

VERMONT



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ending JUNE 30, 2006

The cover picture was provided by Linda Morse of Middlesex, VT.

STATE OF VERMONT

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

For the fiscal year ending JUNE 30, 2006



James H. Douglas
Governor

Prepared by the Department of Finance and Management

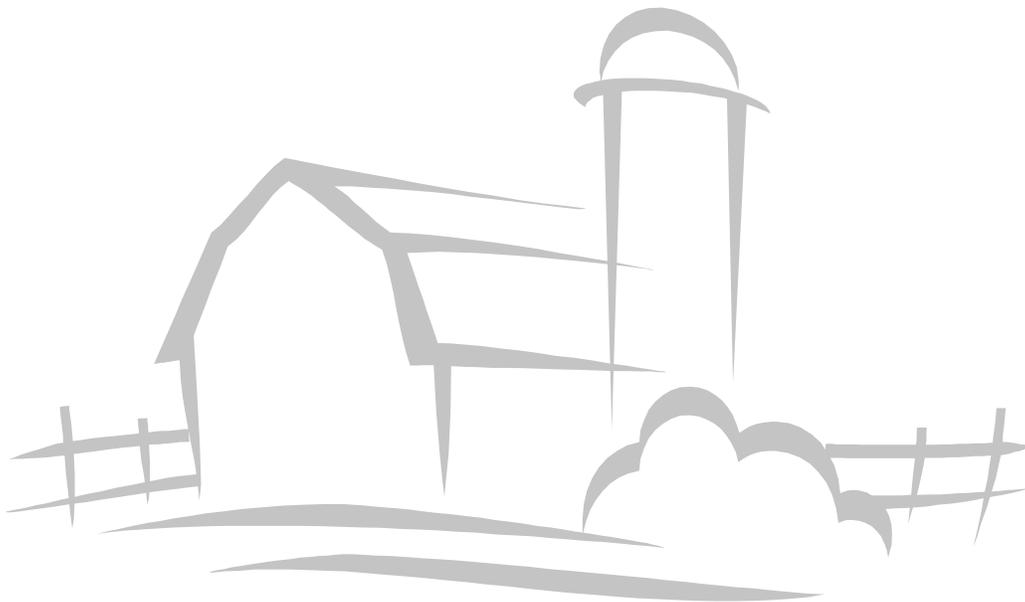
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 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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Vermont



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Agency of Administration

LETTER OF TRANSMITTAL

To the Honorable James H. Douglas, Governor,
The Honorable Brian Dubie, Lieutenant Governor,
Chairs of House Committees on Appropriations, Institutions and Ways and Means,
Senate Committees on Appropriations, Finance and Institutions, and
The Citizens of the State of Vermont

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of Vermont for the fiscal year ending June 30, 2006. The Department of Finance and Management prepared this report, which includes the Basic Financial Statements as required by Title 32, Vermont Statutes Annotated, Section 182(a)(8). By issuing this report by December 31, 2006, the Department has met the State statutory issuance date for the second time in as many years.

I would like to direct your attention toward two important items contained in this CAFR. The first item is the Management and Discussion Analysis (MD&A) that follows the Auditor's opinion. This analysis is designed to give you, the reader an overview of the State's financial position, described in understandable terms, in order to help you better understand the results of operations of your state government.

The second item I would like to direct your attention to are the Basic Financial Statements (BFS) which follow the MD&A. The Basic Financial Statements were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). They contain government-wide statements that present the State's financial activities in a manner similar to that of a private corporation; fund statements that report governmental, proprietary, fiduciary fund financial activity; component unit financial activity; and note disclosures that explain and enhance the basic financial statements. It should be noted that the governmental funds are reporting a new major governmental fund for the first time; the Global Commitment Fund. Please refer to Note 1, Section E for more information regarding this new fund. We believe the BFS are fairly stated in all material respects and that they are presented in a manner designed to fairly report the State of Vermont's financial position, results of operations and changes in net assets/fund balances.



Responsibility for the completeness and fairness of the presentation, including all disclosures, rests with the State of Vermont's Department of Finance and Management.

In addition to the MD&A and BFS, this CAFR includes a Required Supplementary Information (RSI) section, a Supplementary section and a Statistical section. The RSI section contains a schedule of pension funding progress for the State's Defined Benefit Retirement Plans, and Budget vs. Actual Schedules for the State's major governmental funds with Notes reconciling budgetary fund balance to the governmental funds GAAP fund balance. The Supplementary section contains combining fund financial statements for the State's non-major Governmental, Proprietary, and Fiduciary Funds and the State's non-major component units. The Statistical section presents fiscal, social, and demographic information about the State of Vermont. It should be noted that the information contained in the RSI, Supplementary, and Statistical sections is unaudited.

