

CITY OF BURLINGTON, VERMONT

Annual Financial Statements

For the Year Ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund (except Telecom and the Electric enterprise fund), and the aggregate remaining fund information of the City of Burlington, Vermont, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City of Burlington's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Burlington Electric Enterprise Fund, a major enterprise fund, which represents 38% and 61% of the assets and revenues, respectively, of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the Burlington Electric Enterprise Fund and its effects on the business-type activities, is based on the report of the other auditors.

We were engaged to examine the Burlington Telecom enterprise fund as of and for the year ended June 30, 2011, however, as discussed on page 83 to the financial statements, the City is a defendant in a lawsuit related to the lease that provided the financing of the Telecom enterprise fund's assets. The lawsuit, among other things, seeks repayment of the original lease amount of \$ 33,500,000 or the return of the equipment, as well as rent from the City for the use of Telecom's assets. As a result of the law suit, material uncertainties exist relative to amounts that may be owed to plaintiff for lease and/or rental payments as well as the reporting value of the underlying assets. The effects of these uncertainties on the financial position, results of operation, and cash flows, are not reasonably determinable.

Additional Offices:

Andover, MA • Greenfield, MA • Ellsworth, ME • Manchester, NH

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Burlington Electric Enterprise Fund, a major proprietary fund, were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

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

Because of the significance of the matters described in the second paragraph of this report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the Telecom Enterprise Fund.

In our opinion, and the report of other auditors, except for the effects of insufficient audit evidence to provide a basis for an audit opinion on the Telecom Enterprise Fund as part of the business-type activities, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the City of Burlington, Vermont, as of June 30, 2011, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, except for the effects of adjustment to the General Fund and Governmental Activities, if any, referred to in the fourth paragraph of this report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund, and the governmental activities of the City of Burlington, Vermont, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Finally, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component unit, the School major fund, the Electric Enterprise major fund, the Airport major fund, Wastewater major fund and the aggregate remaining fund information of the City of Burlington, Vermont, as of June 30, 2011 and the respective changes in financial position and cash flows,

where applicable, thereof and the respective budgetary comparison for the General Fund and School Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has an accumulated unassigned deficit in the general fund of \$16,790,895 as of June 30, 2011 which has resulted principally from the cash deficit in the Telecom Enterprise fund. Liquidity risks and management's plans are discussed in Note III A on page 43.

The Management's Discussion and Analysis, appearing on the following pages, and the supplementary information appearing on pages 4-19, as well as the required Supplementary information of pages 93 and 98 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued a report dated March 15, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Melanson, Heath + Company P.C.

Nashua, New Hampshire
March 15, 2012

Management's Discussion and Analysis

As management of the City of Burlington, Vermont (The City), we offer readers of the City's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2011.

Financial Highlights

Government-wide Statements (refer to statement of net assets)

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$318,193,116 (total net assets).
- The City's total net assets increased over what we reported last year by \$41,118,703. The Governmental activities increased \$2,863,294 and can be attributed in part to additional revenue. The increase of \$38,255,409 in the business type activities can be attributed primarily to capital grants and contributions in the Airport fund, profit in Burlington Electric and the lease extinguishment Burlington Telecom.
- The total net assets of a component unit of the City, the Burlington Community Development Corporation, amounted to \$2,124,195, an increase of \$176,143 for the year.

Fund Financial Statements (refer Governmental Funds Balance Sheet)

- As of the close of the fiscal year ending June 30, 2011, the City's governmental funds reported combined ending fund balances of \$10,347,538. This consists of a fund balance in the General Fund of \$13,304,810 and of \$1,491,271 in the School fund and a deficit of (4,448,543) in all other governmental funds.
- The nonspendable portion of the fund balance was \$26,651,255, which consist of inventories and prepaid assets, as well as general fund advances to other funds not expected to be repaid within a short period of time. \$5,130,240 is restricted for specific purposes. In addition \$2,870,753 is committed for projects by a dedicated tax rate. The City also has assigned \$438,723 for specific projects. This leaves the City with an unassigned deficit of \$24,743,477. The majority of this deficit is due to advances to other funds that will not be repaid in a short period of time, thus deemed not available to spend.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

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

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

The government-wide financial statements can be found on Pages 20 and 21 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The City of Burlington maintains 29 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the School Fund, which are considered to be major funds.

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

The basic governmental fund financial statements can be found on Pages 22-26 of this report.

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found in Proprietary Funds- Statement of Net Assets and Proprietary Funds- Statement of Revenues, Expenses and Changes in Fund Net Assets in this report, see pages 28-31.

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found in this report called Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets in this report.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

CITY OF BURLINGTON NET ASSETS (Refer to Statement of Net Assets)							
	Governmental Activities	Governmental Activities	Business- Type Activities	Business- Type Activities	Total	Total	% Change
	2011	2010	2011	2010	2011	2010	
Current and other assets	\$ 44,669,209	\$ 35,664,464	\$ 67,708,617	\$ 86,052,073	\$ 112,377,826	\$ 121,716,537	-8%
Capital assets	\$ 190,279,434	\$ 176,896,201	\$ 258,050,652	\$ 249,426,855	\$ 448,330,086	\$ 426,323,056	5%
Total Assets	\$ 234,948,643	\$ 212,560,665	\$ 325,759,269	\$ 335,478,928	\$ 560,707,912	\$ 548,039,593	2%
Other Liabilities	\$ 29,102,170	\$ 19,577,511	\$ 35,354,916	\$ 22,050,866	\$ 64,457,086	\$ 41,628,377	55%
Long-term liabilities outstanding	\$ 60,202,336	\$ 50,202,311	\$ 117,855,374	\$ 179,134,492	\$ 178,057,710	\$ 229,336,803	-22%
Total Liabilities	\$ 89,304,506	\$ 69,779,822	\$ 153,210,290	\$ 201,185,358	\$ 242,514,796	\$ 270,965,180	-10%
Net Assets							
Investment in capital assets, net of related debt	\$ 140,431,453	\$ 141,325,963	\$ 134,805,081	\$ 98,953,992	\$ 275,236,534	\$ 240,279,955	15%
Restricted	\$ 9,275,500	\$ 7,931,128	\$ 32,944,710	\$ 34,179,074	\$ 42,220,210	\$ 42,110,202	0%
Unrestricted	\$ (4,062,816)	\$ (6,476,248)	\$ 4,799,188	\$ 1,160,504	\$ 736,372	\$ (5,315,744)	-114%
Total Net Assets	\$ 145,644,137	\$ 142,780,843	\$ 172,548,979	\$ 134,293,570	\$ 318,193,116	\$ 277,074,413	15%

As noted earlier, net assets may serve over time to be a useful indicator of a government's financial position. In the case of the City of Burlington, assets exceeded liabilities by \$318,193,116 at the close of fiscal year 2011. This is an increase of \$41,118,703 from the amount reported at June 30, 2010.

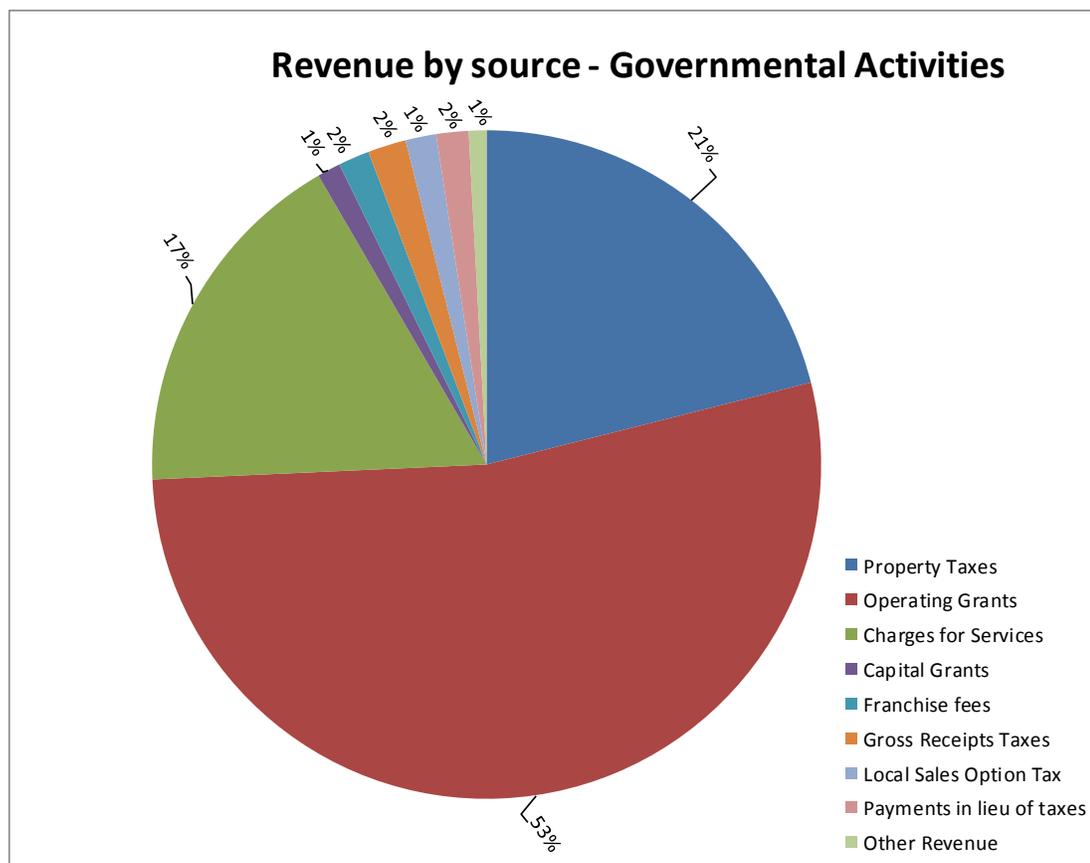
By far, the largest portion of the City's net assets (86.5% or \$275,236,534) reflects its investments in capital assets (e.g., land buildings, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (13.3%) or \$42,220,210 represents resources that are subject to external restrictions as to how they may be used.

At the end of fiscal year 2011, the City reports a positive balance in two of the categories of Government activities and positive balances in all three categories of net assets for the business-type activities. The governmental activities' report indicates a positive balance of \$140,431,453 of investments in capital assets; net of related debt and a positive balance \$9,275,500 in net assets that are subject to external restrictions. There is a negative balance of (\$4,062,816) in the Governmental activities unrestricted net assets section. This is primarily due to reporting liabilities such as insurance reserves, compensated absences, landfill post-closure costs, and non capital debt and pension and post employment benefits that have not been funded.

Governmental Activities

The net assets resulting from Government activities amounted to \$145,644,137 at the year end. The major factor contributing to this increase of \$2,863,294 was grant income that contributed to the addition of capital assets.



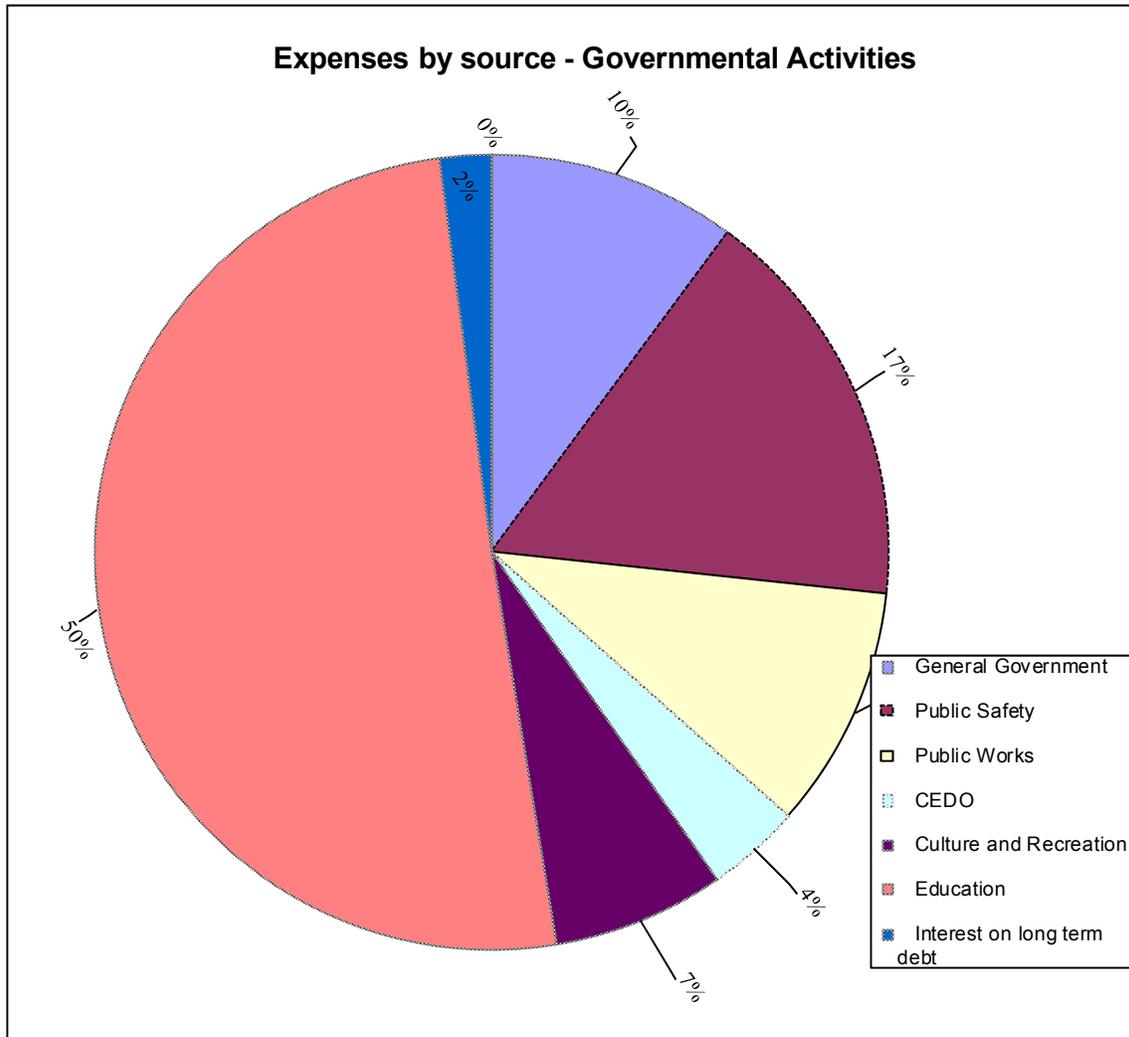
The above graph illustrates the revenues with a total of \$135,343,407 that are directly associated with or generated by the governmental activities. Operating Grants are by far

the largest portion of our revenue or 53% at \$72,053,237, Property Taxes generate 21% at \$28,488,306 and Charges for Services generates 17% or \$23,450,208.

The chart below illustrates the components of the revenue sources and expense areas of the government-wide Statement of Activities.

CITY OF BURLINGTON REVENUE AND EXPENSES						
	Governmental Activities 2011	Governmental Activities 2010	Business Activities 2011	Business Activities 2010	Total 2011	Total 2010
Revenues						
Program revenues						
Charges for services	23,450,208	18,828,550	98,578,446	87,157,683	122,028,654	105,986,233
Operating Grants and Contributions	72,053,237	67,279,458		429,477	72,053,237	67,708,935
Capital Grants and Contributions	1,524,271	3,050,389	26,872,882	19,074,399	28,397,153	22,124,788
General revenues						
Property Taxes	28,488,306	27,523,255	0	0	28,488,306	27,523,255
Rooms and Meals Taxes	2,507,382	2,362,060	0	0	2,507,382	2,362,060
Local Sales Option Tax	1,998,462	1,937,967	0	0	1,998,462	1,937,967
Payments in lieu of Taxes	2,116,319	1,093,798	0	0	2,116,319	1,093,798
Franchise Fees	2,047,748	2,874,784	0	0	2,047,748	2,874,784
Impact Fees	118,207	268,019	0	0	118,207	268,019
Interest & Penalties on Delinquent Taxes	319,667	318,881	0	0	319,667	318,881
Addition to Permanent Funds	0	25,145	0	0	0	25,145
Unrestricted Investment Earnings	714,974	435,179	391,421	607,153	1,106,395	1,042,332
Other Revenues	0	76,337	177,868	1,972,526	177,868	2,048,863
Transfers	4,626	2,930,921	(4,626)	(2,930,921)	0	
Total Revenues	135,343,407	129,004,743	126,015,991	106,310,317	261,359,398	235,315,060
Expenses						
Government Activities						
General Government	13,426,363	8,396,986	0	0	13,426,363	8,396,986
Public Safety	21,931,701	20,783,010	0	0	21,931,701	20,783,010
Public Works	13,101,541	12,042,610	0	0	13,101,541	12,042,610
Community Development	5,082,322	4,734,066	0	0	5,082,322	4,734,066
Culture and Recreation	9,244,881	11,026,270	0	0	9,244,881	11,026,270
Education	66,901,788	62,376,087	0	0	66,901,788	62,376,087
Interest on long-term debt	2,791,517	1,752,555	0	0	2,791,517	1,752,555
Business Type Activities						
Electric			56,676,147	55,160,426	56,676,147	55,160,426
Airport			16,690,935	15,623,985	16,690,935	15,623,985
Telecom			7,107,667	10,579,222	7,107,667	10,579,222
Wastewater			6,522,461	5,655,138	6,522,461	5,655,138
Water			4,939,065	4,481,458	4,939,065	4,481,458
School Enterprise			2,546,470	2,296,741	2,546,470	2,296,741
Total Expenses	132,480,113	121,111,584	94,482,745	93,796,970	226,962,858	214,908,554
Special Items						
Lease extinguishment	0	0	33,500,000		33,500,000	0
Early retirement of asset			(26,777,837)		(26,777,837)	
	0	0	6,722,163	0	6,722,163	0
Changes in net assets before transfers	2,863,294	7,893,159	38,255,409	12,513,347	41,118,703	20,406,506
Net Assets - Beginning of Year	142,780,843	134,887,684	134,293,570	121,780,223	277,074,413	256,667,907
Net Assets - End of Year	145,644,137	142,780,843	172,548,979	134,293,570	318,193,116	277,074,413

The table below shows the total expenses of \$132,480,113. These percentages show expenses for Governmental Funds by each department for governmental activities. The largest sources of expense are Education at 51%; Public Safety at 16%, Public Works at 10% and General Government at 10%.



Business-type activity

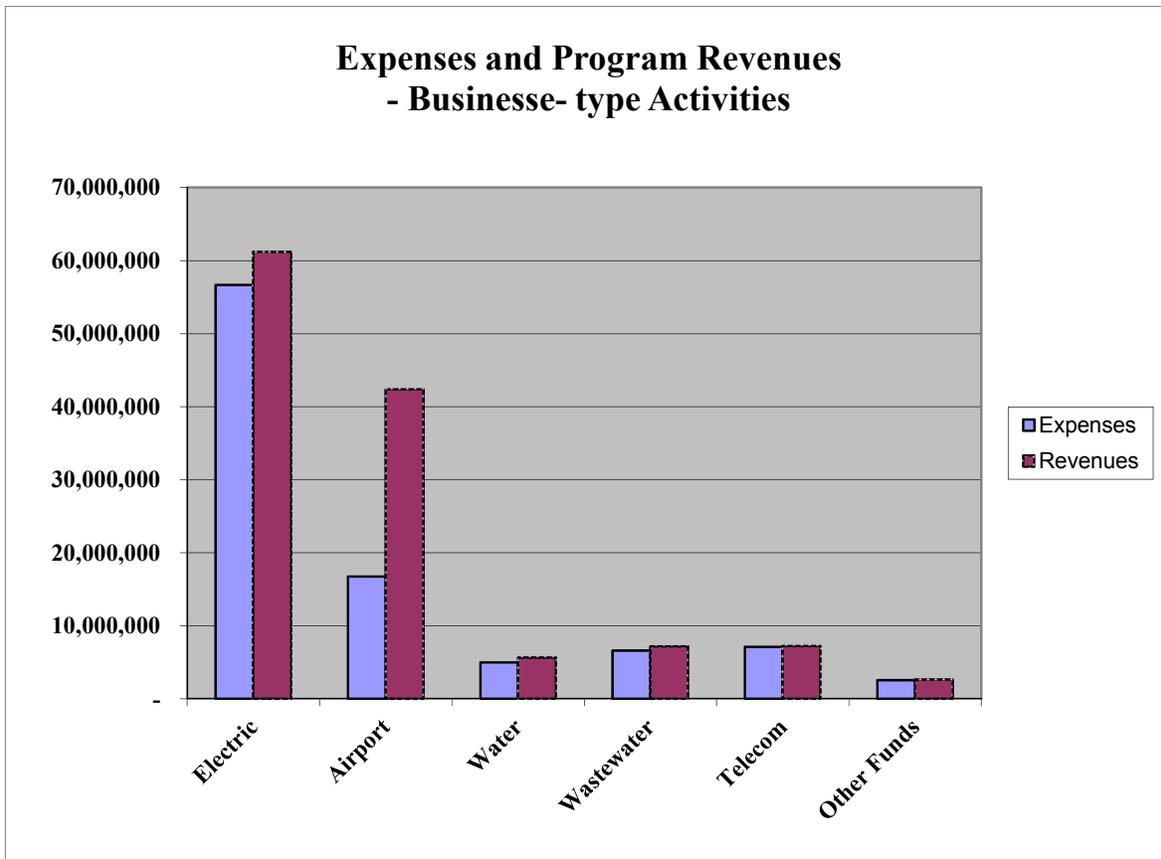
Net assets for business-type activities amounted to \$172,548,979. Key factors which contribute to this amount are as follows:

- Total operating income for Business-type activities amounted to \$8,277,566, with the major operating income source being charges for services at \$83,556,064. Operating expenses amounted to \$85,407,403. Burlington Electric produced operating income of \$6,570,973; Wastewater produced operating income of \$776,369; Telecom produced operating income of \$680,010 and the Airport produced an operating loss of (622,709). All other proprietary funds,

consisting of Water Resources and School funds generated an operating income of \$872,923.

