursuant to this recommendation, in March, 2010, the City retained Dorman & Fawcett of Quechee, Vermont to advise the City. Negotiations between Dorman & Fawcett and CitiCapital continued throughout most of 2010. In September 2010, Dorman & Fawcett also assumed interim management of BT pending the appointment of a permanent General Manager.

In November 2010, both the City and CitiCapital acknowledged the lease agreement was terminated as a result of non-appropriation and the equipment used as collateral under the agreement must be returned. Dorman & Fawcett are currently negotiating with potential financial and strategic partners to secure the funding to purchase replacement equipment.

MORAN PROJECT

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

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

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

Due to the fact that the Moran Building is a defunct coal-fired electric generating plant, the City has remediation costs associated with known environmental contamination. The City has currently estimated a remediation liability approximating $265,000 however this estimate is subject to change due to factors such as price increases and decreases, changes in technology, further environmental discoveries, or changes in applicable laws or regulations. The City has recorded an $88,800 liability in the Moran Building Capital Project Fund which represents the funded portion of the remediation liability. The City is confident that they have secured outside funding to pay for the remaining amounts.

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

- Lake Champlain Community Sailing Center. LCCSC is a well-established community based non-profit that will expand into a year-round operation in the renovated Moran building. LCSCS provides youth sailing camps, adult instruction, boat rentals, small boat storage and more, regardless of age, physical or financial ability.

- Ice Factor. This family adventure center will have the nation's first indoor ice climbing wall, a first-rate rock climbing center, play area for small children, an aerial adventure course, and more. Ice factor will also operate a café and restaurant, as well as an outdoor seasonal ice skating rink.

- The third tenant remains to be identified

The Moran Project will create considerable short *and* long term economic benefits for the local and regional economies. These include 560+ temporary jobs, and an estimated $41.7 million multiplier effect from construction spending. The project will also create 60-80 permanent jobs, generate $2 million in gross receipts, and have an estimated $6 million annual economic impact. Importantly, this impact will be located where the jobs are needed most: in Burlington's HUD-designated Renewal Community, where the poverty rate is 31.4%, more than 2.4 times the national rate.

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

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

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

GENERAL

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

C. Insurance Reserves

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

On July 1, 1992, the City entered into an agreement with The Vermont League of Cities and Towns Property and Casualty Intermuncipal Fund (hereinafter VLCT) for the purpose of VLCT providing property, liability and worker's compensation coverage to replace its self-insured risks. VLCT is a risk pool set up for the benefit of members of the Vermont League of Cities and Towns. VLCT also provides all administration for any open claims incurred during the period of participation for the City. The administrator is responsible for approval, processing, and payment of claims, after which, VLCT bills the City based on the terms of the agreement. The agreement terminated December 31, 2006, however the terms of the agreement are still in place until all claims and liabilities for applicable fund years have been closed.

On January 1, 2007 the City purchased commercial insurance to manage all their risks except for workers' compensation claims. The City is self-insuring worker's compensation claims up to $250,000 per occurrence and with a $2,204,000 aggregate limit for calendar year 2007, a $2,590,000 aggregate limit for calendar year 2008 and a $2,870,000 aggregate limit for calendar year 2009. On January 1, 2010, the City increased the per occurrence limit to $350,000 per claim and has a $2,758,800 aggregate limit for calendar year 2010. The City has hired a third party administrator, the Travelers Indemnity Company, to process, pay and administer the claims after which they bill the City for reimbursement. The City has an irrevocable standby letter of credit with the Travelers Indemnity Company as beneficiary in the amount of $1,500,000 to secure the payment of claims.

CITY OF BURLINGTON, VERMONT
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The liability recorded at June 30, 2010 is based on the ultimate liability as determined by VLCT's and the City's actuaries. Claim liabilities are estimated based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The City self-insures for health insurance. The Plan is administered by a third party administrator that is responsible for approval, processing and payment of claims, after which they bill the City for reimbursement. The City has reinsurance for individual claims in excess of $130,000 and for aggregate stop loss of 125% of projected claims for the 2010 policy year. The School is a member of Vermont Educational Health Initiative (VEHI). VEHI is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont school districts and is owned by the participating members. The agreement does not permit VEHI to make additional assessments to its members.

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

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

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

CITY OF BURLINGTON, VERMONT
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At June 30, 2010, the City has recorded a liability of $352,248 included in accounts payable which represents reported health, dental, property, liability and worker's compensation claims incurred on or before June 30, 2010, but were not paid by the City as of that date. A reserve of $1,619,000 is included for claims incurred but not reported. This consists of $1,187,000 for property, liability and workers' compensation claims, $414,000 for health claims and $18,000 for dental claims. $195,807 of this reserve is carried in the General Fund as it is funded by a working fund deposit. This amount was determined by the third party administrators as described above for property, liability and workers' compensation and based on subsequent claims with a completion factor for health and dental.