The General Fund

The General Fund, which accounts for a significant portion of the State's financial activity, is the State's largest operating fund. It accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in other funds as well as the expenditures associated with these revenues. In fiscal year 2006, total general fund tax revenues accounted for 97.9 % of total general fund revenues. The personal income tax, the general fund's portion of the sales and use tax, and the meals and room tax, the three principle tax revenue contributors, accounted for 79.7 % of general fund total tax revenues or approximately 78% of total General Fund revenues. General Fund expenditures used 56.7% of the total receipts and these expenditures occurred in the following major governmental functional categories: General Government, Protection to Persons and Property, Human Services, Employment and Training, General Education, Natural Resources, Commerce and Community Development and Debt Service. The majority of the remainder of the 2006 general fund revenue was transferred out to other funds and used for various purposes. Please see Note 3E for a synopsis of these transfers.

Budget Adoption and Legal Compliance/Budgetary Results

Note 1 to the financial statements describes the State's budgeting process while the Required Supplementary Section contains Budget to Actual schedules and associated notes for the State's six major governmental funds. These schedules compare each fund's original budget, final budget, actual expenditures incurred on a budgetary basis, and the variance between the final budget and actual expenditures incurred. As the adopted budget provides legal control over spending, expenditures cannot exceed amounts appropriated under Vermont law. Budgetary control is exercised by type of fund within appropriation.

Cash and Investments

Cash deposits are managed by the State in accordance with the provisions of Title 32, Vermont Statutes Annotated, Sections 431-434, which defines the requirements the Treasurer must adhere to when

depositing public monies. The State Treasurer pools substantially all cash except that which is required to be maintained separately in accordance with legal restrictions. Note 2 provides more detail regarding this important area.

Risk Management

By self-insuring, the State generally assumes substantially all risk associated with Workers' Compensation, Employee Liability, Employee Health and Life, and General Liability under State law. However, the State has minimized its exposure in several areas by either purchasing commercial insurance coverage or by limiting benefit claim amounts.

Independent Audit of These Financial Statements

An audit was performed by the independently elected State Auditor of Accounts whose "Independent Auditor's Report" is included in the financial section of this CAFR. The audit described in the auditor's report is not intended to meet all requirements of the Federal Single Audit Act of 1996. Rather, the Single Audit Report for the State is issued under separate cover.