- Included in the operating expenses is depreciation and amortization in the amount of \$10,184,685 for all business-type activities.
- The changes in net assets for all proprietary funds are shown below.

<u>Fund</u>	<u>Change in Net Assets</u>
Electric Utility	\$ 4,509,147
Airport	25,604,550
Telecom	6,823,546
Wastewater	590,962
Other Proprietary Funds	<u>727,204</u>
Total	\$38,225,409



Program revenues for business-type activities amounted to \$125,451,328 for the year. A large share (78.5%) of the program revenues or \$98,578,446 for business-type activities comes from charges for services. \$26,872,882 comes from capital grants and contributions for the business activities.

Financial Analysis of the Government's Funds

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

Governmental funds

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

- At the end of the current fiscal year, the City's total governmental funds reported combined ending fund balances of \$10,347,538, an increase of \$4,372,125 from the previous fiscal year.
- A portion of the General Fund fund balance (\$25,529,737) is deemed Non-spendable. This includes \$374,301 for inventories and prepaid expenditures and \$25,155,436 of advances to other departments with negative pooled cash that it not expected to be repaid within a short period of time. The school Fund and Nonmajor Governmental Funds also have \$1,121,518 of Non-spendable Fund Balances.
- The Restricted Fund Balance for General Fund of \$1,794,807 includes Library Grants of \$163,347; Public Record Restorations Grants \$27,900; Impact Fees \$459,496; Police Grants \$523,387 and Capital Reserves by bonds for \$620,677. The School Fund has \$1,462,236 of Restricted Fund Balance and the Nonmajor Governmental Funds have \$1,092,483 of Restricted Fund Balance, which is primarily debt proceeds and cemetery permanent funds.
- The City has committed \$2,332,434 of the General Fund balance for dedicated tax purposes. The General Fund committed portion of the governmental fund balance including Conservation Legacy Tax of \$500,060; Traffic of \$23,000; Parks dedicated tax of \$147,782; Pennies for Parks dedicated tax of \$419,910; and Capital Street Program of \$1,241,682. There are also four(4) Nonmajor funds that have Committed Fund Balances totaling \$538,359.
- The City General Fund has assigned \$438,727 for carryover required by Ordinances such as Recycling \$248,704 and Insurance Reserve \$190,023.
- The unassigned deficit of \$16,790,895 for the General Fund primarily represents the amounts owed by other departments to the General Fund as this money is not available to spend. The Nonmajor Governmental Funds have unassigned deficits totaling \$7,952,582 which are primarily capital projects with deficits.

The fund balance of the City's General Fund is \$13,304,810 and increased \$3,389,044 or 39% during this reporting period. Reasons for this increase are further discussed in the budgetary highlights of this discussion.

The School's Fund balance increased \$1,481,113 this year to \$1,491,271 from \$10,158 in the prior year. The School budgeted a surplus of \$613,133 to eliminate the prior year's deficit.

The Other Governmental Funds (Traffic, CEDO, Housing Trust; Tax Increment; Church St. Marketplace, Storm Water, Permanent Trust Funds and Capital Funds fund balance decreased by (\$498,032) to a negative Fund Balance of (\$4,448,543). This is primarily caused by not collecting receivable's within the 60 days of year end, and not securing long term borrowing on projects until after year end.

Proprietary Funds

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

Net assets for the Electric Utility fund amounted to \$52,871,404. Those for the Airport fund amounted to \$109,457,813. Those for the Wastewater fund amounted to \$12,422,540. Those for the Water and School Enterprise Funds amounted to \$11,374,343 and those for the Telecom Fund amounted to a deficit of (\$13,577,121). The Telecom deficit is due to costs associated with the development, start-up and operation of the municipal network. The net assets of the Electric Utility Fund increased by \$4,509,147, the Airport increased by \$25,604,550, Water and School enterprise funds increased by \$727,207, the net assets of the Telecom Fund increased by \$6,823,546 (principally from the lease extinguishment) and Wastewater increased by \$560,962. The Airport increase is again due to grants for construction projects. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

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

Revenues

Fiscal year 2011 revenues generated \$4,767,558 over approved budget. There were several sources that exceeded expectations this year. The Clerk/Treasurer's Office exceeded budgeted revenue by \$919,040, due to Taxes, Gross Receipts, PILOTS, Franchise Fees, and Fees for Services. Planning & Zoning revenues generated \$289,281 over budget due to planning permit fees. Police Grants, Inspection Service Permits and Code Enforcement Permit fees generated \$1,309,421 in additional revenue over budget, and additional money was received for Capital Projects because of bonding in the amount of \$2,792,484.

Expenditures

FY 2011 expenditures exceeded the budget by \$377,412, which was offset by additional revenues.

Fiduciary Funds

The net assets of the Retirement Fund increased \$22,291,055 to \$134,081,074, primarily due to favorable outcomes from the stock market and investments. At June 30, 2011, the actuarial value of accrued assets is \$135,097,458; the accrued liabilities were \$190,196,691. Thus, the unfunded liability as of June 30, 2011 was \$55,099,233. This represented an increase in unfunded liability of \$6,370,429 compared to the unfunded liability on June 30, 2010 of \$48,728,804.

The City recorded a Net Pension Obligation of \$1,596,290 in fiscal year 2005 and another Net Pension Obligation in fiscal year 2006 of \$756,403. However, it has been reduced to a cumulative amount of \$1,826,028 as of June 30, 2011.

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

Capital Assets and Debt Administration

Capital Assets

The City of Burlington's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounted to \$448,330,086 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles and equipment, water and wastewater distribution systems, electric generating and transmissions capital assets and land, land improvements and buildings at the Burlington International Airport.

In the governmental area, the total amounted to \$190,279,434 and the capital assets of the City's business-type activities netted to \$258,050,652.

Major expenditures in the Capital Projects funds resulting in new capital assets were as follows:

	2011 AMOUNT EXPENDED
SOUTHERN CONNECTOR	\$ 713,744
SOUTH END & DOWNTOWN TRANSIT CENTER	2,719
BARGE CANAL	31,953
STREET IMPROVEMENT PROJECTS	1,334,336
MORAN BLDG & HEATING UPGRADES	150,014
STORMWATER UPGRADE FUND	651,021
OTHER CAPITAL PROJECTS	1,544,436
LAKEVIEW & COLLEGE ST GARAGES & WESTLAKE PROJECT	1,790
SCHOOL BOND CAPITAL PROJECTS	10,434,086
	<hr/>
TOTAL	14,864,099

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

- Police Department purchased seven vehicles at a cost of \$185,415.
- Police Department purchased storage area network expansion at an estimated cost of \$81,502.
- Department of Public Works purchased a Tenco front plow at a cost of \$6,725, a sidewalk tractor at a cost of \$107,195, a freightliner cab and chassis in the amount of \$75,169, a Pick-up truck in the amount of \$21,110 and a dump body and plow in the amount of \$49,780.
- Planning & Zoning purchased a copier in the amount of \$9,751
- Parks Department purchased a Zamboni Ice Resurfacer in the amount of \$56,211, a diesel mower in the amount of \$13,543, 2 2011 Ford F250s in the amount of \$55,673, a Cutaway 1 ton utility van in the amount of \$32,969 and a Batwing Cutter in the amount of \$10,900.
- Water Division purchased a 2011 Water Backhoe in the amount of \$77,852.
- CEDO purchased a copier in the amount of \$10,878.
- Airport purchased a copier in the amount of \$9,164.
- The College Street Parking Garage Repairs were done through TIF in the amount of \$436,610.
- The Marketplace will purchase a Tractor in the amount of \$15,860
- The Library will purchase 2 HP Printers in the amount of \$1,093.

The funding for the FY2011 capital purchased was not received until FY 2012.

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

Long-term Debt

- At the end of the current fiscal year, the City of Burlington had total bonds, notes (excluding the \$12m Airport bond anticipation note), and capital leases payable of \$193,138,012. Of this, \$53,310,016 applies to governmental activities and \$139,827,996 (prior to unamortized premiums, discounts, and deferred loss on

refunding) applies to business-type activities. The table below presents the components of this category for the current and past fiscal years:

	Governmental Activities		Business Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 30,753,333	\$ 20,757,499	\$ 42,413,105	\$ 43,948,084	\$ 73,166,438	\$ 64,705,583
Revenue Bonds	-	-	93,648,092	108,637,954	93,648,092	108,637,954
Bond/Revenue anticipation & Notes Payable	20,261,866	15,689,875	900,000	-	21,161,866	15,689,875
Obligations Under Capital Leases	2,294,817	3,251,485	2,866,799	36,971,857	5,161,616	40,223,342
Totals	53,310,016	39,698,859	139,827,996	189,557,895	193,138,012	229,256,754

- The City's total bonds, notes, and capital leases decreased by \$36,118,742 during the year. \$33,500,000 of this decrease was the Telecom lease that was terminated. Outstanding General Obligation bonds had a net increase of \$8,460,855 to \$73,166,438.
- On July 21, 2010, the City School Department issued \$9,700,000 Taxable General Obligation Public Improvement Bonds, Series 2010A (Qualified School Construction Bonds – Direct Payment) and \$2,000,000 Taxable General Obligation Public Improvement Bonds, Series 2010B (Qualified School Construction Bonds – Direct Payment) for the purpose of financing capital improvements for the School Department
- On December 10, 2010, the City issued \$5,915,000 General Obligation Bond Anticipation Note, Series 2010C for the purpose of financing various capital improvements and for working capital for the General Fund (\$897,500), General Fund Street Repaving (\$2,925,000), General Fund Fire Trucks (\$1,192,500) and Electric Fund (\$900,000). This debt matures August 10, 2011.
- Moody's Investor Services provides a bond rating each time a bond issue is offered to the investing public. In January 2011, Moody's revised the City rating to A3. Moody's affirmed the City's A3 rating on September 16, 2011. On January 6, 2012, Moody's maintained the Airport bond rating at Ba1. The Electric Departments bond rating is Baa2.
- There were no new revenue bonds issued during the year. The outstanding amount of revenue bonds decreased in FY 2011 by \$14,989,862 to \$93,648,092 for repayments of principal.
- On June 27, 2011, the City Airport Department issued a \$12,000,000 Bond Anticipation Note for the purpose of financing the Airport Parking Garage expansion. This debt matures December 1, 2012.
- The balances due for the various revenue bonds at June 30, 2011 (exclusive of unamortized discounts, premiums, and deferred losses on refunding) were as follows:

• Electric Department	\$ 36,370,000
• Water Department	2,580,000
• Wastewater Department	17,588,092
• Airport	<u>37,110,000</u>
• Total Revenue Bond	\$ <u>93,648,092</u>

The City issued \$54,500,000 in tax anticipation notes during the year, of which \$11,000,000 was outstanding June 30, 2011. The Burlington Electric Department issued \$5,000,000 in revenue anticipation notes during the year, which was paid in full by June 30, 2011. The Water and Wastewater departments issued \$1,000,000 each in revenue anticipation notes which were paid in full on June 30, 2011.

Additional information on the City of Burlington's short term and long-term debt can be found on pages 63 and 64 of the notes to the financial statements.

Economic Factors, Future Budgets and Rates

Listed below are some of the factors involved in formulating the budget for fiscal year 2011:

- The City Tax Rate was set at .72 cents per hundred dollars of value in FY 2011.
- Once again, wage increases are a major driver of the City's overall FY 11 Budget. The contracts for both the AFSCME and Police Unions, and Fire Union were still under negotiation, and have been settled.
- In January 2006, the City Council also created a "Super Committee" to study the City's financial needs and problems. The Committee recommendations were adopted by the City Council and include the following policy goals for future budgets:
 - a. Limit the growth of the operating budget to 3% a year;
 - b. Reduce the cost of personnel benefits as a percent of wages;
 - c. Reduce the costs of salaries, wages and benefits as a percent of the Budget; and,
 - d. Maintain the Fund Balance at 5% of annual operating expenses.

The achievement of these goals was a predominant theme of the FY 2011 budget.

Fiscal Year 2012 City Budget

The City of Burlington approved a General Fund Operating Budget for fiscal year 2012 in the amount of \$48,947,928. This represented an increase of 1.8% over the final budget of the previous fiscal year. In addition, the General Fund Capital Improvements budget of \$5,588,571 represented an increase of 3.39% over the budget for fiscal year 2011. The street repair and repaving program budget of \$3,934,859 comprised the entire capital budget.

The budget for FY 2012 provided for full funding of the annual contribution to the Burlington Employees Retirement System. The changes in the tax rates are shown in the table below:

Tax Rate Item	FY 11 Tax Rate per \$100	FY12 Approved Tax Rate	Change
Revenue Neutral Rates:			
General City	0.2329	0.2329	0.0000
Police/Fire	0.0807	0.0807	0.0000
Housing Trust	0.0054	0.0054	0.0000
Open Space	0.0054	0.0054	0.0000
Streets	0.0617	0.0617	0.0000
Fixed Rates:			
Parks	0.0350	0.0350	0.0000
Highway	0.0312	0.0312	0.0000
Library	0.0050	0.0050	0.0000
Budget Driven Rates:			
CCTA	0.0336	0.0344	0.0008
County Tax	0.0054	0.0054	0.0000
Retirement	0.1768	0.1909	0.0141
Debt Service	<u>0.0469</u>	<u>0.0400</u>	<u>-0.0069</u>
Total	0.7200	0.7280	0.0080

2012 School Budget

The budgeting process for FY 2012 led to the adoption of a budget of \$53,391,029 which represents an increase of \$1,458,283 or 2.81% over the FY 2011 budget of 51,932,746. The FY 2012 local budget covered positions previously funded through grants for 3.5 FTE existing teacher positions, 1 FTE magnet coach, .5 FTE Student Assistance Counselor positions and a nurse position. The FY 2012 local budget reflected reductions in spending from several areas: savings from the prior year's retirement incentive plan, administrative costs, special education costs and a behavior specialist position. The actual homestead tax rate changed from \$1.2820 in FY 2011 to \$1.3018 in FY 2012. This is a \$0.0198 or 1.54% increase over the previous year. The income cap percentage for education property tax for eligible taxpayers changed from 2.35% to 2.38% in FY 2012 or an increase of 1.28%. The district spending adjustment, a key factor in determining the homestead property tax rate, increased from 130.771% in FY 2011 to 131.801% in FY 2012. This is the amount of spending above the state wide base education amount which was \$8,544 in both FY 2011 and FY 2012. The common level of appraisal was 87.72% in FY 2011 compared to 88.08% in FY 2012.

2012 Budget for Utility Funds

The wastewater rate was increased in FY 2012 by 10%. Effective June 26, 2009, the Electric Department rates were increased by 11.3%, primarily to cover the increased costs of purchased power and overhead. There were no other significant increases in charges and fees this year. The budget for FY 2012 also includes the operating and capital expense for Burlington Telecom.

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

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

CITY OF BURLINGTON, VERMONT

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Burlington Community Development Corporation
ASSETS				
Current:				
Cash and cash equivalents	\$ 4,825,648	\$ 4,834,812	\$ 9,660,460	\$ 7,171
Restricted cash	-	7,224,486	7,224,486	-
Investments	234,362	-	234,362	-
Restricted investments	-	947,683	947,683	-
Receivables, net of allowance for uncollectibles:				
Property taxes	1,171,553	-	1,171,553	-
User fees	-	7,663,520	7,663,520	-
Departmental and other	3,262,388	11	3,262,399	-
Intergovernmental	4,056,800	5,429,019	9,485,819	-
Estimated unbilled revenues	56,280	3,783,054	3,839,334	-
Notes, loans, and capital lease receivable	3,556,248	84,000	3,640,248	79,339
Internal balances	3,106,222	(3,106,222)	-	-
Accrued interest receivable	693,091	-	693,091	3,830
Due from component unit	-	60,267	60,267	-
Inventory	375,465	6,074,625	6,450,090	-
Prepaid expenses	209,523	66,895	276,418	-
Other assets	217,160	795,811	1,012,971	-
Total current assets	<u>21,764,740</u>	<u>33,857,961</u>	<u>55,622,701</u>	<u>90,340</u>
Noncurrent:				
Restricted cash	-	25,784,736	25,784,736	-
Notes, loans, and capital lease receivable	120,000	1,280,976	1,400,976	1,907,809
Internal balances	21,534,112	(21,534,112)	-	-
Due from component unit	608,207	1,064,056	1,672,263	-
Investment in associated companies	-	18,510,786	18,510,786	-
Other assets, net of accumulated amortization	642,150	8,744,214	9,386,364	597,266
Capital assets:				
Land and construction in progress	60,052,545	83,512,591	143,565,136	1,155,249
Other capital assets, net of accumulated depreciation	<u>130,226,889</u>	<u>174,538,061</u>	<u>304,764,950</u>	<u>5,135,787</u>
Total noncurrent assets	<u>213,183,903</u>	<u>291,901,308</u>	<u>505,085,211</u>	<u>8,796,111</u>
TOTAL ASSETS	234,948,643	325,759,269	560,707,912	8,886,451
LIABILITIES				
Current:				
Accounts payable	3,543,201	5,397,703	8,940,904	91,524
Accrued payroll and benefits payable	5,900,550	164,387	6,064,937	-
Accrued liabilities	70,700	1,350,022	1,420,722	-
Accrued interest payable	292,381	1,332,211	1,624,592	3,830
Due to fiduciary funds	2,382,842	-	2,382,842	-
Deferred revenues	1,132,257	42,152	1,174,409	-
Tax anticipation notes	11,000,000	-	11,000,000	-
Bond anticipation notes	-	12,000,000	12,000,000	-
Due to primary government	-	-	-	668,474
Other liabilities	457,971	1,012,195	1,470,166	-
Current portion of long-term liabilities:				
General obligation bonds and other debt payable	2,836,268	1,687,196	4,523,464	197,638
Revenue bonds payable	-	11,667,590	11,667,590	-
Capital lease payable	910,000	657,060	1,567,060	-
Compensated absences	560,000	44,400	604,400	-
Other liabilities	<u>16,000</u>	<u>-</u>	<u>16,000</u>	<u>-</u>
Total current liabilities	<u>29,102,170</u>	<u>35,354,916</u>	<u>64,457,086</u>	<u>961,466</u>
Noncurrent:				
Due to primary government	-	-	-	1,064,056
General obligation bonds and other debt payable	43,476,232	40,861,314	84,337,546	4,736,734
Revenue bonds payable	-	72,318,084	72,318,084	-
Note payable	5,015,000	900,000	5,915,000	-
Capital lease payable	1,384,817	2,209,730	3,594,547	-
Compensated absences	5,043,626	1,433,599	6,477,225	-
Net pension obligation	1,826,028	-	1,826,028	-
Other liabilities	<u>3,456,633</u>	<u>132,647</u>	<u>3,589,280</u>	<u>-</u>
Total noncurrent liabilities	<u>60,202,336</u>	<u>117,855,374</u>	<u>178,057,710</u>	<u>5,800,790</u>
TOTAL LIABILITIES	89,304,506	153,210,290	242,514,796	6,762,256
NET ASSETS				
Invested in capital assets, net of related debt	140,431,453	134,805,081	275,236,534	1,937,357
Restricted for:				
Education	1,491,271	-	1,491,271	-
Community development	4,207,905	-	4,207,905	-
Debt service/renewal and replacements/capital projects	-	32,944,710	32,944,710	-
Permanent funds	1,126,771	-	1,126,771	-
Other purposes	2,449,553	-	2,449,553	-
Unrestricted	<u>(4,062,816)</u>	<u>4,799,188</u>	<u>736,372</u>	<u>186,838</u>
TOTAL NET ASSETS	\$ 145,644,137	\$ 172,548,979	\$ 318,193,116	\$ 2,124,195

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	Net (Expenses) Revenues and Changes in Net Assets							Component Unit Burlington Community Development Corporation
	Expenses	Program Revenues			Governmental Activities	Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Business- Type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 13,426,363	\$ 4,629,070	\$ 122,882	\$ -	\$ (8,674,411)	\$ -	\$ (8,674,411)	\$ -
Public safety	21,931,701	5,823,531	753,470	140,928	(15,213,772)	-	(15,213,772)	-
Education	66,901,788	3,110,746	65,635,906	20,000	1,864,864	-	1,864,864	-
Public works	13,101,541	6,744,645	282,787	1,354,785	(4,719,324)	-	(4,719,324)	-
Culture and recreation	9,244,881	2,983,704	1,312,723	8,558	(4,939,896)	-	(4,939,896)	-
Community development	5,082,322	158,512	3,945,469	-	(978,341)	-	(978,341)	-
Interest on long-term debt	2,791,517	-	-	-	(2,791,517)	-	(2,791,517)	-
Total Governmental Activities	<u>132,480,113</u>	<u>23,450,208</u>	<u>72,053,237</u>	<u>1,524,271</u>	<u>(35,452,397)</u>	<u>-</u>	<u>(35,452,397)</u>	<u>-</u>
Business-Type Activities:								
Electric	56,676,147	59,679,347	-	1,032,430	-	4,035,630	4,035,630	-
Airport	16,690,935	16,416,564	-	25,840,452	-	25,566,081	25,566,081	-
Telecom	7,107,667	7,199,476	-	-	-	91,809	91,809	-
Wastewater	6,522,461	7,176,316	-	-	-	653,855	653,855	-
Water	4,939,065	5,583,062	-	-	-	643,997	643,997	-
School	2,546,470	2,523,681	-	-	-	(22,789)	(22,789)	-
Total Business-Type Activities	<u>94,482,745</u>	<u>98,578,446</u>	<u>-</u>	<u>26,872,882</u>	<u>-</u>	<u>30,968,583</u>	<u>30,968,583</u>	<u>-</u>
Total Primary Government	<u>\$ 226,962,858</u>	<u>\$ 122,028,654</u>	<u>\$ 72,053,237</u>	<u>\$ 28,397,153</u>	<u>(35,452,397)</u>	<u>30,968,583</u>	<u>(4,483,814)</u>	<u>-</u>
Component Unit:								
Burlington Community Development Corporation	<u>\$ 410,105</u>	<u>\$ 453,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,395</u>
			General Revenues:					
			Property Taxes		28,488,306	-	28,488,306	-
			Gross Receipt Taxes		2,507,382	-	2,507,382	-
			Local Option Sales Tax		1,998,462	-	1,998,462	-
			Payment in lieu of taxes		2,116,319	-	2,116,319	-
			Franchise fees		2,047,748	-	2,047,748	-
			Impact fees		118,207	-	118,207	-
			Interest and Penalties on Delinquent Taxes		319,667	-	319,667	-
			Unrestricted investment earnings		714,974	391,421	1,106,395	4
			Other revenues		-	177,868	177,868	132,744
			Transfers, net		4,626	(4,626)	-	-
			Total general revenues and additions to permanent funds and transfers		38,315,691	564,663	38,880,354	132,748
			Special items:					
			Lease extinguishment		-	33,500,000	33,500,000	-
			Early retirement of asset		-	(26,777,837)	(26,777,837)	-
			Change in Net Assets		2,863,294	38,255,409	41,118,703	176,143
			Net Assets:					
			Beginning of year		142,780,843	134,293,570	277,074,413	1,948,052
			End of year		<u>\$ 145,644,137</u>	<u>\$ 172,548,979</u>	<u>\$ 318,193,116</u>	<u>\$ 2,124,195</u>