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

The City has elected to pay actual unemployment claims instead of enrolling in an unemployment insurance program. No liabilities have been accrued as the City is not able to make an estimate as to any future costs. The City and School paid $102,094 and $32,249, respectively, in unemployment claims during fiscal year 2010.

D. Bonds/Debt Issued and Authorized

1. On August 18, 2009, the City issued $19,985,000 Series C and $4,615,000 Series D General Obligation Bonds for the purpose of financing various capital projects for the General Fund ($1,000,000), School Fund ($2,000,000), Electric Fund ($16,600,000) and $5,000,000 of these proceeds was used to pay off a bond anticipation note.

2. At various points during the year, the City issued and repaid $21,000,000 of tax and revenue anticipation notes.

3. On August 6, 2009, the City entered into a Capital lease with Sun Trust leasing for $1,500,000 for the purpose of financing capital purchases.

4. On May 19, 2010, the City entered into a Capital lease with Chase leasing for $2,465,270 for the purpose of financing capital purchases.

5. On June 5, 2010 the City Airport Fund entered into a capital lease with TD Equipment for $1,473,470 for the purchase of financing capital improvements at the airport.

6. In March 2010, the voters of the City of Burlington approved a $21,500,000 revenue bond for the construction of two additional levels of parking to the North portion of the Airport parking garage.

7. On February 9, 2010, the City entered into an agreement authorizing the issuance of $1,324,000 of revenue bonds to the Vermont Special Environmental Revolving Fund for stormwater and wastewater upgrades. The bonds are part of the American Recovery and Reinvestment Account (ARRA) and are eligible for 50% to be forgiven. There is a 2% administrative fee charged. The bonds are due in 2031.

E. Related Party Transactions

Burlington Community Development Corporation (BCDC) is a related non-profit corporation that was organized to carry out the industrial and economic development of the City of Burlington. The Board of Directors of the Corporation must all be members of the City of Burlington's Board of Finance. The City's Treasurer's Office prepares all accounting data for BCDC. BCDC also owns two (2) buildings on Airport property. BCDC owes the Airport $1,182,811 as of June 30, 2010 for financing an Aviation Support Hanger. BCDC also owes a City Capital Projects Fund $660,325 for financing of its share of the new Westlake Parking Garage until permanent financing can be obtained. Furthermore, BCDC pools its cash with the City. As of June 30, 2010, BCDC had excess withdrawals of cash and therefore owed the General Fund $133,429.

The City of Burlington Art's Department head is also the Executive Director of the Burlington City Arts Foundation, Inc.

F. Lease Revenue

The Airport leases office, operating and ground space to various airport related businesses, including airlines, car lease companies, a restaurant and gift shop and governmental agencies, among others. The lease rates vary and are computed based upon square footage, percentages of gross revenues and combinations of the two. The leases expire at varying dates through 2015.

Lease revenue for the year ended June 30, 2010 was approximately $5,777,000 which includes contingent rentals approximating $2,148,000.

Burlington Telecom leases space in its office building to an unrelated third party. The lease was renewed in March, 2010 and is due to expire in February, 2015. The lease has one more five (5) year renewal option. Future guaranteed lease payments for the next five years are estimated to be $66,000 annually, indexed for inflation.

The Water Fund leases space on its Redstone Tower to two cell phone companies who installed antennas on them. The lease terms end at various date and have newel options.

Minimum future lease revenue estimated to be received in each of the next five years under these agreements are as follows:

CITY OF BURLINGTON, VERMONT
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Year ending June 30,	Airport Fund	Telecom Fund	Water Fund
2011	$5,864,000	$66,000	$108,291
2012	$5,951,000	$66,000	$113,915
2013	$6,041,000	$66,000	$119,838
2014	$6,132,000	$66,000	$126,075
2015	$6,224,000	$38,500	$132,643

The Electric Department has entered into an agreement with Winooski One Partnership to lease land from the Department. The Department receives $70,000 annually from this lease.

G. Defined Benefit Pension Plan and Other Benefits

CITY OF BURLINGTON

Plan Description

The City maintains a single employer defined benefit pension plan covering substantially all of its employees except elective officials, other than the mayor, and the majority of the public school teachers, who are eligible for the Vermont State Teacher's Retirement System. The plan is broken down into Class A participants and Class B participants. Class A participants are composed of firemen and policemen. Class B participants include all other covered City employees. The payroll for Class A and B employees covered by the system for the year ended June 30, 2010 was $9,039,045 and $31,376,095 respectively. The City's total payroll, except for school teachers, was $53,715,623.