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2011

ASSETS	<u>General</u>	<u>School Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 4,223,139	\$ -	\$ 602,509	\$ 4,825,648
Investments	101,471	22,280	110,612	234,363
Receivables, net of allowance for uncollectibles:				
Property and other taxes	1,171,553	-	-	1,171,553
Departmental and other	2,273,942	-	988,446	3,262,388
Intergovernmental	302	926,302	3,160,195	4,086,799
Unbilled revenues	-	-	56,280	56,280
Due from other funds	9,842,167	7,446,887	3,318,836	20,607,890
Notes, loans, and capital lease receivable	120,000	-	3,556,248	3,676,248
Accrued interest receivable	-	-	693,091	693,091
Advances to other funds	25,155,436	-	-	25,155,436
Inventory	193,865	-	181,600	375,465
Prepaid expenditures	180,438	29,035	50	209,523
Other current assets	217,160	-	-	217,160
Due from component unit	-	-	608,207	608,207
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>43,479,473</u>	\$ <u>8,424,504</u>	\$ <u>13,276,074</u>	\$ <u>65,180,051</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,727,066	\$ 507,818	\$ 1,308,317	\$ 3,543,201
Accrued payroll and benefits payable	848,066	5,196,011	52,278	6,096,355
Accrued liabilities	-	-	32,810	32,810
Deferred revenues	1,107,796	1,229,404	7,821,241	10,158,441
Due to other funds	15,133,977	-	4,750,533	19,884,510
Advances from other funds	-	-	3,621,324	3,621,324
Tax anticipation notes	11,000,000	-	-	11,000,000
Other liabilities	357,758	-	138,114	495,872
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	30,174,663	6,933,233	17,724,617	54,832,513
Fund Balances:				
Nonspendable	25,529,737	29,035	1,092,483	26,651,255
Restricted	1,794,807	1,462,236	1,873,197	5,130,240
Committed	2,332,434	-	538,359	2,870,793
Assigned	438,727	-	-	438,727
Unassigned	<u>(16,790,895)</u>	<u> </u>	<u>(7,952,582)</u>	<u>(24,743,477)</u>
TOTAL FUND BALANCES	<u>13,304,810</u>	<u>1,491,271</u>	<u>(4,448,543)</u>	<u>10,347,538</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>43,479,473</u>	\$ <u>8,424,504</u>	\$ <u>13,276,074</u>	\$ <u>65,180,051</u>

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

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

JUNE 30, 2011

Total governmental fund balances	\$ 10,347,538
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	190,279,434
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	8,996,193
<ul style="list-style-type: none">• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(292,381)
Deferred bond issue costs, net of amortization, on the statement of net assets, whereas all debt expense is reported when paid in the governmental funds.	642,150
<ul style="list-style-type: none">• Long-term liabilities, including bonds and BANS payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(64,328,797)</u>
Net assets of governmental activities	<u><u>\$ 145,644,137</u></u>

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>School</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 31,390,109	\$ -	\$ 1,547,093	\$ 32,937,202
Payments in lieu of taxes	2,115,482	1,322,698	-	3,438,180
Licenses and permits	5,133,300	-	306,591	5,439,891
Intergovernmental	1,877,142	62,728,215	4,278,856	68,884,213
Charges for services	8,531,502	3,097,778	5,652,354	17,281,634
Investment income	877,829	12,968	65,019	955,816
Fines and forfeits	1,609,974	-	-	1,609,974
Loan repayments	-	-	74,160	74,160
Other	<u>2,450,862</u>	<u>1,584,993</u>	<u>618,530</u>	<u>4,654,385</u>
Total Revenues	<u>53,986,200</u>	<u>68,746,652</u>	<u>12,542,603</u>	<u>135,275,455</u>
Expenditures:				
Current:				
General government	12,944,358	-	14,089	12,958,447
Public safety	21,075,037	-	-	21,075,037
Education	-	66,139,968	-	66,139,968
Public works	2,749,601	-	5,552,427	8,302,028
Culture and recreation	8,148,833	-	-	8,148,833
Community development	-	-	5,078,399	5,078,399
Capital outlay	4,840,253	-	14,959,110	19,799,363
Debt service:				
Principal	2,159,810	673,333	933,181	3,766,324
Interest	<u>1,948,409</u>	<u>548,232</u>	<u>519,907</u>	<u>3,016,548</u>
Total Expenditures	<u>53,866,301</u>	<u>67,361,533</u>	<u>27,057,113</u>	<u>148,284,947</u>
Excess (deficiency) of revenues over (under) expenditures	119,899	1,385,119	(14,514,510)	(13,009,492)
Other Financing Sources (Uses):				
Issuance of long-term debt	-	-	12,361,991	12,361,991
Issuance of notes	5,015,000	-	-	5,015,000
Transfers in	219,747	305,038	1,654,487	2,179,272
Transfers out	<u>(1,965,602)</u>	<u>(209,044)</u>	<u>-</u>	<u>(2,174,646)</u>
Total Other Financing Sources (Uses)	<u>3,269,145</u>	<u>95,994</u>	<u>14,016,478</u>	<u>17,381,617</u>
Net change in fund balances	3,389,044	1,481,113	(498,032)	4,372,125
Fund Balances, at Beginning of Year	<u>9,915,766</u>	<u>10,158</u>	<u>(3,950,511)</u>	<u>5,975,413</u>
Fund Balances, at End of Year	<u>\$ 13,304,810</u>	<u>\$ 1,491,271</u>	<u>\$ (4,448,543)</u>	<u>\$ 10,347,538</u>

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 4,372,125								
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td style="padding-left: 40px;">Capital outlay purchases</td> <td style="text-align: right;">20,313,055</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(6,929,825)</td> </tr> <tr> <td style="padding-left: 40px;">Loss on disposal of capital assets</td> <td style="text-align: right;">-</td> </tr> </table> 		Capital outlay purchases	20,313,055	Depreciation	(6,929,825)	Loss on disposal of capital assets	-		
Capital outlay purchases	20,313,055								
Depreciation	(6,929,825)								
Loss on disposal of capital assets	-								
<ul style="list-style-type: none"> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, etc.) differ between the two statements. This amount represents the net change in deferred revenue. (787,107) 									
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets: <table> <tr> <td style="padding-left: 40px;">Issuance of debt</td> <td style="text-align: right;">(17,376,991)</td> </tr> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">3,766,324</td> </tr> <tr> <td style="padding-left: 40px;">Bond premium, discount and deferred charges</td> <td style="text-align: right;">54,688</td> </tr> </table> 		Issuance of debt	(17,376,991)	Repayments of debt	3,766,324	Bond premium, discount and deferred charges	54,688		
Issuance of debt	(17,376,991)								
Repayments of debt	3,766,324								
Bond premium, discount and deferred charges	54,688								
<ul style="list-style-type: none"> In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. (55,398) 									
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table> <tr> <td style="padding-left: 40px;">Compensated absences</td> <td style="text-align: right;">(178,770)</td> </tr> <tr> <td style="padding-left: 40px;">Net pension obligation</td> <td style="text-align: right;">24,683</td> </tr> <tr> <td style="padding-left: 40px;">Net OPEB obligation</td> <td style="text-align: right;">(355,490)</td> </tr> <tr> <td style="padding-left: 40px;">Landfill liability</td> <td style="text-align: right;"><u>16,000</u></td> </tr> </table> 		Compensated absences	(178,770)	Net pension obligation	24,683	Net OPEB obligation	(355,490)	Landfill liability	<u>16,000</u>
Compensated absences	(178,770)								
Net pension obligation	24,683								
Net OPEB obligation	(355,490)								
Landfill liability	<u>16,000</u>								
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ <u><u>2,863,294</u></u>								

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2011

	General Fund				School "General Fund"			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original Budget	Final Budget			Original Budget	Final Budget		
Revenues and other sources:								
Taxes and special assessments	\$ 28,364,930	\$ 28,426,623	\$ 29,995,831	\$ 1,569,208	\$ -	\$ -	\$ -	\$ -
Local option sales tax	1,905,000	1,905,000	1,509,417	(395,583)	-	-	-	-
Payments in lieu of taxes	2,869,498	2,869,498	2,471,169	(398,329)	1,368,787	1,368,787	1,322,698	(46,089)
Licenses and permits	6,275,600	6,275,600	6,332,550	56,950	-	-	-	-
Intergovernmental	766,682	766,862	1,640,999	874,137	49,664,886	49,664,886	49,673,443	8,557
Charges for services	11,875,165	11,875,165	13,394,350	1,519,185	1,502,206	1,502,206	1,515,718	13,512
Investment income	325,000	325,000	776,990	451,990	10,000	10,000	12,968	2,968
Proceeds of bonds	1,000,000	1,000,000	2,090,000	1,090,000	-	-	-	-
Total Revenues and Other Sources	53,381,875	53,443,748	58,211,306	4,767,558	52,545,879	52,545,879	52,524,827	(21,052)
Expenditures and other uses:								
General administration	12,640,191	12,040,901	12,038,937	1,964	-	-	-	-
Safety services	16,236,283	16,822,655	17,540,767	(718,112)	-	-	-	-
Public works	2,311,199	2,538,325	2,539,049	(724)	-	-	-	-
Culture and recreation	7,371,002	7,464,808	6,990,249	474,559	-	-	-	-
Education	-	-	-	-	51,932,746	51,932,746	51,259,297	673,449
Capital outlay	5,405,077	5,508,102	6,200,886	(692,784)	-	-	-	-
Transfers out	9,418,123	9,418,123	8,860,438	557,685	-	-	-	-
Total Expenditures and Other Uses	53,381,875	53,792,914	54,170,326	(377,412)	51,932,746	51,932,746	51,259,297	673,449
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ (349,166)	\$ 4,040,980	\$ 4,390,146	\$ 613,133	\$ 613,133	\$ 1,265,530	\$ 652,397

See notes to financial statements.

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CITY OF BURLINGTON, VERMONT

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Business-Type Activities Enterprise Funds					Total
	Electric	Airport	Telecom	Wastewater	Nonmajor Enterprise Funds	
ASSETS						
Current:						
Cash and cash equivalents	\$ 4,018,488	\$ 597,720	\$ 218,044	\$ 200	\$ 360	\$ 4,834,812
Restricted cash	5,899,974	-	-	-	1,324,512	7,224,486
Restricted investments	947,683	-	-	-	-	947,683
Receivables, net of allowance for uncollectibles:						
User fees	4,647,543	1,632,717	213,178	666,151	503,931	7,663,520
Departmental and other	-	-	-	-	11	11
Intergovernmental	-	5,168,842	-	-	260,177	5,429,019
Estimated unbilled revenues	2,438,256	504,488	5,695	485,754	348,861	3,783,054
Due from other funds	-	351,980	-	-	860,008	1,211,988
Due from Burlington Community Development Corporation - current	-	60,267	-	-	-	60,267
Notes receivable	84,000	-	-	-	-	84,000
Inventory	4,650,022	245,145	796,181	128,660	254,617	6,074,625
Prepaid expenses	-	-	62,875	3,202	818	66,895
Other current assets	731,313	59,498	5,000	-	-	795,811
Total current assets	23,417,279	8,620,657	1,300,973	1,283,967	3,553,295	38,176,171
Noncurrent:						
Restricted cash	16,656,177	9,018,525	-	-	110,034	25,784,736
Due from Burlington Community Development Corporation - long-term	-	1,064,056	-	-	-	1,064,056
Notes receivable	1,280,976	-	-	-	-	1,280,976
Investment in associated companies	18,510,786	-	-	-	-	18,510,786
Other assets, net of accumulated amortization	7,502,528	1,222,085	-	-	19,601	8,744,214
Capital assets:						
Land and construction in progress	3,466,488	78,989,101	157,800	847,952	51,250	83,512,591
Capital assets, net of accumulated depreciation	61,599,425	65,437,269	2,510,065	32,215,220	12,776,082	174,538,061
Total noncurrent assets	109,016,380	155,731,036	2,667,865	33,063,172	12,956,967	313,435,420
TOTAL ASSETS	132,433,659	164,351,693	3,968,838	34,347,139	16,510,262	351,611,591
LIABILITIES						
Current:						
Accounts payable	2,950,365	1,829,593	423,265	83,242	111,238	5,397,703
Accrued payroll and benefits payable	104,221	24,136	15,260	8,784	11,986	164,387
Accrued liabilities	1,350,022	-	-	-	-	1,350,022
Accrued interest payable	404,795	927,416	-	-	-	1,332,211
Due to other funds	4,173,325	-	94,027	50,858	-	4,318,210
Deferred revenue	-	-	-	-	42,152	42,152
Bond anticipation notes	-	12,000,000	-	-	-	12,000,000
Payable from restricted assets:						
Accrued interest payable	947,683	-	-	-	64,512	1,012,195
Revenue bonds payable	-	-	-	-	1,218,551	1,218,551
Current portion of long-term liabilities:						
General obligation bonds payable	1,616,667	-	-	70,529	-	1,687,196
Revenue bonds payable	7,130,000	2,474,470	-	844,569	-	10,449,039
Capital leases payable	2,099	530,242	-	63,258	61,461	657,060
Compensated absences payable	-	19,000	3,500	8,900	13,000	44,400
Total current liabilities	18,679,177	17,804,857	536,052	1,130,140	1,522,900	39,673,126
Noncurrent:						
Advances from other funds	-	-	16,936,492	2,531,914	2,065,706	21,534,112
General obligation bonds payable	39,520,406	-	-	1,340,908	-	40,861,314
Revenue bonds payable	19,434,527	34,820,032	-	16,743,525	1,320,000	72,318,084
Note payable	900,000	-	-	-	-	900,000
Capital leases payable	-	2,052,802	-	77,842	79,086	2,209,730
Compensated absences payable	1,027,036	173,087	31,613	80,275	121,588	1,433,599
Post-employment benefits payable	-	43,102	41,802	19,995	26,639	131,538
Other liabilities	1,109	-	-	-	-	1,109
Total noncurrent liabilities	60,883,078	37,089,023	17,009,907	20,794,459	3,613,019	139,389,486
TOTAL LIABILITIES	79,562,255	54,893,880	17,545,959	21,924,599	5,135,919	179,062,612
NET ASSETS						
Invested in capital assets, net of related debt	14,295,532	93,770,909	2,667,865	13,922,541	10,148,234	134,805,081
Restricted for debt service/renewal and replacements/capital projects	22,556,151	9,018,525	-	-	1,370,034	32,944,710
Unrestricted	16,019,721	6,668,379	(16,244,986)	(1,500,001)	(143,925)	4,799,188
TOTAL NET ASSETS	\$ 52,871,404	\$ 109,457,813	\$ (13,577,121)	\$ 12,422,540	\$ 11,374,343	\$ 172,548,979

See notes to financial statements.

CITY OF BURLINGTON, VERMONT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities Enterprise Funds					Total
	Electric	Airport	Telecom	Wastewater	Nonmajor Enterprise Funds	
Operating Revenues:						
Charges for services	\$ 49,170,859	\$ 13,597,044	\$ 7,199,476	\$ 7,176,316	\$ 6,412,369	\$ 83,556,064
Intergovernmental	-	226,476	-	-	1,536,170	1,762,646
Miscellaneous	8,208,055	-	-	-	158,204	8,366,259
Total Operating Revenues	57,378,914	13,823,520	7,199,476	7,176,316	8,106,743	93,684,969
Operating Expenses:						
Personnel	-	4,047,527	1,768,621	1,268,383	2,895,461	9,979,992
Nonpersonnel	-	6,270,001	4,338,303	2,697,629	3,412,195	16,718,128
Electric department	45,630,237	-	-	-	-	45,630,237
Depreciation and amortization	3,619,957	4,128,701	290,764	1,581,357	563,906	10,184,685
Payments in lieu of taxes	1,557,747	-	121,778	852,578	362,258	2,894,361
Total Operating Expenses	50,807,941	14,446,229	6,519,466	6,399,947	7,233,820	85,407,403
Operating Income	6,570,973	(622,709)	680,010	776,369	872,923	8,277,566
Nonoperating Revenues (Expenses):						
Dividends from associated companies	2,300,433	-	-	-	-	2,300,433
Passenger facility charges	-	2,593,044	-	-	-	2,593,044
Investment income	282,969	105,884	9	2,516	43	391,421
Other income/expense - net	190,548	(67,415)	9,565	13,810	31,360	177,868
Interest expense	(5,644,652)	(2,146,955)	(588,201)	(122,514)	(190,665)	(8,692,987)
Amortization of debt issue costs	(146,946)	(97,751)	-	-	(61,050)	(305,747)
Gain/loss on disposal of capital assets	(76,608)	-	-	-	-	(76,608)
Total Nonoperating Revenues (Expenses)	(3,094,256)	386,807	(578,627)	(106,188)	(220,312)	(3,612,576)
Income Before Contributions, Transfers, and Special Items	3,476,717	(235,902)	101,383	670,181	652,611	4,664,990
Capital contributions	1,032,430	25,840,452	-	-	-	26,872,882
Transfers in	-	-	-	-	103,540	103,540
Transfers out	-	-	-	(79,219)	(28,947)	(108,166)
Special item - debt extinguishment	-	-	33,500,000	-	-	33,500,000
Special item - early retirement of asset	-	-	(26,777,837)	-	-	(26,777,837)
Change in Net Assets	4,509,147	25,604,550	6,823,546	590,962	727,204	38,255,409
Net Assets at Beginning of Year	48,362,257	83,853,263	(20,400,667)	11,831,578	10,647,139	134,293,570
Net Assets at End of Year	\$ 52,871,404	\$ 109,457,813	\$ (13,577,121)	\$ 12,422,540	\$ 11,374,343	\$ 172,548,979

See notes to financial statements.

CITY OF BURLINGTON, VERMONT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011

	Electric	Airport	Telecom	Wastewater	Nonmajor Enterprise Funds	Total
Cash Flows From Operating Activities:						
Receipts from customers and users	\$ 49,773,754	\$ 12,602,348	\$ 6,330,544	\$ 7,107,157	\$ 8,038,653	\$ 83,852,456
Receipts of operating grants	-	264,222	-	-	-	264,222
Receipts for interfund services	-	-	1,100,495	-	189,564	1,290,059
Other receipts	8,227,742	273,157	-	-	31,360	8,532,259
Payments to suppliers	(36,330,851)	(4,842,341)	(4,177,532)	(1,912,536)	(2,890,394)	(50,153,654)
Payments for wages and benefits	(6,911,686)	(4,123,121)	(1,845,277)	(1,289,200)	(2,932,370)	(17,101,654)
Payment in lieu of taxes	(1,557,747)	-	(121,778)	(852,578)	(670,745)	(3,202,848)
Payments for interfund services	-	(1,367,518)	(268,771)	(834,789)	(362,258)	(2,833,336)
Payments for other expenses	-	(340,884)	-	-	-	(340,884)
Net Cash Provided by Operating Activities	13,201,212	2,465,863	1,017,681	2,218,054	1,403,810	20,306,620
Cash Flows From Noncapital Financing Activities:						
Other income, net	190,548	-	9,565	-	-	200,113
Net proceeds of revenue anticipation notes	-	-	-	(1,000,000)	(1,000,000)	(2,000,000)
Increase in due to other funds	-	3,755,790	21,479	4,165,159	1,344,323	9,286,751
Payments from BCDC on loan receivable	-	58,488	-	-	-	58,488
Receipt/(payment) of interfund transfers	-	-	-	(79,219)	74,593	(4,626)
Interest paid on revenue anticipation notes	-	-	-	-	(29,163)	(29,163)
Interest paid on cash deficit to general fund	-	(126,266)	(554,790)	(60,053)	(26,425)	(767,534)
Net Cash Provided/(Used) by Noncapital Financing Activities	190,548	3,688,012	(523,746)	3,025,887	363,328	6,744,029
Cash Flows From Capital and Related Financing Activities:						
Proceeds from bonds, notes & leases payable	904,014	12,000,000	-	-	-	12,904,014
Proceeds from sale of equipment	12,308	312	-	-	-	12,620
Acquisition and construction of capital assets	(5,643,277)	(44,986,137)	(310,492)	(361,731)	(314,630)	(51,616,267)
Capital grants/contributions	1,032,430	33,310,302	-	-	-	34,342,732
Passenger facility charges	-	2,612,397	-	-	-	2,612,397
Increase in deferred charges/loss on refunding	(2,207)	(135,000)	-	-	-	(137,207)
Principal Paid on:						
General obligation bonds	(1,465,833)	-	-	(69,147)	-	(1,534,980)
Revenue bonds	(6,740,000)	(2,355,000)	-	(4,689,860)	(1,205,000)	(14,989,860)
Capital lease obligations	(8,214)	(475,848)	-	(63,258)	(57,747)	(605,067)
Interest Paid on:						
General obligation bonds/other notes	(1,833,795)	-	-	(56,458)	-	(1,890,253)
Revenue bonds	(2,090,273)	(1,983,989)	-	-	(159,125)	(4,233,387)
Capital lease obligations	-	(84,859)	(226,747)	(6,003)	(6,065)	(323,674)
Net Cash Provided/(Used) by Capital and Related Financing Activities	(15,834,847)	(2,097,822)	(537,239)	(5,246,457)	(1,742,567)	(25,458,932)
Cash Flows From Investing Activities:						
Net (additions)/reductions to restricted cash and investments	(4,997,391)	(6,390,610)	226,739	-	(24,916)	(11,186,178)
Receipt of interest & dividends	2,698,170	83,513	9	2,516	45	2,784,253
Net Cash Provided/(Used) by Investing Activities	(2,299,221)	(6,307,097)	226,748	2,516	(24,871)	(8,401,925)
Net Increase/(Decrease) in Cash	(4,742,308)	(2,251,044)	183,444	-	(300)	(6,810,208)
Cash - July 1, 2010	8,760,796	2,848,764	34,600	200	660	11,645,020
Cash - June 30, 2011	<u>\$ 4,018,488</u>	<u>\$ 597,720</u>	<u>\$ 218,044</u>	<u>\$ 200</u>	<u>\$ 360</u>	<u>\$ 4,834,812</u>

See Notes to Financial Statements

Continued

CITY OF BURLINGTON, VERMONT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2011

Continued

	<u>Electric</u>	<u>Airport</u>	<u>Telecom</u>	<u>Wastewater</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:						
Operating income/(loss)	\$ 6,570,973	\$ (622,709)	\$ 680,010	\$ 776,369	\$ 872,923	\$ 8,277,566
Depreciation and amortization	6,946,843	4,128,701	290,764	1,581,357	563,906	13,511,571
Other non-operating net revenues and expenses	-	(67,727)	-	13,810	31,360	(22,557)
(Increase)/decrease in other receivables	530,626	(711,780)	231,300	(33,491)	(42,126)	(25,471)
(Increase)/decrease in unbilled revenues	(87,544)	(245,170)	263	(35,668)	(25,692)	(393,811)
(Increase)/decrease in inventory	(427,679)	(13,447)	-	(4,711)	(23,198)	(469,035)
Increase/(decrease) in accounts payable	425,019	(39,489)	(47,346)	(62,680)	61,939	337,443
Increase/(decrease) in accrued payroll and benefits	(232,858)	110,787	(51,889)	(27,806)	(38,525)	(240,291)
Increase/(decrease) in other operating assets/liabilities	(524,168)	(73,303)	(85,421)	10,874	3,223	(668,795)
 Net Cash Provided by Operating Activities	 <u>\$ 13,201,212</u>	 <u>\$ 2,465,863</u>	 <u>\$ 1,017,681</u>	 <u>\$ 2,218,054</u>	 <u>\$ 1,403,810</u>	 <u>\$ 20,306,620</u>

CITY OF BURLINGTON, VERMONT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2011

	Pension Trust <u>Fund</u>	Private Purpose Trust <u>Fund</u>	Agency <u>Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ 204,958	\$ 256,068
Investments	132,226,731	-	-
Due from other funds	2,382,842	-	-
Reimbursement receivable	<u>12,792</u>	<u>-</u>	<u>-</u>
Total Assets	134,622,365	204,958	256,068
<u>LIABILITIES</u>			
Accounts payable	271,457	-	-
Accrued liabilities	259,810	-	-
Compensated absences	10,024	-	-
Due to student organizations	<u>-</u>	<u>-</u>	<u>256,068</u>
Total Liabilities	<u>541,291</u>	<u>-</u>	<u>256,068</u>
<u>NET ASSETS</u>			
Held in trust for:			
Employees' pension benefits	134,081,074	-	-
Individuals and organizations	<u>-</u>	<u>204,958</u>	<u>-</u>
Total Net Assets	<u>\$ 134,081,074</u>	<u>\$ 204,958</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Pension Trust Fund</u>	<u>Private Purpose Trust Fund</u>
Additions:		
Contributions:		
Employer - pension	\$ 6,779,226	\$ -
Employer - FICA	2,836,261	-
Employer - post-employment health	70,543	-
Plan members	1,976,357	-
Miscellaneous - settlement	495,000	-
Total Contributions	<u>12,157,387</u>	<u>-</u>
Investment earnings:		
Interest and dividends	3,395,756	
Net increase in the fair value of investments	19,717,659	330
Total Investment Earnings	<u>23,113,415</u>	<u>330</u>
Less Investment Expenses	<u>(563,818)</u>	
Net Investment Earnings	<u>22,549,597</u>	<u>330</u>
Total Additions	34,706,984	330
Deductions:		
Benefits - pension	8,586,433	-
Benefits - FICA	2,836,261	-
Benefits - post employment health	70,543	-
Refunds of contributions	361,302	-
Administrative expenses	246,147	-
Other - settlement costs	315,243	610
Total deductions	<u>12,415,929</u>	<u>610</u>
Change in net assets	22,291,055	(280)
Net assets:		
Beginning of year	<u>111,790,019</u>	<u>205,238</u>
End of year	<u>\$ 134,081,074</u>	<u>\$ 204,958</u>

See notes to financial statements.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Financial Reporting Entity

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

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

B. Basis of Presentation

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

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

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

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

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

The City reports on the following major governmental funds:

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

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

The City reports on the following major Enterprise funds:

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

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

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

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Additionally, the City reports the following fund types:

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

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

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

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

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

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

E. Use of Estimates

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

F. Assets, Liabilities and Equity

1. Cash

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

2. Investments

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

3. Receivables

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

4. Internal Balances

Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are referred to as either “Due to/from Other Funds” (i.e., the current portion) or “Advances to/from Other Funds” (i.e., the non-current portion) . Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. The majority of the internal balances is the result of the pooling of cash. Excess cash of individual funds are shown as due from other funds and excess withdrawals of individual funds are shown as either due to other funds or advances from other funds.

5. Inventories and Prepaid Expenses

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

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

Inventories and prepaid expenses of governmental funds in the fund financial statements are offset by a nonspendable fund balance as these are not in spendable form.

6. Restricted Assets

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

7. Capital Assets

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

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

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

Capital assets reported in the government-wide and proprietary fund financial statements are depreciated in order that the cost of these assets will be charged to expenses over their estimated service lives, generally using the straight line method of calculating depreciation. The Electric Department depreciates the McNeil & Highgate Converter Stations using the straight-line method. However, only a portion of the current depreciation is recoverable through future rates. The difference is included in deferred depreciation and will be recovered through future rates. The amount of deferred depreciation expense recognized during the year was \$2,891,820. The total deferred depreciation at June 30, 2011 was \$613,513.

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

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

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

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

8. Compensated Absences

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

9. Accrued Landfill Closure/Postclosure Costs

The City of Burlington has closed two landfills in prior years. The City's landfill at Manhattan Drive was closed on December 31, 1989. At that time, the City opened a lined landfill on property owned by the Rathe family in Colchester, Vermont. This landfill was considered to be full and was closed in 1992. At that time, the City's landfill needs were taken over by the Chittenden Solid Waste District. Funds held in reserve to cover closure costs have been expended but certain post closure costs and commitments remain. The amount needed to fund all future post closure costs as of today is estimated to be \$25,000. Actual payments will take place through the year 2013.

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

10. Liabilities to be Paid from Restricted Assets

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

11. Long-term Liabilities

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

12. Fund Equity

Fund Balances and Retained Earnings are classified based upon any restrictions that have been placed on those balances or any tentative plans management may have made for those balances. Restrictions of net assets in the government-wide and proprietary fund type financial statements represent amounts that cannot be appropriated or are legally restricted for a specific purpose by a grant, contract, or other binding agreement. Fund Balances of governmental funds are classified as nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors, or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the City Council's intended use of the resources); and unassigned.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

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

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

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Liquidity Risk

Liquidity risk is the risk of not having sufficient liquid financial resources to meet obligations when they fall due, or having to incur excessive costs to do so. Primarily as a result of the Burlington Telecom deficit and various capital project and enterprise funds deficits, the City has relied on short-term borrowing to obtain cash to pay operating expenditures. Continued reliance on short-period borrowing for cash purposes places the City in a vulnerable position. In order to reduce this vulnerability, a plan that identifies the recapture of the Burlington Telecom deficit needs to be realized. The City is working on an out-of-court settlement with Citibank. Until this occurs, however, the City will likely continue to experience cash flow pressures in the near-term. The City also faces a further deterioration of its financial status and credit worthiness if a long-term plan cannot be developed and realized for the Burlington Telecom deficit.

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The City's current plans include:

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

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

B. Budgetary Information

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

1. Departments, and departments with commission approval, prepare detailed recommendations to the Mayor on the budget. Prior to June 15, the Mayor, with the assistance of the other members of the Board of Finance, prepares and submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and estimated revenues.
2. Prior to July 1, the budget is legally enacted through passage of a resolution of the City Council.
3. The Mayor may propose, with the advice of the Board of Finance, amendments to the budget. Such proposed amendments require a majority approval of the City Council. The amount of such proposed amendments may be decreased by a simple majority vote of the City Council. Such proposed amendments may be increased above the level proposed by the Mayor only with a two-thirds vote of the City Council.
4. The Board of Finance is authorized to transfer budgeted amounts between line items within an appropriation account or within accounts of a department. Any revisions which increase the total expenditures of any department function or fund above the original appropriation must be approved by resolution of the City Council.
5. That portion of the designated fund balance that consists of operating and capital improvement carry-overs, represents unexpended appropriations which are allowed to be carried over to later years as provided for by City Charter or by resolution of the City Council. All other unexpended appropriations lapse at the close of the fiscal year. The City Charter specifically prohibits expenditures in excess of appropriations except on an emergency basis for health, police, fire and public welfare.
6. The City of Burlington tax rate can change each year by the cost of CCTA, Retirement, County and Debt Service without voter approval. However, any rate change on the tax rate for other purposes, above the maximum approved tax rate previously approved by voters, must be approved by City voters.
7. The City elected to budget expenditures in excess of revenues by \$349,166 in order to utilize a portion of prior year's surplus. This is reflected as a current year's budgeted deficiency of revenue over expenditures for the General Fund.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

1. In December, the Superintendent submits recommendations based upon the budget prioritization team spending priority list to the School Board. The operating budget includes proposed expenditures and estimated revenues.
2. In December, public hearings are conducted to obtain taxpayer comments and the budget is formally approved by the School Board in January.
3. Any tax increase requested by the School Board must be submitted to the City Council during the first week of January so that they can put it on the March ballot.
4. The School Board is authorized to transfer budgeted amounts between line items, however, any revisions that alter the total expenditures in excess of total revenues plus budgeted fund balance designated for subsequent years' expenditures must be authorized by the legal voters of the City.
5. The budget that is adopted is only for the School's "General Fund". Budgets for the School's other funds were not formally adopted for the year ended June 30, 2011.
6. The School elected to budget revenues in excess of expenditures by \$613,133 in order to fund prior years' deficits. This is reflected as a current year's budgeted excess of revenue over expenditures for the School Fund.

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

C. Excess of Expenditures Over Appropriations

For the year-ended June 30, 2011, expenditures in the City General Fund exceeded appropriations by \$377,412. The over-expenditures were funded by excess revenues and available fund balance.

D. Other Financial Statements

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

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E. Budgetary/GAAP Reconciliation

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

	<u>City</u>	<u>School</u>
Changes in Fund Balances – Budgetary Basis – Exhibit F	\$4,040,980	\$1,265,530
Transfers Appropriated in Prior Periods	(651,936)	0
Excess of Revenues Over Expenditures in Other School Special Revenue Funds	<u>0</u>	<u>215,583</u>
Change in Fund Balances – GAAP Basis – Exhibit D	<u>\$3,389,044</u>	<u>1,481,113</u>

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

Investment Policy – Electric Department

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

- (1) Direct obligations of the United States of America or obligations guaranteed by the United States of America.
- (2) Bonds, notes or other evidences of indebtedness issued or guaranteed by the Bank for Cooperatives, Federal Intermediate Credit Banks, FHLB, FNMA, GNMA, Export-Import Bank of the United States, Federal Land Banks, U.S. Postal Service, Federal Financing Bank, or any agency or instrumentality of or corporation wholly-owned by the United States of America.
- (3) New Housing Authority Bonds issued by public agencies or municipalities and fully secured by a pledge of annual contributions under annual contributions contract with the United States of America, or Project Notes issued by public agencies or municipalities and fully secured by a requisition or payment agreement with the United States of America.

CITY OF BURLINGTON, VERMONT
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- (4) Obligations of any state, commonwealth or territory of the United States of America, or the District of Columbia, or any political subdivision of the foregoing, with an investment grade rating not lower than the three highest categories by at least one nationally recognized debt rating service.
- (5) Certificates of deposit and bankers acceptances issued by banks which are members of the FDIC and each of which has a combined capital and surplus of not less than ten million dollars, provided that the time deposits in and acceptances of any bank under the resolution (a) do not exceed at any time twenty-five percent of the combined capital and surplus of the bank or (b) are fully secured by obligations described in items 1, 2, 3 and 4 of this paragraph.
- (6) Repurchase contracts with banks which are described in item 5 of this paragraph, or with recognized primary dealers in government bonds, fully secured by obligations described in items 1, 2, 3 and 4 of this paragraph.

Investment Policy-Pension Fund

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

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

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

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.

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Cash deposits and investments as June 30, 2011 consist of the following:

Deposit and Investment Type	Amount
Cash and Cash Equivalents:	
Demand Deposits with Financial Institutions	\$ 16,942,757
Demand Deposits held by Broker	249,954
Cash on Hand	160,432
Total Cash and Cash Equivalents	17,353,143
Investments:	
Certificates of Deposits - Investments	234,363
Cash Equivalents Invested in U.S. Government Obligations	26,732,419
Equity Mutual Funds	3,717,738
Timberland	3,464,491
Private Equity	1,911,131
Investments with Vermont Pension Investment Committee (VPIC)	123,133,371
Total Investments	159,193,513
Total Cash and Investments	\$ 176,546,656

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 and timberland 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.

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<u>Deposits with Financial Institutions</u>	<u>Bank Balance</u>
Insured - FDIC/NCUA	\$ 1,271,396
Secured by Irrevocable Standby Letter of Credit Issued by Federal Home Loan Bank of Pittsburgh	23,050,715
Uninsured, Collateralized by U.S. Government Agencies Securities	190,082
Uninsured, Uncollateralized	<u>2,784,574</u>
Total Deposits	<u>\$ 27,296,767</u>

The book balance of the deposits is comprised of the following:

Deposits with Financial Institutions	\$ 16,942,757
Deposits held by Broker	249,954
Certificates of Deposit - Investments	<u>234,363</u>
Total Deposits	<u>\$ 17,427,074</u>

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

Burlington Community Development Corporation's had \$7,171 in cash that was fully insured by the FDIC. These amounts are included in the above table. There were no reconciling items.

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 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.

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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.

<u>Investment Type</u>	<u>Remaining Maturity (In Years)</u>			<u>Total</u>
	<u>0-1</u>	<u>10-15</u>	<u>N/A</u>	
Cash Equivalent Mutual Funds	\$ 26,732,419	\$ 0	\$ 0	\$ 26,732,419
Timberland	0	3,464,491	0	3,464,491
Private Equity	0	0	1,911,131	1,911,131
Equity Mutual Funds	0	0	3,717,738	3,717,738
	<u>\$ 26,732,419</u>	<u>\$ 3,464,491</u>	<u>\$ 5,628,869</u>	<u>\$ 35,825,779</u>

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

Investments-Pension Fund

The total amount of investments held by the Vermont Pension Investment Committee (VPIC) are \$123,133,371. 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 \$9,093,360 are invested in alternate investments such as timber, private equity and emerging markets.

B. Restricted Cash/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, renewal and replacement and operation and maintenance reserves. The Airport Fund also has \$7,226,189 of cash that is restricted passenger facility charges to be used for approved projects. These amounts are included in the Deposits and Investments in Note IV. A.

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A summary of the restricted investments is as follows:

Category	Electric	Airport	Water Resources	Total
Debt Service Reserve Funds	\$ 8,539,182	\$ 1,292,304	\$ 1,324,512	\$ 11,155,998
Renewal and Replacement Funds	962,730		110,034	1,072,764
Construction Funds	5,899,974	0	0	5,899,974
Debt Service Funds	8,098,314	0	0	8,098,314
Accrued Interest Receivable	3,634	0	0	3,634
Passenger Facility Charges	0	7,226,189	0	7,226,189
Operations and Maintenance Reserve	0	500,032	0	500,032
Total	<u>\$ 23,503,834</u>	<u>\$ 9,018,525</u>	<u>\$ 1,434,546</u>	<u>\$ 33,956,905</u>

C. Receivables

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

C1) Property and Other Taxes

Property Taxes – 2011	\$ 616,229
Property Taxes – 2010	135,684
Property Taxes – 1986-2009	1,140,227
Gross Receipts Taxes	339,555
Allowance for Doubtful Taxes	<u>(1,060,142)</u>
Total Taxes Receivable	<u>\$ 1,171,553</u>

Included in taxes receivable is \$622,180 of delinquent tax penalties and interest.

C2) User Fees

	Electric	Airport	Telecom	Wastewater	Non-Major Fund - Water	Total
Billed Service Fees	\$ 4,950,762	\$ 2,626,220	\$ 689,178	\$ 669,151	506,931	\$ 9,442,242
Allowance for Doubtful Fees	<u>(303,219)</u>	<u>(993,503)</u>	<u>(476,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>(1,778,722)</u>
Total	<u>\$ 4,647,543</u>	<u>\$ 1,632,717</u>	<u>\$ 213,178</u>	<u>\$ 666,151</u>	<u>503,931</u>	<u>\$ 7,663,520</u>

CITY OF BURLINGTON, VERMONT
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C3) Departmental and Other

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Ambulance	\$ 655,976	\$ 0
Ambulance - Allowance	(516,176)	0
Police Tickets	1,803,459	0
Police Tickets - Allowance	(1,420,000)	0
Local Option Sales Tax	489,045	0
CEDO	949,417	0
Traffic	35,176	0
Reimbursements	466,547	0
Other	866,973	11
Other – Allowance	<u>(68,029)</u>	<u>0</u>
 Total	 <u>\$3,262,388</u>	 <u>\$ 11</u>

C4) Intergovernmental Receivables

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
School Tuition	\$ 362,292	\$ 0	\$ 362,292
School Grants	564,010	0	564,010
Stormwater Grant	68,827	0	68,827
Capital Grants	3,061,369	5,168,842	8,230,211
Other	302	0	302
School Food Service	<u>0</u>	<u>260,177</u>	<u>260,177</u>
 Total	 <u>\$ 4,056,800</u>	 <u>\$ 5,429,019</u>	 <u>\$ 9,485,819</u>

C5) Estimated Unbilled Revenues

<u>Governmental Activities</u>	<u>Business-Type Activities</u>						<u>Total</u>
<u>Stormwater</u>	<u>Electric</u>	<u>Airport</u>	<u>Telecom</u>	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>	<u>All Funds</u>
\$ <u>56,280</u>	\$ <u>2,438,256</u>	\$ <u>504,488</u>	\$ <u>5,695</u>	\$ <u>485,754</u>	\$ <u>348,861</u>	<u>3,783,054</u>	<u>\$ 3,839,334</u>

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.

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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.

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, 2011 is \$120,000. Future lease payments of \$80,000 will be received over the next year and then \$40,000 in fiscal year 2013.

The Electric Department has notes receivable totaling \$1,364,976 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, 2011 is \$1,155,236 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 \$831,912.

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	\$ 16,942,108	\$ 1,364,976	\$ 18,307,084	\$ 1,987,148
Loan Discounts	(2,606,849)	0	(2,606,849)	0
Allowance for Doubtful Loans	(10,659,011)	0	(10,659,011)	0
Accrued Interest Receivable - Loans	5,245,630	0	5,245,630	3,830
Allowance for Doubtful Accrued Interest	<u>(4,552,539)</u>	<u>0</u>	<u>(4,552,539)</u>	<u>0</u>
Net Notes and Loans Receivable	<u>\$ 4,369,339</u>	<u>\$ 1,364,976</u>	<u>\$ 5,734,315</u>	<u>\$ 1,990,978</u>

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
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E. Interfund Balances and Activity

The composition of Due From/(to) Other Funds at June 30, 2011, is as follows:

Fund	Due From Other Funds	Due To Other Funds
General Fund	\$ 9,842,167	\$ 15,133,977
School Fund	7,446,887	0
Electric Fund	0	4,173,325
Airport Fund	351,980	0
Telecom Fund	0	94,027
Wastewater Fund	0	50,858
Pension Trust Fund	2,382,842	0
Other Non-Major Funds:		
Traffic Fund	184,708	39,489
CEDO Fund	0	1,198,283
Housing Trust Fund	173,766	0
Tax Increment Financing Fund	641,867	0
Stormwater Fund	118,676	0
Church Street Marketplace Fund	0	22,888
Mary E. Waddell Fund	13,858	0
Southend/Downtown Transit Center Funds	0	6,324
Fuel Depot Fund	24,038	0
Street Improvements Fund	0	2,286,717
Riverside Ave. & North Street Fund	25,000	23,069
Burlington Winooski Bridge Fund	40,274	0
Barge Canal Pond Fund	0	55,624
Moran Plant Fund	31,549	0
School Capital Fund	1,045,134	4,720
City Other Capital Fund	16,519	1,113,419
Cemetery Trust Fund	990,267	0
Loomis Library Fund	10,948	0
WEZF 93 FM DARE Fund	2,232	0
School Food Service Fund	829,907	0
School Other Enterprise Funds	30,101	0
Total	<u>\$ 24,202,720</u>	<u>\$ 24,202,720</u>

CITY OF BURLINGTON, VERMONT
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The composition of Advances To/(From) Other funds as of June 30, 2011 is as follows:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$25,155,436	\$ 0
Telecom Fund	0	16,936,492
Wastewater Fund	0	2,531,914
Water Fund	0	2,065,706
Southern Connector Fund	0	1,211,949
Stormwater Upgrade Fund	0	273,264
Westlake Fund	0	621,031
School Capital Fund	0	1,134,096
City Other Capital Fund	<u>0</u>	<u>380,984</u>
 Total	 <u>\$25,155,436</u>	 <u>\$25,155,436</u>

The Telecom Fund amount of \$16,936,492 was frozen by the City in October 2009. There is no current plan to repay this amount. The City anticipates that all other advances by the General Fund will be repaid with increased revenues or from the collections of long-term deferred receivables.