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

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

All eligible City Class B employees vest 20 percent after three years of creditable service, and 20 percent for each year thereafter until they are 100 percent vested after 7 years of creditable service. Class B participants who retire at or after age 65 are entitled to a retirement benefit, payable monthly for life, equal to 1.60 percent of AFC (at age 65) during the highest three non-overlapping twelve-month periods times creditable service at age 65 not in excess of 25 years plus .5 percent of AFC times creditable service at age 65 in excess of 25 years and a yearly COLA based on the CPI. Class B retirees could alternatively elect to choose an accrual rate of 1.9% for service up to June 30, 2006 and 1.8% thereafter and one half the yearly COLA, or an accrual rate of 2.2% for service up to June 30, 2006 and 2.0% thereafter and no COLA. The half and no COLA options have been eliminated for new hires after January 1, 2006 and they are only entitled to a 1.4% accrual rate. Employees may retire prior to age 65 and receive reduced retirement benefits. Creditable service or an actuarial increase is used after age 65. Class B participants contribute 3% of earnable compensation until they reach 35 years of creditable service and none thereafter.

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

There are 172 active members and 134 retirees and beneficiaries in Class A and 652 active members and 303 retirees and beneficiaries in Class B. Additionally, there are 366 former Class A and Class B employees with vested rights.

Actuarially Determined Contribution Requirements and Contribution Made

It is the policy of the City of Burlington to fund, by actuarially determined periodic contributions, the normal cost of the Plan plus a provision for amortization of past service cost over a thirty (30) year period from date of establishment. The contribution rate for normal cost is determined using the projected unit credit cost method with costs allocated based on earnings of plan members. For 2005, the City did not fund the total annual required contribution creating a net pension obligation of $1,596,290. For 2006, the City did not fund the total annual required contribution creating a current year net pension obligation of $756,403. In 2007, the City contributed more than the annual required contribution by $471,643. The City funded one-hundred percent (100%) of the annual required contribution in 2010. The cumulative net pension obligation for the City is $1,850,711 which is being amortized over thirty (30) years with interest at eight percent (8%).

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

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

The total annual required contribution (ARC) to the system for 2010 was $5,752,571 which was computed through an actuarial valuation performed as of June 30, 2008. All funds, contributed approximately 10.08% percent of current covered payroll. The Electric Department also pays additional amounts based on exposure and past service. Class A and B employees contributed $1,886,154 (10.8% and 3% percent respectively of current covered payroll). The total required system contributions include past service cost amortization of the unfunded past service cost of $2,455,550.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess/ (Deficiency) of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess/ (Deficiency) as a Percentage of Covered Payroll (a-b/c)
6/30/2005	105,424,671	129,033,794	(23,609,123)	81.70%	30,575,851	-77.21%
6/30/2006	108,343,798	140,615,645	(32,271,847)	77.05%	30,954,711	-104.26%
6/30/2007	119,785,835	150,002,528	(30,216,693)	79.86%	34,256,676	-88.21%
6/30/2008	129,101,729	156,313,830	(27,212,101)	82.59%	36,751,722	-74.04%
6/30/2009	129,841,522	169,319,955	(39,478,433)	76.68%	39,769,493	-99.27%

SCHEDULE OF EMPLOYER CONTRIBUTION

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2006	4,688,149	3,931,746	84%
6/30/2007	5,279,934	5,751,577	109%
6/30/2008	6,044,832	5,999,870	99%
6/30/2009	5,767,773	5,875,315	102%
6/30/2010	5,752,571	5,752,571	100%

CITY OF BURLINGTON, VERMONT
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SCHEDULE OF ANNUAL PENSION COST

	2010	2009	2008
Annual Required Contribution (ARC)	5,752,571	5,767,773	6,044,832
Interest on NPO	149,885	160,857	158,949
Adjustment to ARC	(172,739)	(190,457)	(180,061)
Annual Pension Cost (APC)	5,729,717	5,738,173	6,023,720
Employer Contributions Made	(5,752,571)	(5,875,315)	(5,999,870)
Increase/(Decrease) in NPO	(22,854)	(137,142)	23,850
NPO - Beginning of Year	1,873,565	2,010,707	1,986,857
NPO - End of Year	1,850,711	1,873,565	2,010,707
Percentage of APC Contributed	99.60%	102.40%	99.60%

SCHOOL DEPARTMENT PENSION

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

The State makes retirement contributions of approximately 6.42% of all eligible covered salaries on-behalf of the School District. The Schools' total payroll was $39,730,356, while its eligible covered payroll was $26,739,684 resulting in an estimated $1,716,688 of on-behalf payments. This amount is included as a Revenue and an Expense. Additional information regarding the Vermont State Teacher’s Retirement system can be obtained from the State of Vermont.