F. 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. The value of the investments in associated companies, at cost, as of June 30, 2011 was \$18,510,786.

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.

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G. Other Long-Term Assets

The Governmental Activities other long-term assets, net of accumulated amortization, consists of deferred debt issuance costs of \$642,150 as of June 30, 2011.

The Business-type Activities other long-term assets, net of accumulated amortization, consists of the following as of June 30, 2011:

Category	Electric Fund	Airport Fund	Water Resources Fund	Total
Deferred Debt Issuance Costs	\$ 1,178,696	\$ 1,222,085	\$ 19,601	\$ 2,420,382
Deferred Depreciation Expense	613,513	0	0	613,513
Unamortized Demand Side Side Mgt (DSM)	2,121,165	0	0	2,121,165
Other Unamortized Charges	1,929,326	0	0	1,929,326
Non-Utility Property	775,600	0	0	775,600
Deferred VPSB Accounting Orders	884,228	0	0	884,228
Total	<u>\$ 7,502,528</u>	<u>\$ 1,222,085</u>	<u>\$ 19,601</u>	<u>\$ 8,744,214</u>

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.

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, 2011 are as follows:

<u>Category</u>	<u>Amount</u>
Loss on Transfer of Moran Station	\$ 882,154
Costs Associated with Chase Hydro	1,021,810
Deferred Prepayment	<u>25,362</u>
Total	<u>\$1,929,326</u>

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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.

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H. Capital Assets

Capital asset activity for the year ended June 30, 2011 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	36,780,553	13,697,645	6,409,783	44,068,415
Antiques and Works of Art	52,000	0	0	52,000
Total Capital Assets, Not Being Depreciated	52,764,683	13,697,645	6,409,783	60,052,545
Capital Assets, Being Depreciated:				
Land Improvements	2,436,588	123,218	0	2,559,806
Buildings and Building Improvements	78,941,239	510,478	0	79,451,717
Vehicles, Machinery, Equipment and Furniture	23,389,475	4,490,358	647,003	27,232,830
Book Collections	3,526,425	657,016	454,474	3,728,967
Infrastructure	98,908,416	7,244,126	0	106,152,542
Totals	207,202,143	13,025,196	1,101,477	219,125,862
Less accumulated depreciation for:				
Land improvements	763,898	0	0	763,898
Buildings and Building Improvements	17,235,921	1,371,151	0	18,607,072
Vehicles, Machinery, Equipment and Furniture	14,138,128	1,995,747	647,003	15,486,872
Book Collections	2,654,021	181,587	454,474	2,381,134
Infrastructure	48,278,657	3,381,340	0	51,659,997
Totals	83,070,625	6,929,825	1,101,477	88,898,973
Total Capital Assets, Being Depreciated	124,131,518	6,095,371	0	130,226,889
Governmental Activities Capital Assets, Net	\$ 176,896,201	\$ 19,793,016	\$ 6,409,783	\$ 190,279,434

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	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 21,160,656	\$ 0	\$ 0	\$ 21,160,656
Construction in Progress	37,991,765	30,592,678	6,232,508	62,351,935
Total Capital Assets, Not Being Depreciated	<u>59,152,421</u>	<u>30,592,678</u>	<u>6,232,508</u>	<u>83,512,591</u>
Capital Assets, Being Depreciated:				
Land Improvements	26,899,803	11,158,470	0	38,058,273
Buildings and Building Improvements	69,247,768	0	559,151	68,688,617
Vehicles, Machinery, Equipment and Furniture	20,815,890	1,853,953	34,097	22,635,746
Distribution and Collection Systems	207,061,639	7,472,955	476,725	214,057,869
Fiber Optic Network	33,515,727	295,896	33,811,623	0
Totals	<u>357,540,827</u>	<u>20,781,274</u>	<u>34,881,596</u>	<u>343,440,505</u>
Less Accumulated Depreciation for:				
Land Improvements	19,708,327	1,568,644	0	21,276,971
Buildings and Building Improvements	20,190,044	2,277,128	153,758	22,313,414
Vehicles, Machinery, Equipment and Furniture	12,947,218	866,369	33,097	13,780,490
Distribution and Collection Systems	107,176,130	4,778,320	422,881	111,531,569
Fiber Optic Network	7,244,674	0	7,244,674	0
Totals	<u>167,266,393</u>	<u>9,490,461</u>	<u>7,854,410</u>	<u>168,902,444</u>
Total Capital Assets, Being Depreciated	<u>190,274,434</u>	<u>11,290,813</u>	<u>27,027,186</u>	<u>174,538,061</u>
Business-Type Activities Capital Assets, Net	<u>\$ 249,426,855</u>	<u>\$ 41,883,491</u>	<u>\$ 33,259,694</u>	<u>\$ 258,050,652</u>

Certain amounts in the beginning balance column have been reclassified.

At June 30, 2011, approximately \$2,511,368 and \$352,433 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	\$ 254,827	Electric	\$ 2,925,733
Public Safety	856,664	Airport	4,128,701
Public Works	3,636,621	Wastewater	1,581,357
Community Development	3,924	Telecom	290,764
Culture and Recreation	1,096,048	Water	540,586
Education	<u>1,081,741</u>	Education	<u>23,320</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 6,929,825</u>	Total Depreciation Expense - Business-Type Activities	<u>\$ 9,490,461</u>

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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, 2011 are as follows:

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

Under the Agreement for Joint Ownership, Construction and Operation of the Highgate Transmission Interconnection dated August 1, 1984, as amended, the owners of the Highgate Converter and the Highgate-Canada Transmission Line are tenants in common with undivided interests in the converter. Ownership percentages of the converter as of December 31, 2010 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	<u>.65%</u>
Total	<u>100.00%</u>

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

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

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A summary of the McNeil Generating Station financial statements as of and for the year ended June 30, 2011 are as follows:

<u>Category</u>	<u>McNeil Generating Station</u>
Total Assets	\$ 93,849,896
Liabilities	<u>1,012,423</u>
Owners' Equity	<u>92,837,473</u>
Total Liabilities & Owners' Equity	<u>\$ 93,849,896</u>
Contribution by Joint Owners	\$ 23,570,365
Station Operating Expenses	<u>22,631,310</u>
Increase in Owners' Equity	939,055
Owners' Equity - Beginning of Year	<u>91,898,418</u>
Owners' Equity - End of Year	<u>\$ 92,837,473</u>

Burlington Community Development Corporation owns two buildings at the Burlington Airport with a cost of \$5,340,385 and accumulated depreciation of \$495,766. It also owns the land on South 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 \$51,382. The net carrying value of the Corporation's properties are \$6,291,036. The buildings are being depreciated over seventy-five (75) years and the land improvements over sixty (60) years.

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A summary of the Corporation's capital assets activity is as follow:

Component Unit	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 1,155,249	\$ 0	\$ 0	\$ 1,155,249
Total Capital Assets, Not Being Depreciated	<u>1,155,249</u>	<u>0</u>	<u>0</u>	<u>1,155,249</u>
Capital Assets, Being Depreciated:				
Buildings	5,340,387	0	0	5,340,387
Land Improvements	<u>342,548</u>	<u>0</u>	<u>0</u>	<u>342,548</u>
Totals	<u>5,682,935</u>	<u>0</u>	<u>0</u>	<u>5,682,935</u>
Less accumulated depreciation for:				
Buildings	425,440	70,326	0	495,766
Land Improvements	<u>45,673</u>	<u>5,709</u>	<u>0</u>	<u>51,382</u>
Totals	<u>471,113</u>	<u>76,035</u>	<u>0</u>	<u>547,148</u>
Total Capital Assets, Being Depreciated	<u>5,211,822</u>	<u>(76,035)</u>	<u>0</u>	<u>5,135,787</u>
Component Unit Capital Assets, Net	<u>\$ 6,367,071</u>	<u>\$ (76,035)</u>	<u>\$ 0</u>	<u>\$ 6,291,036</u>

I. Deferred Revenue

Deferred Revenue in the Governmental Funds consists of property tax, penalty and interest receivables, gross receipts taxes, net loans receivable and other non-exchange transaction fees not collected within sixty (60) days after year end as these would not be available to liquidate current liabilities. Deferred revenue also includes grants and fees received in advance.

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

J. Anticipation Notes Payable – Current

The City had the following notes outstanding as of June 30, 2011:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance June 30, 2011</u>
Tax Anticipation Note - General	4.5%	June 30, 2011	Aug. 30, 2011	\$ <u>11,000,000</u>
Bond Anticipation Note - Airport	6.5%	June 29, 2011	Dec. 01, 2012	\$ <u>12,000,000</u>

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The following summarizes short-term borrowing during the fiscal year ending June 30, 2011:

	Total Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Reduction</u>	Total Balance <u>June 30, 2011</u>	
Summary of Short-Term Borrowing					
Tax Anticipation Notes -					
General Fund	\$ 0	\$ 54,500,000	\$ (43,500,000)	\$ 11,000,000	(1)
Revenue Anticipation Notes -					
Enterprise Funds	6,000,000	12,000,000	(18,000,000)	0	
Bond Anticipation Note -					
Airport Fund	<u>0</u>	<u>12,000,000</u>	<u>0</u>	<u>12,000,000</u>	
Total	<u>\$ 6,000,000</u>	<u>\$ 78,500,000</u>	<u>\$ (61,500,000)</u>	<u>\$ 23,000,000</u>	

(1) See subsequent event information on page 99.

K. 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.

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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.

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.

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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.

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	\$ 20,757,499	\$ 11,700,000	\$ 1,704,166	\$ 30,753,333	\$ 1,723,333
Other Debt	15,689,875	661,991	1,105,000	15,246,866	1,095,000
Bond Anticipation Note Payable	0	5,015,000	0	5,015,000	0
Obligations Under Capital Leases	3,251,485	0	956,668	2,294,817	910,000
City Compensated Absences	2,165,352	15,795	0	2,181,147	218,000
School Compensated Absences	3,259,504	162,975	0	3,422,479	342,000
Net Pension Obligation	1,850,711	0	24,683	1,826,028	0
Landfill Post-Closure	41,000	0	16,000	25,000	16,000
City - Post Employment Benefits	608,785	182,736	0	791,521	0
School - Post Employment Benefits	864,358	172,754	0	1,037,112	0
Insurance Reserves	1,619,000	0	0	1,619,000	0
Total Governmental Activities Long-term Liabilities	\$ 50,107,569	\$ 17,911,251	\$ 3,806,517	64,212,303	4,304,333
Add Unamortized Premium				367,507	27,137
Subtract Deferred Loss on Refunding				(55,206)	(9,202)
Total				\$ 64,524,604	\$ 4,322,268
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
General Obligation Bonds Payable	\$ 43,948,084	\$ 0	\$ 1,534,979	\$ 42,413,105	\$ 1,687,196
Revenue Bonds Payable	108,637,954	89,929	15,079,791	93,648,092	11,694,569
Bond Anticipation Note Payable	0	900,000	0	900,000	0
Obligations Under Capital Leases	36,971,857	0	34,105,067	2,866,790	657,060
Compensated Absences	1,399,784	78,215	0	1,477,999	44,400
Post Employment Benefits	131,538	0	0	131,538	0
Deferred Electric Credit	763	346	0	1,109	0
Total Business-type Activities Long-Term Liabilities	\$ 191,089,980	\$ 1,068,490	\$ 50,719,837	141,438,633	14,083,225
Add Unamortized Premium				1,183,095	21,496
Subtract Unamortized Discount				(108,225)	(7,026)
Subtract Deferred Loss on Refunding Bonds				(10,622,287)	(41,449)
Total				\$ 131,891,216	\$ 14,056,246

CITY OF BURLINGTON, VERMONT
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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 6/30/2010	New Issue	Principal Reduction	Outstanding 6/30/2011	
Governmental Activities:									
General Obligation Bonds:									
87	Urban Renewal 1998 Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	\$ 835,000	\$ 155,000	\$ 0	\$ 75,000	\$ 80,000
90	G.O. 1998 Series B Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	174,167	32,499	0	15,833	16,666
105	General Improvements 2000 Series A	10/12/00	4.25-4.75	12/01/2010	750,000	90,000	0	90,000	0
107	General Improvements 2001 Series A	10/01/01	3.00-4.00	11/01/2011	750,000	175,000	0	85,000	90,000
115	General Improvements 2002 Series A	07/30/02	3.00-4.00	09/01/2012	750,000	255,000	0	80,000	175,000
118	Fire Equipment Bond 2003A	05/01/03	3.50-4.00	11/01/2018	2,500,000	1,665,000	0	155,000	1,510,000
129	General Improvements 2003 Series B	10/15/03	2.00-3.75	11/01/2013	750,000	335,000	0	80,000	255,000
136	General Improvements 2004 Refunding Series B	07/15/04	2.00-3.80	12/01/2016	530,000	280,000	0	40,000	240,000
138	General Improvements 2004 Series A	07/15/04	2.25-3.75	05/01/2015	750,000	405,000	0	75,000	330,000
139	General Improvements 2005 Series A	06/28/05	3.50-3.60	11/01/2015	250,000	160,000	0	25,000	135,000
143	General Improvements 2005 Series B	07/06/05	3.25-3.50	11/1/2015	1,000,000	650,000	0	100,000	550,000
150	General Improvements 2006 Series B	10/10/06	3.50-4.00	11/1/2026	1,000,000	900,000	0	40,000	860,000
154	General Improvements 2007 Series A	12/10/07	3.50-4.25	11/1/2027	1,000,000	935,000	0	35,000	900,000
163	General Improvements 2009 Series C	08/18/09	2.00-4.125	11/1/2029	1,000,000	1,000,000	0	35,000	965,000
164	General Improvements 2009 Series C	08/18/09	2.00-4.125	11/1/2029	1,000,000	1,000,000	0	35,000	965,000
165	General Improvements 2009 Series C Street Improv	08/18/09	2.00-4.125	11/1/2029	2,250,000	2,250,000	0	65,000	2,185,000
88	G.O. School 1998 Series C Refunding Bonds	08/03/98	4.25-4.55	12/01/2011	696,667	130,000	0	63,333	66,667
112	G.O. School 2002 Series Refunding Bonds	07/30/02	2.50-4.00	09/01/2013	1,070,000	445,000	0	105,000	340,000
114	G.O. School 2002 Series A Bonds	07/30/02	3.00-4.375	03/01/2018	860,000	635,000	0	35,000	600,000
137	G.O. School 2004 Refunding Series B Bonds	07/15/04	2.00-3.80	12/01/2016	2,370,000	1,235,000	0	165,000	1,070,000
145	G.O. School 2005 Series B Bonds	07/06/05	3.25-4.2	11/1/2025	750,000	650,000	0	30,000	620,000
152	G.O. School 2006 Series A Bonds	10/10/06	3.50-4.00	11/1/2026	750,000	675,000	0	30,000	645,000
153	G.O. School 2006 Series A Bonds - Athletic Field	10/10/06	3.50-4.00	11/1/2026	3,615,000	3,245,000	0	135,000	3,110,000
156	G.O. School 2007 Series A Bonds	12/10/07	3.50-4.25	11/1/2027	750,000	705,000	0	25,000	680,000
166	G.O. School 2009 Series C Bonds	08/18/09	2.00-4.125	11/1/2029	750,000	750,000	0	25,000	725,000
167	G.O. School 2009 Series C Bonds	08/18/09	2.00-4.125	11/1/2029	2,000,000	2,000,000	0	60,000	1,940,000
172	G.O. School 2010 Series A Qualified School Bonds	07/19/10	6.5	11/1/2030	9,700,000	0	9,700,000	0	9,700,000
167	G.O. School 2009 Series C Bonds	07/19/10	6.5	11/1/2030	2,000,000	0	2,000,000	0	2,000,000
General Obligation Bonds Subtotal					\$ 40,600,834	\$ 20,757,499	\$ 11,700,000	\$ 1,704,166	\$ 30,753,333
Other Debt									
94	Downtown Parking - Certificate of Participation	06/01/99	4.30-4.80	12/01/2018	\$ 5,500,000	\$ 2,145,000	\$ 0	\$ 205,000	\$ 1,940,000
95	Waterfront Refunding - Certificate of Participation	06/01/99	4.30-4.80	12/01/2018	1,390,000	785,000	0	70,000	715,000
103	Capital Projects - Certificate of Participation	06/27/00	5.375-5.75	12/01/2020	4,100,000	2,770,000	0	190,000	2,580,000
116	Police Facility - Certificate of Participation Refunding	07/30/02	3.00-4.25	05/01/2015	2,075,000	920,000	0	170,000	750,000
140	Downtown Parking - Certificate of Participation	6/7/05	4.0-4.375	05/01/2025	7,870,000	6,920,000	0	340,000	6,580,000
158	HUD Section 108 - US Guaranteed Notes 1999	04/28/99	5.40-6.20	08/01/2017	1,930,000	780,000	0	130,000	650,000
128	HUD Section 108 - US Guaranteed Notes 2003	02/12/03	3.25	08/01/2022	3,602,000	495,000	0	0	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	74,875	661,991	0	736,866
Other Debt Subtotal					29,498,000	15,689,875	661,991	1,105,000	15,246,866
Total Governmental Activities Bonds and Other Debt					\$ 70,098,834	\$ 36,447,374	\$ 12,361,991	\$ 2,809,166	\$ 46,000,199

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%.

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	Issue Date	Interest Rate %	Maturity Date	Original Issue	Outstanding 6/30/2010	New Issue	Principal Reduction	Outstanding 6/30/2011
Bond Anticipation Notes Payable								
Bond Anticipation Note - General Fund	12/10/2010	2.00%	8/9/2011	\$ 5,015,000	\$ 0	\$ 5,015,000	\$ 0	\$ 5,015,000
				<u>\$ 5,015,000</u>	<u>\$ 0</u>	<u>\$ 5,015,000</u>	<u>\$ 0</u>	<u>\$ 5,015,000</u>

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

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	\$ 32,500	\$ 0	\$ 15,833	\$ 16,667
135	Electric 2004 Series B Refunding Bonds	07/15/04	2.00-3.80	12/01/2016	510,002	265,000	0	35,000	230,000
141	Electric 2005 Series A Bonds	06/28/05	3.50-4.20	11/01/2025	1,000,000	870,000	0	40,000	830,000
144	Electric 2005 Series B Bonds	07/06/05	3.25-4.20	11/01/2025	1,000,000	865,000	0	40,000	825,000
151	Electric 2006 Series A Bonds	10/10/06	3.50-4.00	11/1/2026	1,000,000	900,000	0	40,000	860,000
157	Electric 2007 Series A Bonds	12/20/07	3.50-4.30	11/1/2027	1,000,000	935,000	0	35,000	900,000
159	Electric 2009 Series A Bonds	04/20/09	2.00-4.375	11/1/2029	12,750,000	12,750,000	0	485,000	12,265,000
160	Electric 2009 Series B Bonds	04/20/09	4.00-6.00	11/1/2029	8,250,000	8,250,000	0	255,000	7,995,000
162	Electric 2009 Series D Bonds	08/18/09	1.45-5.60	11/1/2029	4,615,000	4,615,000	0	100,000	4,515,000
168	Electric 2009 Series C Bonds	08/18/09	2.00-4.125	11/1/2029	1,000,000	1,000,000	0	35,000	965,000
169	Electric 2009 Series C Bonds	08/18/09	2.00-4.125	11/1/2029	1,000,000	1,000,000	0	35,000	965,000
170	Electric 2009 Series C Bonds	08/18/09	2.00-4.125	11/1/2029	10,985,000	10,985,000	0	350,000	10,635,000
161	State of VT-EPA 2001 Series 1 (Digester)	07/01/00	2.00	10/01/2026	2,500,000	1,480,584	0	69,146	1,411,438
General Obligation Bonds Subtotal					<u>\$ 45,784,169</u>	<u>\$ 43,948,084</u>	<u>\$ 0</u>	<u>\$ 1,534,979</u>	<u>\$ 42,413,105</u>

Revenue Obligation Bonds:

77	Electric Revenue Bonds 1996 Series A	04/01/96	3.80-6.38	12/01/2012	54,475,000	14,025,000	0	4,390,000	9,635,000
126	Electric Revenue Bonds 2001 Series A	12/01/01	2.30-4.60	07/01/2014	11,115,000	7,100,000	0	680,000	6,420,000
127	Electric Revenue Bonds 2002 Series A	04/01/02	5.00-5.375	07/01/2014	20,875,000	13,850,000	0	1,260,000	12,590,000
130	Electric Revenue Bonds 2004 Series A	04/15/04	4.27	07/01/2024	10,000,000	8,135,000	0	410,000	7,725,000
102	State of VT-EPA 1990 Series 1	12/06/90	0.00	12/01/2010	5,378,105	4,033,582	0	4,033,582	0
101	State of VT-EPA 1991 Series 1	02/12/92	0.00	12/01/2014	19,403,807	16,899,076	0	679,133	16,219,943
103	Wastewater State of VT-EPA 2006 Series 1 (Siphon)	09/06/06	2.00	02/01/2027	1,650,000	1,342,322	0	67,076	1,275,246
173	State of VT-EPA 2009 Series 1 (Turbo Blower)	2/9/2010	2.00	10/1/2031	120,000	2,974	89,929	0	92,903
82	Water Revenue Bonds 1997 Series A	07/10/97	4.10-5.00	12/01/2012	13,925,000	3,785,000	0	1,205,000	2,580,000
78	Airport Revenue Bonds 1997 Series A	05/01/97	3.85-5.60	07/01/2017	12,380,000	6,570,000	0	675,000	5,895,000
79	Airport Revenue Bonds 1997 Series B	05/01/97	4.00-5.75	07/01/2017	7,450,000	3,985,000	0	405,000	3,580,000
104	Airport Revenue Bonds 2000 Series A	05/17/00	4.80-6.20	07/01/2020	10,435,000	7,095,000	0	480,000	6,615,000
119	Airport Revenue Bonds 2003 Series A and B	06/11/03	2.00-5.00	07/01/2028	24,800,000	21,815,000	0	795,000	21,020,000
Revenue Obligation Bonds Subtotal					<u>\$ 192,006,912</u>	<u>\$ 108,637,954</u>	<u>\$ 89,929</u>	<u>\$ 15,079,791</u>	<u>\$ 93,648,092</u>

Total Business-type

\$ 237,791,081 \$ 152,586,038 \$ 89,929 \$ 16,614,770 \$ 136,061,197

Total of All Bonds

\$ 307,889,915 \$ 189,033,412 \$ 12,451,920 \$ 19,423,936 \$ 182,061,396

Bond Anticipation Notes Payable

Bond Anticipation Note - BED	12/10/2010	2.00%	8/9/2011	\$ 900,000	\$ 0	\$ 900,000	\$ 0	\$ 900,000
				<u>\$ 900,000</u>	<u>\$ 0</u>	<u>\$ 900,000</u>	<u>\$ 0</u>	<u>\$ 900,000</u>

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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.

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 June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 2,818,333	\$ 2,047,275	\$ 13,381,765	\$ 5,275,235
2013	2,752,111	1,944,954	14,207,798	4,623,925
2014	2,687,791	1,844,727	26,795,180	4,132,405
2015	2,583,346	1,743,807	12,787,451	3,557,870
2016	2,388,913	1,642,969	5,405,400	2,949,469
2017-2021	11,368,477	6,775,879	25,433,342	11,325,899
2022-2026	6,989,449	5,008,761	22,076,433	6,314,335
2027-2031	14,372,087	551,438	15,973,828	1,431,727
2032	<u>39,692</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>46,000,199</u>	\$ <u>21,559,810</u>	\$ <u>136,061,197</u>	\$ <u>39,610,865</u>

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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, 2011.

Year Ending <u>6/30</u>	Governmental <u>Activities</u>	Business-type <u>Activities</u>
2012	\$ 920,738	\$ 695,911
2013	740,724	651,895
2014	552,117	620,424
2015	180,395	319,987
2016	14,396	173,460
2017-2021	<u>14,397</u>	<u>693,840</u>
 Total Minimum Lease Payments	 2,422,767	 3,155,517
 Less Amounts Representing Interest	 <u>(127,950)</u>	 <u>(288,727)</u>
 Net Capital Leases Payable	 <u>\$ 2,294,817</u>	 <u>\$ 2,866,790</u>

Burlington Community Development Corporation (herein the Corporation) has one (1) note payable with TD Bank on the Gilbane property totaling \$314,707 which is secured by a mortgage. The loan is for ten years and has a fixed rate of 6.25%.

The Corporation also has four (4) notes payable with Peoples United Bank with a balance of \$1,155,236 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%. During 2011, 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. The balance as of June 30, 2011 is \$2,914,649.

As part of the 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 balance as of June 30, 2011 is \$549,780.

CITY OF BURLINGTON, VERMONT
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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, 2011 is \$1,124,323.

The Corporation also owes a City capital projects fund \$608,207 for its share of the Westlake Parking Garage. The amount will be paid in 2012 when the Corporation secures permanent financing from a bank or will pay at least \$72,000 annually. 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:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 197,836	\$ 200,678
2013	206,456	192,076
2014	215,069	183,460
2015	224,058	174,474
2016	233,116	165,415
2017-2021	3,357,466	621,263
2022-2026	451,855	52,363
2027-2031	48,516	2,821
Total	\$ <u>4,934,372</u>	\$ <u>1,592,550</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 60,267	\$ 32,905
2013	62,100	31,072
2014	63,989	29,183
2015	65,935	27,237
2016	67,941	25,231
2017-2021	371,985	93,875
2022-2026	432,106	33,754
Total	\$ <u>1,124,323</u>	\$ <u>273,257</u>

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L. Net Assets/Fund Balances

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 34, as amended by GASB Statement No. 54, requires fund balances reported on the governmental fund balance sheet to be classified using a hierarchy based primarily on the extent to which a government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balances are to be classified as: nonspendable (not in spendable form or legally required to remain intact); restricted (constraints on the use of resources are either externally imposed by creditors, grantors or donors, or imposed by law through enabling legislation); committed (constraints on the use of resources are imposed by formal action of the voters); assigned (reflecting the City Council's intended use of the resources); and unassigned.

This statement is also designed to improve the usefulness of fund balance information by clarifying certain parts of the definitions of governmental fund types that have led to confusion. It makes clear, for example, that special revenue funds are created only to report a revenue source (or sources) that is restricted or committed to a specified purpose, and that the revenue source should constitute a substantial portion of the resources reported in that fund. Special Revenue Funds cannot be used to accumulate funds that are not restricted or committed. These amounts will have to be reflected in the General Fund.

Information about amounts set aside for emergencies is very important to financial statement users. Because of the importance associated with these balances, Statement 54 clarifies how rainy-day amounts can be reported by treating stabilization arrangements as a specified purpose. Consequently, amounts constrained to stabilization will be reported as restricted or committed fund balance in the General Fund if they meet the other criteria for those classifications. However, stabilization is regarded as a specified purpose only if the circumstances or conditions that signal the need for stabilization (a) are identified in sufficient detail and (b) are not expected to occur routinely. Governments are required to disclose in the notes key information about their stabilization arrangements, including the authority by which they were established, provisions for additions to the stabilization amount, and circumstances under which those amounts may be spent. The City does not have any stabilization arrangements.

Some governments create stabilization-like arrangements by establishing formal minimum fund balance policies. Because users are interested in information about those minimum fund balance policies and how governments comply with them, governments are required to explain their minimum fund balance policies, if they have them, in notes to the financial statements. The City does not have any minimum fund balance policies.

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Under Statement 54, governments are required to disclose their accounting policies that indicate the order in which restricted, committed, assigned, and unassigned amounts are spent, in circumstances when expenditure is made for a purpose for which amounts are available in multiple fund balance classifications. When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, it is the City's policy to first consider restricted amounts to have been spent, followed by committed, assigned, and finally unassigned amounts.

In addition, governments also are required to disclose the purpose for each major special revenue fund – identifying which specific revenues and other resources are authorized to be reported in each. The purpose and specific revenues are described in the following section.

The restricted net assets of the City's Governmental Activities as of June 30, 2011 are as follows:

Restricted for Specific General Fund Purposes by Various Instruments	\$1,794,807
Restricted for Education by Grant Agreements	1,491,271
Restricted for Community Development by Grant Agreement	4,207,905
Restricted for TIF District Debt Service by Ordinance	640,888
Restricted for Wadell Fund by Donations	13,858
Restricted for Perpetual Care by Trust Agreements	<u>1,126,771</u>
 Total Restricted Governmental Activities Net Assets	 <u>\$9,275,500</u>

The restricted net assets of the City's Business-type Activities as of June 30, 2011 are as follows:

Restricted for Debt Service by Revenue Bond	\$18,245,751
Restricted for Renewal & Replacement Projects by Revenue Bond	1,072,764
Restricted for Capital Projects by PFC Regulations	7,226,189
Restricted for Capital Projects by Revenue Bond	5,899,974
Restricted for Airport Operations and Maintenance by Revenue Bond	<u>500,032</u>
 Total Restricted Business-type Activities Net Assets	 <u>\$32,944,710</u>

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The City also has eight Private Purpose Trust Funds that are restricted by trust agreements and donations totaling \$204,958.

The fund balances in the following funds are nonspendable as follows:

General Fund:	
Nonspendable Inventory and Prepaid Expenses	\$ 374,301
Nonspendable Advances to Other Funds	<u>25,155,436</u>
Total General Fund	<u>25,529,737</u>
School Fund:	
Nonspendable Prepaid Expenses	<u>29,035</u>
Other Governmental Funds:	
Nonspendable Inventory - Traffic Fund	181,600
Nonspendable Prepaid Expenses - Church Street Market Place Fund	50
Nonspendable Cemetery Endowments - Principal - Cemetery Fund	894,796
Nonspendable Library Endowments - Principal - Library Fund	10,948
Nonspendable Other Permanent Funds - Principal	<u>5,089</u>
Total Other Governmental Funds	<u>1,092,483</u>
Total Nonspendable Fund Balance	<u>\$26,651,255</u>

The fund balances in the following funds are restricted as follows:

General Fund:	
Restricted for Library Books by Grants and Donations	\$ 163,347
Restricted for Public Record Restoration by Grants	27,900
Restricted for Capital Construction by Impact Fees	459,496
Restricted for Public Safety Expenditures by Police Equitable Sharing Funds	523,387
Restricted for Capital Reserve Expenses By Bond Proceeds	<u>620,677</u>
Total General Fund	<u>1,794,807</u>

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School Fund:	
Restricted for Education Expenditures by Donations and Grants	<u>\$1,462,236</u>
Other Governmental Funds:	
Restricted for Tax Increment Financing Fund Debt Service by Ordinance/Statute	640,888
Restricted for Mary E. Waddell Fund by Trust Agreement	13,858
Restricted for Capital Construction by Debt Proceeds	1,002,513
Restricted for Cemetery Endowments by Trust Agreements – Expendable Portion	195,596
Restricted for Other Purposes – Permanent Funds	<u>20,342</u>
Total Other Governmental Funds	<u>1,873,197</u>
Total Restricted Fund Balances	<u>\$5,130,240</u>

The fund balances in the following funds are committed as follows:

General Fund:	
Committed for Project Expenses by a Dedicated Tax	\$2,309,434
Committed for Parking	<u>23,000</u>
Total General Fund	<u>2,332,434</u>
Other Governmental Funds:	
Committed for Traffic Commission	157,151
Committed for Housing Trust Fund	116,143
Committed for Stormwater	240,924
Committed for Fuel Depot Expenses	<u>24,141</u>
Total Other Governmental Funds	<u>538,359</u>
Total Committed Fund Balances	<u>\$2,870,793</u>

The fund balances in the following funds are assigned as follows:

General Fund:	
Assigned for Recycling Funds	\$ 248,704
Assigned for Insurance Reserve	<u>190,023</u>
Total Assigned Fund Balance	<u>\$ 438,727</u>

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The unassigned fund balances/(deficits) in the Governmental Funds as of June 30, 2011 are as follows:

General Fund:	
General Fund Unassigned Deficit	\$ <u>(16,790,895)</u>
Special Revenue Funds:	
Community and Economic Development Fund	(434,139)
Church Street Marketplace Fund	<u>(65,470)</u>
Total Special Revenue Funds	<u>(499,609)</u>
Capital Projects Funds:	
Southern Connector Fund	(1,293,288)
South End and Downtown Transit Centers Fund	(6,025)
Street Improvement Projects Fund	(3,067,122)
Riverside Avenue and North Street Projects Fund	(23,069)
Burlington/Winooski Bridge Fund	(19,922)
Barge Canal Pump Fund	(15,566)
Stormwater Upgrade Fund	(277,868)
Westlake Project Fund	(10,664)
School Capital Projects Fund	(1,134,096)
Other Capital Projects Fund	<u>(1,605,753)</u>
Total Capital Projects Funds	<u>(7,452,973)</u>
Total Unassigned Fund Balances/(Deficits)	\$ <u>(24,743,477)</u>

The City anticipates the General Fund deficit will be funded when advances to other funds are repaid (see Note III A on page 43). The deficit in the Church Street Marketplace Fund will be funded in 2012 with increased revenue collection efforts and decreased expenses. The Westlake Project Fund deficits will be funded in 2012 by a transfer from the General Fund. The School Capital Projects Funds deficit, the Other Capital Projects Fund deficit and the Stormwater Upgrade Fund deficit will be funded in 2012 with proceeds of long-term debt. All other City funds with deficits will be funded as grants receivable are collected in fiscal year 2012 or a transfer from the General Fund.

CITY OF BURLINGTON, VERMONT
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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, 2011, taxes became due and payable on August 12, 2010, November 12, 2010, March 12, 2011 and June 12, 2011. 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.

The amount of taxes the City may levy is subject to charter limitations. These limits and the rates assessed for 2010-2011 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	0.0469	0.0469
Retirement Contribution	Actual	0.1768	0.1768
Chittenden County			
Transportation Authority	Actual	0.0336	0.0336
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		<u>0.7200</u>	<u>0.7200</u>
Total School Tax Rate	Actual	1.2820	1.5390
Total Tax Rate		<u><u>\$ 2.0020</u></u>	<u><u>\$ 2.2590</u></u>

CITY OF BURLINGTON, VERMONT
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Those limits specified may be exceeded only if authorized by the voters, except for Parks and Highways which have no maximum charter limit.

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

Total Property Taxes Assessed		
School (Homestead)	\$	20,532,076
School (Non-Residential)		27,502,351
City Real		24,707,928
City 120% Commercial Adjustment		1,088,652
City Personal		<u>987,221</u>
Total Taxes Assessed		<u>74,818,228</u>
Less: Current Year Collections and Adjustments		<u>74,276,165</u>
Delinquent Taxes	\$	<u><u>542,063</u></u>
Percentage of Current Tax Collections to Total Levies		<u><u>99.28%</u></u>

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 \$288,539 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 Vermont Electric Power Producers, Inc. (VEPPI). Payments under long-term power supply contracts were \$3,607,751 for the year ended June 30, 2011. Future budgeted commitments for the next five (5) years under these contracts totaled approximately \$10.5 million at June 30, 2011. The remainder of energy requirements are satisfied through short-term purchases, generation at the McNeil Station, which the Department is a 50% owner, the Burlington Gas Turbine, which the Department wholly owns, landfill methane from the Burlington Intervale and under a State mandated feed-in tariff program called SPEED resources. The costs of power purchased under these contracts are accounted for as purchased power expense in the statement of revenues, expense and changes in net assets.

CITY OF BURLINGTON, VERMONT
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The percentages of the Department's total energy requirements provided by major contracts were as follows:

McNeil Generating Station and Gas Turbine	32.3%
NYPA	4.1%
VEPPI	6.4%
Landfill/SPEED	.4%
Other	<u>56.8%</u>
Total	<u>100.0%</u>

2. The Burlington City Council has approved, and the Vermont Public Service Board has likewise approved, a 10 year contract with Vermont Wind. The contract has been executed and commercial operations are expected in late 2011. Under the proposed contract, the Department would receive 16 MW (40%) of Vermont Wind's permitted wind farm in Northeast Vermont. The BED's 16MN entitlement is executed to provide approximately 13% of BED's energy requirement.

3. The Burlington City Council has approved, and the Vermont Public Service Board has likewise approved, a 25 year contract with Georgia Mountain Community Wind. The contract has been executed and commercial operations are expected in early 2013. Under the contract, the Department will receive 11 MW (100%) of Georgia Mountain's permitted wind farm in Milton/Georgia, Vermont. BED's 11 MW entitlement is expected to provide approximately 10% of BED's annual energy requirements.

4. The Burlington City Council, the Vermont Public Service Board, and the voters of Burlington have approved a 26 year energy-only contract with Hydro-Quebec's U.S. subsidiary, HQUS. The contract has been executed and deliveries will begin (for BED) in 2015. Under the contract, the Department will receive 5 MW of contract energy for the period November 1, 2015 to October 31, 2020 and a second (additional) 4 MW of contract energy for the period November 1, 2020 to October 31, 2038. BED's entitlement is expected to provide approximately 6%-15% of BED's annual energy requirements depending on whether one, or both, contract entitlements are flowing in a particular year.

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5. 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, 2011.

6. 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 Certificates (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 auction 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.

7. 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.

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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 \$713,744 were expended in fiscal year 2011. Federal and State permitting and final design are ongoing and construction will not begin until at least 2012.

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, 2011 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 a number of ongoing Airport Improvement (AIP) projects for construction and land acquisition as well as several Passenger Facility Program (PFC) projects for terminal improvements that are funded from restricted assets. AIP projects include taxiway reconstruction, stormwater treatment projects, building demolition related to previously acquired property and land acquisition. The PFC projects include energy projects, cargo apron reconstruction, escalator and baggage carousel projects and related work.

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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. It is anticipated that repayment will come from additional property taxes that will accrue to the City within its tax increment financing (TIF) district.

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

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.

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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 2011, 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

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

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

In March 2012, a hearing was held on Citibank's motion for Mandatory Preliminary Injunction. The Court did not order the removal or de-installation of the equipment and indicated to the parties that it was unlikely to do so. The parties stipulated to entry of an order that would provide for the City of Burlington to set aside 60% of the net revenues of the Burlington Telecom Enterprise. Of such amount, the amount due on the debt to the City of Burlington's cash pool on account of the approximate \$16.9 million due from Burlington Telecom to the City of Burlington's general fund, will be paid into the US District Court. The balance is to be paid to Citibank on account of the continued use of equipment by Burlington Telecom. The City of Burlington may seek relief from such stipulated order if necessary to comply with applicable court orders or orders of the Vermont Public Service Board or if the continued payment would prevent the City of Burlington from operating Burlington Telecom as a commercially viable enterprise.

While the litigation remains pending, the interim stipulated order allows the City of Burlington an opportunity to seek a resolution of the matter while continuing to operate the Burlington Telecom enterprise.

The City's financial statements reflect the termination of the Lease by removing any future lease payments as a liability on the books of Burlington Telecom and by removing the depreciated leased assets from Burlington Telecom's fixed asset records. Whether the City has any

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obligation or liability to Citibank for the return, replacement or monetary compensation of the leased assets or for use of the leased assets during fiscal 2011, costs or other demands made in the complaint, is subject to the pending proceeding described above and is not determinable at this time.

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

The Public Service Board required Burlington Telecom to report every two months detailing the curing or resolution of the violations. Burlington Telecom has requested relief related to certain conditions of the CPG, including a determination that certain payments, primarily for legal services and to Dorman & Fawcett on behalf of the City, do not constitute a violation of condition 60 of the CPG. The Public Service Board ruled in favor of the City of Burlington on such payments but required that the reports required under the October 8, 2010 order be filed monthly.

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MORAN PROJECT

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

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

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

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

As currently planned, the redeveloped site will have a mix of free and fee-based uses, including year-round public access to an observation deck over-looking the lake, public rest rooms, a rebuilt skate boarding park, an improved bike path and new public park space. The site 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.

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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).

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 Intermunicipal Fund (hereinafter VLCT) for the purpose of VLCT providing property, liability and worker's compensation coverage to replace its self-insured risks. VLCT is a risk pool set up for the benefit of members of the Vermont League of Cities and Towns. VLCT also provides all administration for 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.

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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. The aggregate limit for calendar years 2010 and 2011 was \$2,758,800. The City has hired a third party administrator, the Travelers Indemnity Company, to process, pay and administer the claims after which they bill the City for reimbursement. The City has an irrevocable standby letter of credit with the Travelers Indemnity Company as beneficiary in the amount of \$1,500,000 to secure the payment of claims.

The liability recorded at June 30, 2011 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.

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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 2011 policy year. The School is a member of Vermont Educational Health Initiative (VEHI). VEHI is a nonprofit corporation formed to provide health insurance and wellness programs for Vermont school districts and is owned by the participating members. The agreement does not permit VEHI to make additional assessments to its members.

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

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

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

At June 30, 2011, the City has recorded a liability of \$257,730 included in accounts payable which represents reported health, dental, property, liability and worker's compensation claims incurred on or before June 30, 2011, but were not paid by the City as of that date. A long-term reserve liability 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. In addition to this long-term liability, a \$217,160 liability for insurance reserves is carried in the General Fund as it is funded by a working fund deposit. This amount was determined by the third party administrators as described above for property, liability and workers' compensation and based on subsequent claims with a completion factor for health and dental.

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

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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 \$137,899 and \$66,869, respectively, in unemployment claims during fiscal year 2011.

D. Bonds/Debt Issued and Authorized

1. On July 19, 2010, the City School Department issued \$9,700,000 Series A Qualified School Construction Bonds and \$2,000,000 Series B Taxable General Obligation Public Improvement Bonds. The purpose is to finance various School capital projects.
2. At various points during the year, the City issued \$66,500,000 and repaid \$55,500,000 of tax and revenue anticipation notes.
3. On December 10, 2010, the City issued a \$5,915,000 General Obligation Bond Anticipation Note for the purpose of financing various capital improvements and for working capital for the General Fund and Electric Department.
4. On June 27, 2011, the City issued a \$12,000,000 Revenue Bond Anticipation Note for the purpose of the construction of two additional levels of parking to the North portion of the Airport parking garage.
5. On June 28, 2011, the voters of the City of Burlington approved a \$13,575,000 revenue bond to finance certain capital improvement to the City of Burlington Electric Department, including investment and financing of smart grid technology and related improvements and upgrade to the City's joint ownership interests in the Highgate Interconnection Project and the purchase of additional equity in Vermont Transco, LLC.

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 \$1,124,323 as of June 30, 2011 for financing an Aviation Support Hanger. BCDC also owes a City Capital Projects Fund \$608,207 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, 2011, BCDC had excess withdrawals of cash and therefore owed the General Fund \$91,524.

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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, 2011 was approximately \$5,911,000 which includes contingent rentals approximating \$2,187,000.

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 it. The lease terms end at various date and have renewal options.

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

Year ending June 30,	<u>Airport Fund</u>	<u>Telecom Fund</u>	<u>Water Fund</u>
2012	\$5,951,000	\$66,000	\$113,915
2013	\$6,041,000	\$66,000	\$119,838
2014	\$6,132,000	\$66,000	\$126,076
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.