CITY OF BURLINGTON, VERMONT
Notes to the Financial Statements –
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DEFERRED COMPENSATION

The City's also offers its employees two deferred compensation plans in accordance with Internal Revenue Code Section 457 through the International City/County Management Association's (ICMA) Retirement Corporation and Nationwide Retirement Solutions. The plans permit employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, or death. The City has no liability for losses under the plans, but does have the duty of due care that would be required of an ordinary prudent inventor.

POST EMPLOYMENT HEALTH BENEFITS

Beginning in fiscal year 2008, the City was required to implement Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) including health care, life insurance, and other non-pension benefits offered to retirees. This new standard addresses how the City should account for and report its costs related to post-employment health care and other non-pension benefits, such as the City's implicit subsidy of retiree health insurance and the School Department's direct subsidy of retiree health insurance. Historically, the City's subsidy was reported on a pay-as-you-go basis. GASB Statement No. 45 requires that the City recognize the cost of the retiree health subsidy during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the City. The City has adopted this standard prospectively.

Plan Descriptions

The City's School Department pays for half of the cost of health benefits to retired educators with 15 years of service until they reach the age of 62. The School Department also pays for half of the cost of health benefits for administrative assistants who have 15 years of service with the Department and have reached the age of 55. There are 536 active members and 41 retirees and beneficiaries.

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

Funding Policy

The City funds the benefits on a pay-as-you-go basis.

CITY OF BURLINGTON, VERMONT
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For the year ended June 30, 2010

Annual OPEB cost and Net OPEB Obligation

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC The City has elected not to pre-fund OPEB liabilities. The City is required to record the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on a ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year.

	City Plan	School District Plan
Annual Required Contribution	$ 320,729	$ 231,880
Interest on Net OPEB Obligation	24,427	27,664
Adjustment to Annual Required Contribution	(20,356)	(23,976)
Annual OPEB Cost	324,800	235,568
Contributions Made	(2,800)	(62,814)
Increase in Net OPEB Obligation	322,000	172,754
Net OPEB Obligation - Beginning of Year	591,000	691,604
Net OPEB Obligation - End of Year	$ 913,000	$ 864,358

Trend Information:

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation for the year ended June 30, 2010 were as follows:

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
City Plan	06/30/2008	$ 303,548	.9 %	$ 287,452
	06/30/2009	306,048	.9 %	591,000
	06/30/2010	324,800	.8 %	913,000
School District Plan	06/30/2008	362,506	8.6 %	331,344
	06/30/2009	383,312	6.0 %	691,604
	06/30/2009	235,568	27.1 %	864,358

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

Funded Status and Funding Progress:

As of June 30, 2009, the most recent actuarial valuation date for the City plan, the plan was 0% funded. The actuarial accrued liability for benefits was $3,593,453, and the actuarial value of assets was $0 resulting in an unfunded actuarial accrued liability (UAAL) of $3,593,453. For the fiscal year ended June 30, 2009, the covered payroll (annual payroll of active employees covered by the plan) was $33,073,193 and the ratio of the UAAL to the covered payroll was 10.9%.

As of June 30, 2010, the most recent actuarial valuation date for the School District plan, the plan was 0% funded. The actuarial accrued liability for benefits was $2,257,751, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $2,257,751. For the fiscal year ended June 30, 2010, the covered payroll (annual payroll of active employees covered by the plan) was $28,831,983 and the ratio of the UAAL to the covered payroll was 7.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employers are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, which is required supplementary information presents trend information that will show whether the actual value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

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

In the actuarial valuations, the projected unit credit cost method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses) and an annual healthcare cost trend rate ranging from 9% to 10% initially, reduced by decrements to an ultimate rate of 5.0 percent after nine to eleven years. A 30 year amortization period is being used. The remaining amortization period at June 30, 2010 was 27 years.

CITY OF BURLINGTON, VERMONT
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CITY PLAN
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAL)	Funded Ratio	Payroll	Unfunded AAL as % of Payroll
June 30, 2009	$ 0	$ 3,593,453	$ 3,593,453	0%	$ 33,073,193	10.9%

CITY PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	$ 290,000	0%
2009	$ 304,548	0%
2010	$ 320,729	0%

SCHOOL DISTRICT PLAN
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAL)	Funded Ratio	Payroll	Unfunded AAL as % of Payroll
June 30, 2008	$ 0	$ 3,891,509	$ 3,891,509	0%	$ 24,767,727	15.7%
June 30, 2009	$ 0	$ 2,257,751	$ 2,257,751	0%	$ 28,831,983	7.8%

SCHOOL DISTRICT PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	$ 362,506	0%
2009	$ 383,312	0%
2010	$ 231,880	0%