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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, 2011 was \$9,077,278 and \$25,530,657 respectively. The City's total payroll, except for school teachers, was \$57,064,840.

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.

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All eligible City Class B employees vest 20 percent after three years of creditable service, and 20 percent for each year thereafter until they are 100 percent vested after 7 years of creditable service. Class B participants who retire at or after age 65 are entitled to a retirement benefit, payable monthly for life, equal to 1.60 percent of AFC (at age 65) during the highest three non-overlapping twelve-month periods times creditable service at age 65 not in excess of 25 years plus .5 percent of AFC times creditable service at age 65 in excess of 25 years and a yearly COLA based on the CPI. Class B retirees could alternatively elect to choose an accrual rate of 1.9% 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 171 active members and 144 retirees and beneficiaries in Class A and 661 active members and 343 retirees and beneficiaries in Class B. Additionally, there are 365 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 2011. The cumulative net pension obligation for the City is \$1,826,028 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 2011 was \$6,779,226 which was computed through an actuarial valuation performed as of June 30, 2009. All funds, contributed approximately 12.24% percent of current covered payroll. The Electric Department also pays additional amounts based on exposure and past service. Class A and B employees contributed \$1,974,395 (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 \$3,681,967.

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%
6/30/2010	130,594,539	179,323,343	(48,728,804)	72.83%	41,161,578	-118.38%
6/30/2011	135,097,458	190,196,691	(55,099,233)	71.03%	42,971,870	-128.22%

SCHEDULE OF EMPLOYER CONTRIBUTION

Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
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%
6/30/2011	6,779,226	6,779,226	100%

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SCHEDULE OF ANNUAL PENSION COST

	Fiscal Year 2011	Fiscal Year 2010	Fiscal Year 2009
Annual Required Contribution (ARC)	\$ 6,779,226	\$ 5,752,571	\$ 5,767,773
Interest on NPO	148,056	149,885	160,857
Adjustment to ARC	<u>(172,739)</u>	<u>(172,739)</u>	<u>(190,457)</u>
Annual Pension Cost (APC)	6,754,543	5,729,717	5,738,173
Employer Contributions Made	<u>(6,779,226)</u>	<u>(5,752,571)</u>	<u>(5,875,315)</u>
Increase/(Decrease) in NPO	(24,683)	(22,854)	(137,142)
NPO - Beginning of Year	<u>1,850,711</u>	<u>1,873,565</u>	<u>2,010,707</u>
NPO - End of Year	<u>\$ 1,826,028</u>	<u>\$ 1,850,711</u>	<u>\$ 1,873,565</u>
Percentage of APC Contributed	<u>99.60%</u>	<u>99.60%</u>	<u>102.40%</u>

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 5.0 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 7.74% of all eligible covered salaries on-behalf of the School District. The Schools' total payroll was \$40,366,211, while its eligible covered payroll was \$26,387,364 resulting in an estimated \$2,042,382 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.

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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 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 as of June 30, 2010, the date of the last actuarial valuation.

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
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 an 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.

	<u>City Plan</u>	<u>School District Plan</u>
Annual Required Contribution	\$ 339,340	\$ 231,880
Interest on Net OPEB Obligation	36,520	27,664
Adjustment to Annual Required Contribution	<u>(30,433)</u>	<u>(23,976)</u>
Annual OPEB Cost	345,427	235,568
Contributions Made	<u>(118,314)</u>	<u>(62,814)</u>
Increase in Net OPEB Obligation	227,113	172,754
Net OPEB Obligation - Beginning of Year	<u>913,000</u>	<u>864,358</u>
Net OPEB Obligation - End of Year	<u>\$ 1,140,113</u>	<u>\$ 1,037,112</u>

Certain Proprietary Funds have chosen not to record its full OPEB liability due to the fact it is not material to that fund.

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, were as follows:

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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
	06/30/2011	345,427	34.3 %	1,140,113
School District Plan	06/30/2008	362,506	8.6 %	331,344
	06/30/2009	383,312	6.0 %	691,664
	06/30/2010	235,568	27.1 %	864,358
	06/30/2011	235,568	26.7 %	1,037,112

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Funded Status and Funding Progress:

As of June 30, 2011, the most recent actuarial valuation date for the City plan, the plan was 0% funded. The actuarial accrued liability for benefits was \$3,920,235, and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$3,920,235. For the fiscal year ended June 30, 2011, the covered payroll (annual payroll of active employees covered by the plan) was \$34,624,868 and the ratio of the UAAL to the covered payroll was 11.3%.

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.

CITY OF BURLINGTON, VERMONT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

CITY PLAN
SCHEDULE OF FUNDING PROGRESS – REQUIRED SUPPLEMENTARY INFORMATION

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%
June 30, 2011	\$ 0	\$ 3,920,235	\$ (3,920,235)	0%	\$ 34,624,868	11.3%

CITY PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS – REQUIRED SUPPLEMENTARY INFORMATION

Fiscal Year Ended <u>June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 290,000	.9%
2009	\$ 304,548	.9%
2010	\$ 320,729	.8%
2011	\$ 339,340	34.3%

SCHOOL DISTRICT PLAN
SCHEDULE OF FUNDING PROGRESS – REQUIRED SUPPLEMENTARY INFORMATION

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, 2010	\$ 0	\$ 2,257,751	\$ 2,257,751	0%	\$ 28,831,983	7.8%

SCHOOL DISTRICT PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS – REQUIRED SUPPLEMENTARY INFORMATION

Fiscal Year Ended <u>June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 362,506	8.6%
2009	\$ 383,312	6.0%
2010	\$ 231,880	27.1%
2011	\$ 231,880	26.7%

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The City also provides post-employment health benefits to all eligible unionized Class A employees. This amount is funded monthly by the Retirement Fund and is equal to 1% of each employee's gross pay. The expense for the year ended June 30, 2011 was \$70,543. Contributions prior to 1998 for current employees are being held in the Retirement Fund and shown as a liability. All other contributions after 1998 are being sent to and administered by Nationwide Retirement Solutions. As employees leave employment with the City, the Retirement Fund forwards the money to Nationwide Retirement Solutions. The Retirement Fund has guaranteed an earnings rate of 8% but assumes no other liability. The amount recorded as part of accrued liabilities in the Retirement Fund as of June 30, 2011 is \$181,154.

H. Subsequent Events

1. On July 1, 2011, the Electric Department issued a \$5,000,000 revenue anticipation note payable to TD Bank, N.A. The note is due June 30, 2012
2. On July 1, 2011, the Wastewater Department issued a \$1,000,000 revenue anticipation note payable to TD Bank, N.A. The note is due September 30, 2011.
3. On August 9, 2011, the City issued \$6,575,000 General Obligation Bonds, Series 2011A for the purpose of financing various capital improvements and for working capital for the General Fund (\$1,000,000), General Fund Street Repaving (\$3,250,000), General Fund Fire Trucks (\$1,325,000) and Electric Fund (\$1,000,000). The debt matures November 1, 2031.
4. On August 18, 2011, the Airport Department executed a \$5,000,000 Grant Anticipation Line of Credit with the Northfield Savings Bank. The line matures on June 30, 2012.
5. On August 25, 2011, the City issued \$4,000,000 General Obligation Bonds, Series 2011B for the purpose of financing various capital improvements and for working capital for the General Fund (\$1,000,000), School Department (\$2,000,000) and the Electric Department (\$1,000,000). The debt matures November 1, 2031.
6. On August 31, 2011, the City executed an \$18,000,000 Tax Anticipation Line of Credit, Series 2011C with Keybank. The line matures on June 30, 2012.
7. On October 13, 2011, the Electric Department issued \$11,910,000 Revenue Bonds (\$8,775,000 Series A and \$3,135,000 Series B) for the purpose of financing various improvements to the City's electric plant and funding the Debt Service Reserve Fund. The debt matures July 1, 2023.
8. On October 18, 2011, the City entered into a capital lease agreement with JPMorgan Chase Bank for \$1,257,403. The proceeds were used to finance fiscal year 2011 capital purchases. Lease repayments will be made over a five year period
9. On November 21, 2011, the Airport Department issued a \$5,000,000 General Obligation Revenue Anticipation Note payable to TD Securities. The debt matures June 30, 2012.
10. On February 1, 2012, the Electric Department executed a \$5,000,000 Line of Credit with Keybank. The line matures on January 30, 2013.

CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

I. Operating Leases

The General Fund has operating leases for office space and land rent which end at various dates. Future minimum lease payments are as follows:

Year Ended		
2012	\$	113,603
2013		113,603
	\$	227,206

The Traffic Fund of the City also leases property used as a park and ride for approximately \$44,000 per year. This lease is month to month and can be cancelled with 60 days notice. The City also leases office space for the Marketplace Fund for \$17,000 per year which is an annual lease.

J. Segment Information

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

CONDENSED STATEMENT OF NET ASSETS

Assets:

Current Assets	\$ 1,106,047
Restricted Assets - Current	1,324,512
Restricted Assets - Non-Current	110,034
Other Non-Current Assets	19,601
Capital Assets	12,712,689
Total Assets	15,272,883

Liabilities:

Current Liabilities	1,464,714
Noncurrent Liabilities	3,626,019
Total Liabilities	5,090,733

Net Assets:	\$ 10,182,150
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CITY OF BURLINGTON, VERMONT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

Water Charges (Pledged Against Bonds)	\$ 5,583,062
Operating Expenses	(3,784,506)
Depreciation Expense	(540,586)
Payment in Lieu of Taxes	<u>(362,258)</u>
Operating Income	<u>895,712</u>
Nonoperating Revenues/(Expenses) and Transfers:	
Investment Earnings	43
Other Income	31,360
Interest Expense	(232,114)
Amortization of Bond Issue Costs	(19,601)
Transfer Out	<u>(28,947)</u>
Total Nonoperating Revenues/(Expenses) and Transfers	<u>(249,259)</u>
Change in Net Assets	646,453
Beginning Net Assets	<u>9,535,697</u>
Ending Net Assets	<u><u>\$ 10,182,150</u></u>

CONDENSED STATEMENT OF CASH FLOWS

Net Cash Provided/(Used) by:	
Operating Activities	\$ 1,374,705
Noncapital Financing Activities	349,104
Capital and Related Financing Activities	(1,699,238)
Investing Activities	<u>(24,871)</u>
Net Increase in Cash	(300)
Beginning Cash and Cash Equivalents	<u>660</u>
Ending Cash and Cash Equivalents	<u><u>\$ 360</u></u>

CITY OF BURLINGTON, VERMONT

Combining Balance Sheet

School Fund

June 30, 2011

	<u>General</u>	<u>Grants</u>	<u>Vocational Center</u>	<u>Other</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and short-term investments					
Investments	\$ -	\$ -	\$ -	\$ 22,280	\$ 22,280
Receivables:					
Intergovernmental	362,292	558,971	-	5,039	926,302
Due from other funds	5,182,385	1,532,464	228,418	503,620	7,446,887
Prepaid expenditures	<u>16,835</u>	<u>-</u>	<u>-</u>	<u>12,200</u>	<u>29,035</u>
Total Assets	<u>\$ 5,561,512</u>	<u>\$ 2,091,435</u>	<u>\$ 228,418</u>	<u>\$ 543,139</u>	<u>\$ 8,424,504</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 389,522	\$ 103,972	\$ 1,408	\$ 12,916	\$ 507,818
Accrued payroll and benefits	4,194,309	758,059	222,429	21,214	5,196,011
Deferred revenues	<u>-</u>	<u>1,229,404</u>	<u>-</u>	<u>-</u>	<u>1,229,404</u>
Total Liabilities	4,583,831	2,091,435	223,837	34,130	6,933,233
Fund Balances:					
Nonspendable	16,835	-	-	12,200	29,035
Restricted	<u>960,846</u>	<u>-</u>	<u>4,581</u>	<u>496,809</u>	<u>1,462,236</u>
Total Fund Balances	<u>977,681</u>	<u>-</u>	<u>4,581</u>	<u>509,009</u>	<u>1,491,271</u>
Total Liabilities and Fund Balances	<u>\$ 5,561,512</u>	<u>\$ 2,091,435</u>	<u>\$ 228,418</u>	<u>\$ 543,139</u>	<u>\$ 8,424,504</u>

CITY OF BURLINGTON, VERMONT
Combining Statement of Revenues, Expenditures
and Changes in Fund Equity

School Fund

For the Year Ended June 30, 2011

	<u>General</u>	<u>Grants</u>	<u>Vocational Center</u>	<u>Other</u>	<u>Total</u>
Revenues:					
Payments in lieu of taxes	\$ 1,322,698	\$ -	\$ -	\$ -	\$ 1,322,698
Intergovernmental	51,715,825	8,687,110	1,748,421	576,859	62,728,215
Charges for services	1,188,003	815,498	1,064,700	29,577	3,097,778
Interest income	12,968	-	-	-	12,968
Other	<u>327,715</u>	<u>254,235</u>	<u>-</u>	<u>1,003,043</u>	<u>1,584,993</u>
Total Revenues	54,567,209	9,756,843	2,813,121	1,609,479	68,746,652
Expenditures:					
Current:					
Education	52,037,960	9,912,880	2,706,927	1,482,201	66,139,968
Debt service:					
Principal	673,333	-	-	-	673,333
Interest	<u>548,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>548,232</u>
Total Expenditures	53,259,525	9,912,880	2,706,927	1,482,201	67,361,533
Excess (deficiency) of revenues over (under) expenditures	1,307,684	(156,037)	106,194	127,278	1,385,119
Other Financing Sources (Uses):					
Transfers in	7,846	261,251	-	35,941	305,038
Transfers out	<u>(50,000)</u>	<u>(105,214)</u>	<u>-</u>	<u>(53,830)</u>	<u>(209,044)</u>
Total Other Financing Sources (Uses)	<u>(42,154)</u>	<u>156,037</u>	<u>-</u>	<u>(17,889)</u>	<u>95,994</u>
Net change in fund balances	1,265,530	-	106,194	109,389	1,481,113
Fund Balances, beginning of year	<u>(287,849)</u>	<u>-</u>	<u>(101,613)</u>	<u>399,620</u>	<u>10,158</u>
Fund Balances, end of year	<u>\$ 977,681</u>	<u>\$ -</u>	<u>\$ 4,581</u>	<u>\$ 509,009</u>	<u>\$ 1,491,271</u>

CITY OF BURLINGTON, VERMONT

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2011

	<u>Special Revenue Funds</u>			
	<u>Traffic Commission</u>	<u>Community and Economic Development</u>	<u>Housing Trust</u>	<u>Tax Increment Financing</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ 54,730	\$ 392,304	\$ -	\$ -
Investments	-	-	-	-
Departmental and other receivables	35,176	949,417	-	-
Intergovernmental receivables	-	-	-	-
Unbilled revenues	-	-	-	-
Due from other funds	184,708	-	173,766	641,867
Loans receivable	-	3,556,248	-	-
Accrued interest receivable	-	692,966	-	-
Inventory	181,600	-	-	-
Prepaid expenditures	-	-	-	-
Due from component unit	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 456,214</u>	<u>\$ 5,590,935</u>	<u>\$ 173,766</u>	<u>\$ 641,867</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 48,140	\$ 165,810	\$ 53,003	\$ 979
Accrued payroll and benefits payable	28,174	18,937	420	-
Accrued liabilities	-	-	4,200	-
Deferred revenues	1,660	4,642,044	-	-
Due to other funds	39,489	1,198,283	-	-
Other liabilities	-	-	-	-
Advances from other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	117,463	6,025,074	57,623	979
Fund Balances:				
Nonspendable	181,600	-	-	-
Restricted	-	-	-	640,888
Committed	157,151	-	116,143	-
Unassigned	-	(434,139)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>338,751</u>	<u>(434,139)</u>	<u>116,143</u>	<u>640,888</u>
Total Liabilities and Fund Balances	<u>\$ 456,214</u>	<u>\$ 5,590,935</u>	<u>\$ 173,766</u>	<u>\$ 641,867</u>

Special Revenue Funds

<u>Storm Water</u>	<u>Church Street Marketplace</u>	<u>Mary E. Waddell</u>	<u>Subtotals</u>
\$ -	\$ 450	\$ -	\$ 447,484
-	-	-	-
-	3,853	-	988,446
68,827	-	-	68,827
56,280	-	-	56,280
118,676	-	13,858	1,132,875
-	-	-	3,556,248
-	-	-	692,966
-	-	-	181,600
-	50	-	50
-	-	-	-
<u>\$ 243,783</u>	<u>\$ 4,353</u>	<u>\$ 13,858</u>	<u>\$ 7,124,776</u>
\$ 2,859	\$ 4,833	\$ -	\$ 275,624
-	4,747	-	52,278
-	-	-	4,200
-	37,305	-	4,681,009
-	22,888	-	1,260,660
-	-	-	-
-	-	-	-
2,859	69,773	-	6,273,771
-	50	-	181,650
-	-	13,858	654,746
240,924	-	-	514,218
-	(65,470)	-	(499,609)
<u>240,924</u>	<u>(65,420)</u>	<u>13,858</u>	<u>851,005</u>
<u>\$ 243,783</u>	<u>\$ 4,353</u>	<u>\$ 13,858</u>	<u>\$ 7,124,776</u>

(continued)

(continued)

	<u>Capital Project Funds</u>			
	<u>Southern Connector</u>	<u>South End & Downtown Transit Centers</u>	<u>Fuel Depot</u>	<u>Street Improvements</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Departmental and other receivables	-	-	-	-
Intergovernmental receivables	-	6,324	103	3,037,515
Unbilled revenues	-	-	-	-
Due from other funds	-	-	24,038	-
Loans receivable	-	-	-	-
Accrued interest receivable	-	-	-	-
Inventory	-	-	-	-
Prepaid expenditures	-	-	-	-
Due from component unit	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	\$ <u>-</u>	\$ <u>6,324</u>	\$ <u>24,141</u>	\$ <u>3,037,515</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 81,339	\$ -	\$ -	\$ 751,133
Accrued payroll and benefits payable	-	-	-	-
Accrued liabilities	-	-	-	-
Deferred revenues	-	6,025	-	3,066,787
Due to other funds	-	6,324	-	2,286,717
Other liabilities	-	-	-	-
Advances from other funds	<u>1,211,949</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	1,293,288	12,349	-	6,104,637
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	24,141	-
Unassigned	<u>(1,293,288)</u>	<u>(6,025)</u>	<u>-</u>	<u>(3,067,122)</u>
Total Fund Balances	<u>(1,293,288)</u>	<u>(6,025)</u>	<u>24,141</u>	<u>(3,067,122)</u>
Total Liabilities and Fund Balances	\$ <u>-</u>	\$ <u>6,324</u>	\$ <u>24,141</u>	\$ <u>3,037,515</u>

Capital Project Funds

Riverside Ave. & North Street	Burlington Winooski Bridge	Barge Canal Pond	Moran Plant	Stormwater Upgrade	Westlake
\$ -	\$ -	\$ 140,278	\$ -	\$ -	\$ -
-	-	-	-	-	2,160
-	-	-	-	-	-
23,069	-	-	-	-	-
-	-	-	-	-	-
25,000	40,274	-	31,549	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>608,207</u>
<u>\$ 48,069</u>	<u>\$ 40,274</u>	<u>\$ 140,278</u>	<u>\$ 31,549</u>	<u>\$ -</u>	<u>\$ 610,367</u>
\$ 25,000	\$ 40,274	\$ 7	\$ 2,939	\$ 4,604	\$ -
-	-	-	-	-	-
-	-	-	28,610	-	-
23,069	19,922	-	-	-	-
23,069	-	55,624	-	-	-
-	-	100,213	-	-	-
-	-	-	-	273,264	621,031
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>273,264</u>	<u>621,031</u>
71,138	60,196	155,844	31,549	277,868	621,031
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(23,069)</u>	<u>(19,922)</u>	<u>(15,566)</u>	<u>-</u>	<u>(277,868)</u>	<u>(10,664)</u>
<u>(23,069)</u>	<u>(19,922)</u>	<u>(15,566)</u>	<u>-</u>	<u>(277,868)</u>	<u>(10,664)</u>
<u>\$ 48,069</u>	<u>\$ 40,274</u>	<u>\$ 140,278</u>	<u>\$ 31,549</u>	<u>\$ -</u>	<u>\$ 610,367</u>

(continued)

(continued)

Capital Project Funds

	<u>School</u>	<u>Other</u>	<u>Subtotals</u>
<u>ASSETS</u>			
Cash and short-term investments	\$ -	\$ -	\$ 140,278
Investments	-	-	2,160
Departmental and other receivables	-	-	-
Intergovernmental receivables	-	24,357	3,091,368
Unbilled revenues	-	-	-
Due from other funds	1,045,134	16,519	1,182,514
Loans receivable	-	-	-
Accrued interest receivable	-	-	-
Inventory	-	-	-
Prepaid expenditures	-	-	-
Due from component unit	-	-	608,207
	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	\$ <u>1,045,134</u>	\$ <u>40,876</u>	\$ <u>5,024,527</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ -	\$ 127,397	\$ 1,032,693
Accrued payroll and benefits payable	-	-	-
Accrued liabilities	-	-	28,610
Deferred revenues	-	24,429	3,140,232
Due to other funds	4,720	1,113,419	3,489,873
Other liabilities	37,901	-	138,114
Advances from other funds	1,134,096	380,984	3,621,324
	<u>1,176,717</u>	<u>1,646,229</u>	<u>11,450,846</u>
Total Liabilities	1,176,717	1,646,229	11,450,846
Fund Balances:			
Nonspendable	-	-	-
Restricted	1,002,513	-	1,002,513
Committed	-	-	24,141
Unassigned	(1,134,096)	(1,605,353)	(7,452,973)
	<u>(131,583)</u>	<u>(1,605,353)</u>	<u>(6,426,319)</u>
Total Fund Balances	(131,583)	(1,605,353)	(6,426,319)
Total Liabilities and Fund Balances	\$ <u>1,045,134</u>	\$ <u>40,876</u>	\$ <u>5,024,527</u>

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	Permanent Funds			
	<u>Cemetery</u>	<u>Loomis Library</u>	<u>Lolita Deming Estate</u>	<u>School Land Rent</u>
<u>ASSETS</u>				
Cash and short-term investments	\$ -	\$ -	\$ 11,199	\$ 3,548
Investments	100,000	-	-	8,452
Departmental and other receivables	-	-	-	-
Intergovernmental receivables	-	-	-	-
Unbilled revenues	-	-	-	-
Due from other funds	990,267	10,948	-	-
Loans receivable	-	-	-	-
Accrued interest receivable	125	-	-	-
Inventory	-	-	-	-
Prepaid expenditures	-	-	-	-
Due from component unit	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ <u>1,090,392</u>	\$ <u>10,948</u>	\$ <u>11,199</u>	\$ <u>12,000</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll and benefits payable	-	-	-	-
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Due to other funds	-	-	-	-
Other liabilities	-	-	-	-
Advances from other funds	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	-	-	-	-
Fund Balances:				
Nonspendable	894,796	10,948	2,486	1,603
Restricted	195,596	-	8,713	10,397
Committed	-	-	-	-
Unassigned	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>1,090,392</u>	<u>10,948</u>	<u>11,199</u>	<u>12,000</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ <u>1,090,392</u>	\$ <u>10,948</u>	\$ <u>11,199</u>	\$ <u>12,000</u>

<u>Permanent Funds</u>		
<u>WEZF</u>		<u>Nonmajor</u>
<u>93 FM</u>	<u>Subtotals</u>	<u>Governmental</u>
<u>DARE</u>		<u>Funds</u>
\$ -	\$ 14,747	\$ 602,509
-	108,452	110,612
-	-	988,446
-	-	3,160,195
-	-	56,280
2,232	1,003,447	3,318,836
-	-	3,556,248
-	125	693,091
-	-	181,600
-	-	50
-	-	608,207
<u>\$ 2,232</u>	<u>\$ 1,126,771</u>	<u>\$ 13,276,074</u>
\$ -	\$ -	\$ 1,308,317
-	-	52,278
-	-	32,810
-	-	7,821,241
-	-	4,750,533
-	-	138,114
-	-	3,621,324
-	-	17,724,617
1,000	910,833	1,092,483
1,232	215,938	1,873,197
-	-	538,359
-	-	(7,952,582)
<u>2,232</u>	<u>1,126,771</u>	<u>(4,448,543)</u>
<u>\$ 2,232</u>	<u>\$ 1,126,771</u>	<u>\$ 13,276,074</u>

CITY OF BURLINGTON, VERMONT

Combining Statement of Revenues, Expenditures
and Changes in Fund Equity

Nonmajor Governmental Funds

For the Year Ended June 30, 2011

	Special Revenue Funds			
	<u>Traffic Commission</u>	<u>Community and Economic Development</u>	<u>Housing Trust</u>	<u>Tax Increment Financing</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 1,547,093
Licenses and permits	36,646	-	121,250	-
Intergovernmental	-	3,623,425	-	-
Charges for services	3,987,391	231,994	37,262	-
Investment income	1,125	4,860	-	-
Loan repayments	-	74,160	-	-
Other	23,537	174,930	-	-
Total Revenues	<u>4,048,699</u>	<u>4,109,369</u>	<u>158,512</u>	<u>1,547,093</u>
Expenditures:				
Current:				
General government	-	-	-	14,089
Public works	4,110,556	-	-	-
Community development	-	4,511,506	566,893	-
Capital outlay	39,945	-	-	-
Debt service:				
Principal	140,088	80,000	-	683,867
Interest	19,684	11,794	-	485,299
Total Expenditures	<u>4,310,273</u>	<u>4,603,300</u>	<u>566,893</u>	<u>1,183,255</u>
Excess (deficiency) of revenues over (under) expenditures	(261,574)	(493,931)	(408,381)	363,838
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Transfers in	310,000	300,177	190,505	-
Transfers out	(35,793)	-	-	-
Total Other Financing Sources (Uses)	<u>274,207</u>	<u>300,177</u>	<u>190,505</u>	<u>-</u>
Net change in fund balances	12,633	(193,754)	(217,876)	363,838
Fund Balances, beginning of year	<u>326,118</u>	<u>(240,385)</u>	<u>334,019</u>	<u>277,050</u>
Fund Balances, end of year	<u>\$ 338,751</u>	<u>\$ (434,139)</u>	<u>\$ 116,143</u>	<u>\$ 640,888</u>

Special Revenue Funds

<u>Storm Water</u>	<u>Church Street Marketplace</u>	<u>Mary E. Waddell</u>	<u>Subtotals</u>
\$ -	\$ -	\$ -	\$ 1,547,093
-	148,695	-	306,591
-	-	-	3,623,425
749,618	635,444	-	5,641,709
335	50	37	6,407
-	-	-	74,160
<u>3,292</u>	<u>60,945</u>	<u>-</u>	<u>262,704</u>
753,245	845,134	37	11,462,089
-	-	-	14,089
589,509	852,362	-	5,552,427
-	-	-	5,078,399
55,066	-	-	95,011
17,287	11,939	-	933,181
<u>1,797</u>	<u>1,333</u>	<u>-</u>	<u>519,907</u>
<u>663,659</u>	<u>865,634</u>	<u>-</u>	<u>12,193,014</u>
89,586	(20,500)	37	(730,925)
-	-	-	-
-	-	-	800,682
<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,793)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>764,889</u>
89,586	(20,500)	37	33,964
<u>151,338</u>	<u>(44,920)</u>	<u>13,821</u>	<u>817,041</u>
<u>\$ 240,924</u>	<u>\$ (65,420)</u>	<u>\$ 13,858</u>	<u>\$ 851,005</u>

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	Capital Project Funds			
	<u>Southern Connector</u>	<u>South End & Downtown Transit Centers</u>	<u>Fuel Depot</u>	<u>Street Improvements</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	6,979	-	406,261
Charges for services	-	-	-	-
Investment income	-	-	-	-
Loan repayments	-	-	-	-
Other	-	-	312,929	-
Total Revenues	-	6,979	312,929	406,261
Expenditures:				
Current:				
General government	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	713,744	2,719	-	1,334,336
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	713,744	2,719	-	1,334,336
Excess (deficiency) of revenues over (under) expenditures	(713,744)	4,260	312,929	(928,075)
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Transfers in	14,275	-	-	256,829
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	14,275	-	-	256,829
Net change in fund balances	(699,469)	4,260	312,929	(671,246)
Fund Balances, beginning of year	(593,819)	(10,285)	(288,788)	(2,395,876)
Fund Balances, end of year	<u>\$ (1,293,288)</u>	<u>\$ (6,025)</u>	<u>\$ 24,141</u>	<u>\$ (3,067,122)</u>

Capital Project Funds

<u>Riverside Ave. & North Street</u>	<u>Burlington Winooski Bridge</u>	<u>Barge Canal Pond</u>	<u>Moran Plant</u>	<u>Stormwater Upgrade</u>	<u>Westlake</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	10,645	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	16,387	6,510	-	-
-	-	16,387	17,155	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	31,953	150,014	651,021	1,790
-	-	-	-	-	-
-	-	-	-	-	-
-	-	31,953	150,014	651,021	1,790
-	-	(15,566)	(132,859)	(651,021)	(1,790)
-	-	-	-	661,991	-
-	-	-	651,934	-	-
-	-	-	-	-	-
-	-	-	651,934	661,991	-
-	-	(15,566)	519,075	10,970	(1,790)
(23,069)	(19,922)	-	(519,075)	(288,838)	(8,874)
<u>\$ (23,069)</u>	<u>\$ (19,922)</u>	<u>\$ (15,566)</u>	<u>\$ -</u>	<u>\$ (277,868)</u>	<u>\$ (10,664)</u>

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	<u>Capital Project Funds</u>		
	<u>School</u>	<u>Other</u>	<u>Subtotals</u>
Revenues:			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	242,191	655,431
Charges for services	-	-	10,645
Investment income	-	-	-
Loan repayments	-	-	-
Other	<u>20,000</u>	<u>-</u>	<u>355,826</u>
Total Revenues	20,000	242,191	1,021,902
Expenditures:			
Current:			
General government	-	-	-
Public works	-	-	-
Community development	-	-	-
Capital outlay	10,434,086	1,544,436	14,864,099
Debt service:			
Principal	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>10,434,086</u>	<u>1,544,436</u>	<u>14,864,099</u>
Excess (deficiency) of revenues over (under) expenditures	(10,414,086)	(1,302,245)	(13,842,197)
Other Financing Sources (Uses):			
Issuance of bonds	11,700,000	-	12,361,991
Transfers in	474,342	767	1,398,147
Transfers out	<u>(474,342)</u>	<u>-</u>	<u>(474,342)</u>
Total Other Financing Sources (Uses)	<u>11,700,000</u>	<u>767</u>	<u>13,285,796</u>
Net change in fund balances	1,285,914	(1,301,478)	(556,401)
Fund Balances, beginning of year	<u>(1,417,497)</u>	<u>(303,875)</u>	<u>(5,869,918)</u>
Fund Balances, end of year	<u>\$ (131,583)</u>	<u>\$ (1,605,353)</u>	<u>\$ (6,426,319)</u>

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	Permanent Funds			
	<u>Cemetery</u>	<u>Loomis Library</u>	<u>Lolita Deming Estate</u>	<u>School Land Rent</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment income	58,518	29	22	37
Loan repayments	-	-	-	-
Other	-	-	-	-
Total Revenues	58,518	29	22	37
Expenditures:				
Current:				
General government	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Capital Outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	58,518	29	22	37
Other Financing Sources (Uses):				
Issuance of bonds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(34,178)	(29)	-	-
Total Other Financing Sources (Uses)	(34,178)	(29)	-	-
Net change in fund balances	24,340	-	22	37
Fund Balances, beginning of year	1,066,052	10,948	11,177	11,963
Fund Balances, end of year	\$ 1,090,392	\$ 10,948	\$ 11,199	\$ 12,000

WEZF 93 FM DARE	<u>Subtotals</u>	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,547,093
-	-	306,591
-	-	4,278,856
-	-	5,652,354
6	58,612	65,019
-	-	74,160
-	-	618,530
<u>6</u>	<u>58,612</u>	<u>12,542,603</u>
-	-	14,089
-	-	5,552,427
-	-	5,078,399
-	-	14,959,110
-	-	933,181
-	-	519,907
<u>-</u>	<u>-</u>	<u>27,057,113</u>
6	58,612	(14,514,510)
-	-	12,361,991
-	-	2,198,829
-	(34,207)	(544,342)
<u>-</u>	<u>(34,207)</u>	<u>14,016,478</u>
6	24,405	(498,032)
<u>2,226</u>	<u>1,102,366</u>	<u>(3,950,511)</u>
<u>\$ 2,232</u>	<u>\$ 1,126,771</u>	<u>\$ (4,448,543)</u>

CITY OF BURLINGTON, VERMONT
NONMAJOR PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Nonmajor Enterprise Funds			Total
	<u>Water</u>	<u>School Food Service</u>	<u>School Other</u>	
<u>ASSETS</u>				
Current:				
Cash and cash equivalents	\$ 360	\$ -	\$ -	\$ 360
Restricted cash	1,324,512	-	-	1,324,512
Receivables, net of allowance for uncollectibles:				
User fees	503,931	-	-	503,931
Departmental and other	11	-	-	11
Intergovernmental	-	260,177	-	260,177
Estimated unbilled revenues	348,861	-	-	348,861
Due from other funds	-	829,907	30,101	860,008
Inventory	252,066	2,551	-	254,617
Prepaid expenses	818	-	-	818
Total current assets	<u>2,430,559</u>	<u>1,092,635</u>	<u>30,101</u>	<u>3,553,295</u>
Noncurrent:				
Restricted cash	110,034	-	-	110,034
Other long-term assets, net of accumulated amortization	19,601	-	-	19,601
Capital assets:				
Land and construction in progress	51,250	-	-	51,250
Capital assets, net of accumulated depreciation	<u>12,661,439</u>	<u>114,643</u>	<u>-</u>	<u>12,776,082</u>
Total noncurrent assets	<u>12,842,324</u>	<u>114,643</u>	<u>-</u>	<u>12,956,967</u>
TOTAL ASSETS	15,272,883	1,207,278	30,101	16,510,262
<u>LIABILITIES</u>				
Current:				
Accounts payable	70,736	40,050	452	111,238
Accrued payroll and benefits payable	7,302	4,684	-	11,986
Deferred revenue	42,152	-	-	42,152
Payable from restricted assets:				
Accrued interest payable	64,512	-	-	64,512
Revenue notes and bonds payable - current	1,218,551	-	-	1,218,551
Current portion of long-term liabilities:				
Capital leases payable	61,461	-	-	61,461
Compensated absences payable	13,000	-	-	13,000
Total current liabilities	<u>1,477,714</u>	<u>44,734</u>	<u>452</u>	<u>1,522,900</u>
Noncurrent:				
Advances from other funds	2,065,706	-	-	2,065,706
Revenue notes payable, net of current portion	1,320,000	-	-	1,320,000
Capital leases payable, net of current portion	79,086	-	-	79,086
Compensated absences payable	121,588	-	-	121,588
Post-employment benefits payable	26,639	-	-	26,639
Total noncurrent liabilities	<u>3,613,019</u>	<u>-</u>	<u>-</u>	<u>3,613,019</u>
TOTAL LIABILITIES	5,090,733	44,734	452	5,135,919
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	10,033,591	114,643	-	10,148,234
Restricted for debt service/renewal and replacements/capital projects	1,370,034	-	-	1,370,034
Unrestricted	<u>(1,221,475)</u>	<u>1,047,901</u>	<u>29,649</u>	<u>(143,925)</u>
TOTAL NET ASSETS	\$ <u>10,182,150</u>	\$ <u>1,162,544</u>	\$ <u>29,649</u>	\$ <u>11,374,343</u>

See notes to financial statements.

CITY OF BURLINGTON, VERMONT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2011

	Nonmajor Enterprise Funds			Total
	Water	School Food Service	School Other	
Operating Revenues:				
Charges for services	\$ 5,424,858	\$ 893,567	\$ 93,944	\$ 6,412,369
Intergovernmental	-	1,536,170	-	1,536,170
Miscellaneous	158,204	-	-	158,204
Total Operating Revenues	5,583,062	2,429,737	93,944	8,106,743
Operating Expenses:				
Personnel	1,699,212	1,146,860	49,389	2,895,461
Nonpersonnel	2,085,294	1,290,677	36,224	3,412,195
Depreciation and amortization	540,586	23,320	-	563,906
Payments in lieu of taxes	362,258	-	-	362,258
Total Operating Expenses	4,687,350	2,460,857	85,613	7,233,820
Operating Income	895,712	(31,120)	8,331	872,923
Nonoperating Revenues (Expenses):				
Investment income	43	-	-	43
Other income/expense - net	31,360	-	-	31,360
Interest expense	(190,665)	-	-	(190,665)
Amortization of debt issue costs	(61,050)	-	-	(61,050)
Total Nonoperating Revenues (Expenses)	(220,312)	-	-	(220,312)
Income Before Contributions and Transfers	675,400	(31,120)	8,331	652,611
Transfers in	-	102,000	1,540	103,540
Transfers out	(28,947)	-	-	(28,947)
Change in Net Assets	646,453	70,880	9,871	727,204
Net Assets at Beginning of Year	9,535,697	1,091,664	19,778	10,647,139
Net Assets at End of Year	\$ 10,182,150	\$ 1,162,544	\$ 29,649	\$ 11,374,343

See notes to financial statements.

CITY OF BURLINGTON, VERMONT
NONMAJOR PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	Water Fund	School Food Service Enterprise Fund	School Other Enterprise Funds	Total
Cash Flows From Operating Activities:				
Receipts from Customers and Users	\$ 5,533,971	\$ 2,410,738	\$ 93,944	\$ 8,038,653
Receipts for Interfund Services	189,564	-	-	189,564
Other Receipts	31,360	-	-	31,360
Payments to Suppliers	(1,606,382)	(1,248,202)	(35,810)	(2,890,394)
Payments for Wages and Benefits	(1,740,805)	(1,142,176)	(49,389)	(2,932,370)
Payments for Interfund Services	(670,745)	-	-	(670,745)
Payments in Lieu of Taxes	(362,258)	-	-	(362,258)
	<u>1,374,705</u>	<u>20,360</u>	<u>8,745</u>	<u>1,403,810</u>
Net Cash Provided by Operating Activities				
Cash Flows From Noncapital Financing Activities:				
Net Proceeds/(Repayment) of Revenue Anticipation Note	(1,000,000)	-	-	(1,000,000)
Increase in Due (from)/To Other Funds	1,433,639	(79,031)	(10,285)	1,344,323
Receipt/(Payments) of Interfund Transfers	(28,947)	102,000	1,540	74,593
Interest Paid on Revenue Anticipation Note	(29,163)	-	-	(29,163)
Interest Paid on Cash Deficit to General Fund	(26,425)	-	-	(26,425)
	<u>349,104</u>	<u>22,969</u>	<u>(8,745)</u>	<u>363,328</u>
Cash Provided/(Used) by Noncapital Financing Activities				
Cash Flows From Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(271,301)	(43,329)	-	(314,630)
Principal Paid on:				
Revenue Bonds	(1,205,000)	-	-	(1,205,000)
Capital Lease Obligations	(57,747)	-	-	(57,747)
Interest Paid on :				
Revenue Bonds	(159,125)	-	-	(159,125)
Capital Lease Obligations	(6,065)	-	-	(6,065)
	<u>(1,699,238)</u>	<u>(43,329)</u>	<u>-</u>	<u>(1,742,567)</u>
Net Cash Provided/(Used) by Capital and Related Financing Activities				
Cash Flows From Investing Activities:				
Net (Additions)/Reductions to Restricted Cash and Investments	(24,916)	-	-	(24,916)
Investment Income	45	-	-	45
	<u>(24,871)</u>	<u>-</u>	<u>-</u>	<u>(24,871)</u>
Net Cash Provided/(Used) by Investing Activities				
Net Increase/(Decrease) in Cash	(300)	-	-	(300)
Cash - July 1, 2010	660	-	-	660
Cash - June 30, 2011	<u>\$ 360</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 360</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Operating Income/(Loss)	\$ 895,712	\$ (31,120)	\$ 8,331	\$ 872,923
Depreciation and Amortization	540,586	23,320	-	563,906
Other Non Operating Revenue	31,360	-	-	31,360
(Increase)/Decrease in Receivables	(23,127)	(18,999)	-	(42,126)
(Increase)/Decrease in Unbilled Revenues	(25,692)	-	-	(25,692)
(Increase)/Decrease in Inventory	(25,921)	2,723	-	(23,198)
Increase/(Decrease) in Accounts Payable	21,773	39,752	414	61,939
Increase/(Decrease) in Accrued Payroll And Benefits	(43,209)	4,684	-	(38,525)
Increase/(Decrease) in Deferred Revenue	(272)	-	-	(272)
Increase/(Decrease) in Other Operating Assets/Liabilities	3,495	-	-	3,495
	<u>\$ 1,374,705</u>	<u>\$ 20,360</u>	<u>\$ 8,745</u>	<u>\$ 1,403,810</u>
Net Cash Provided by Operating Activities				

See Notes to Financial Statements

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CITY OF BURLINGTON, VERMONT
 Combining Statement of Fiduciary Net Assets
 Private Purpose Trust Funds
 June 30, 2011

	<u>Louisa Howard</u>	<u>Walter Carpenter</u>	<u>Raymond Tracy Estate</u>	<u>Scholarship Trust</u>	<u>Reed Estate</u>	<u>Fireman's Relief</u>	<u>Christmas Gift</u>	<u>Total</u>
<u>ASSETS</u>								
Cash and short-term investments	\$ <u>27,981</u>	\$ <u>7,439</u>	\$ <u>19,633</u>	\$ <u>143,030</u>	\$ <u>4,635</u>	\$ <u>626</u>	\$ <u>1,614</u>	\$ <u>204,958</u>
Total Assets	27,981	7,439	19,633	143,030	4,635	626	1,614	204,958
<u>NET ASSETS</u>								
Net assets held in trust	\$ <u><u>27,981</u></u>	\$ <u><u>7,439</u></u>	\$ <u><u>19,633</u></u>	\$ <u><u>143,030</u></u>	\$ <u><u>4,635</u></u>	\$ <u><u>626</u></u>	\$ <u><u>1,614</u></u>	\$ <u><u>204,958</u></u>

CITY OF BURLINGTON, VERMONT
Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the Year Ended June 30, 2011

	<u>Louisa Howard</u>	<u>Walter Carpenter</u>	<u>Raymond Tracy Estate</u>	<u>Scholarship Trust</u>	<u>Reed Estate</u>	<u>Fireman's Relief</u>	<u>Christmas Gift</u>	<u>Total</u>
<u>ADDITIONS</u>								
Investment income (loss)	\$ <u>56</u>	\$ <u>23</u>	\$ <u>199</u>	\$ <u>-</u>	\$ <u>47</u>	\$ <u>1</u>	\$ <u>4</u>	\$ <u>330</u>
Total Additions	56	23	199	-	47	1	4	330
<u>DEDUCTIONS</u>								
Payments to beneficiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>610</u>
Net decrease	56	23	199	(610)	47	1	4	(280)
<u>NET ASSETS</u>								
Beginning of year	<u>27,925</u>	<u>7,416</u>	<u>19,434</u>	<u>143,640</u>	<u>4,588</u>	<u>625</u>	<u>1,610</u>	<u>205,238</u>
End of year	<u>\$ 27,981</u>	<u>\$ 7,439</u>	<u>\$ 19,633</u>	<u>\$ 143,030</u>	<u>\$ 4,635</u>	<u>\$ 626</u>	<u>\$ 1,614</u>	<u>\$ 204,958</u>

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