Acknowledgements

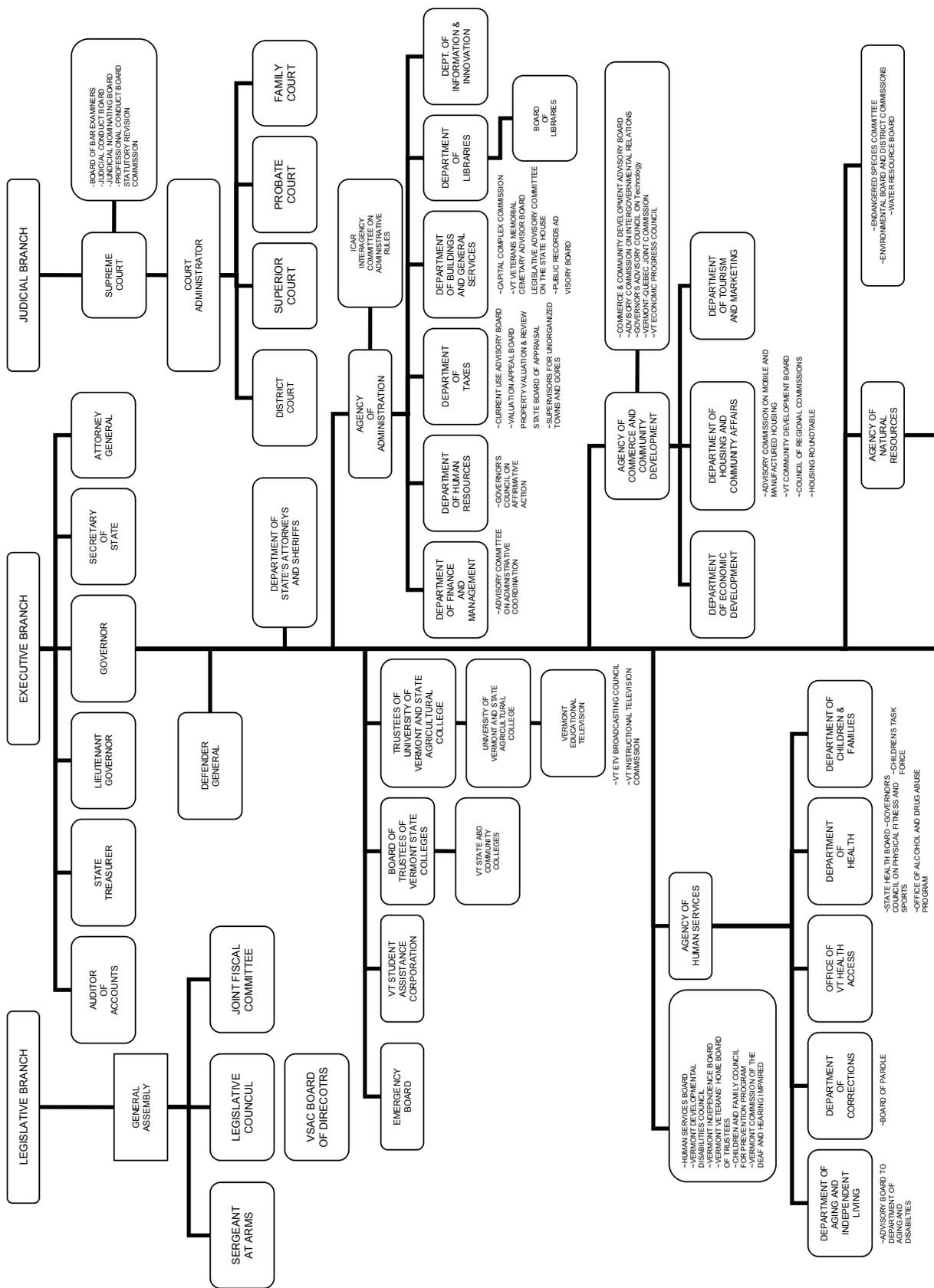
The preparation of this report involved the dedicated work of staff in the Department of Finance and Management, the Treasurer's Office, the Auditor of Accounts' Office and the support of all State agencies, departments, component units, the Legislature, and the Judiciary. We welcome inquiries concerning this report and the finances of the State of Vermont.

Sincerely,



James B. Reardon, CPA
Commissioner

December 29, 2006



SELECTED STATE OFFICIALS
As of June 30, 2006

EXECUTIVE

James H. Douglas
Governor

Brian L. Dubie
Lieutenant Governor

Deborah L. Markowitz
Secretary of State

William H. Sorrell
Attorney General

Randolph D. Brock
Auditor of Accounts

George B. "Jeb" Spaulding
State Treasurer

JUDICIAL

Paul L. Reiber
Chief Justice

LEGISLATIVE

Peter Welch
President Pro Tempore of the State Senate
(30 Senators)

Gaye Symington
Speaker of the House of Representatives
(150 Representatives)



FINANCIAL SECTION

**RANDOLPH D. BROCK
STATE AUDITOR**



**STATE OF VERMONT
OFFICE OF THE STATE AUDITOR**

Independent Auditor's Report

Speaker of the House of Representatives Gaye Symington
President Pro-Tempore-elect of the Senate Peter Shumlin
Governor James H. Douglas
State House
Montpelier, Vermont

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont, as of and for the year ended June 30, 2006, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Vermont's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain entities and funds that aggregate the following percentages of total assets and revenues:

<u>Opinion Unit</u>	<u>Percentage of Total Assets</u>	<u>Percentage of Total Revenues</u>
Business-Type Activities Aggregate Discretely Presented Component Units	2.8%	50.8%
Aggregate Remaining Funds	4.2%	1.2%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it is related to the amounts included for those entities and funds, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The

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financial statements of the Special Environmental Revolving Fund (blended into the Federal Revenue Fund), the Vermont State Infrastructure Bank (blended into the Transportation Fund) and the Vermont Sustainable Jobs Fund (a discretely presented component unit) 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 reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2006 on our consideration of the State's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and required supplementary information, listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by U. S. generally accepted accounting principles. We and the other auditors 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Vermont's basic financial statements. The introduction section, supplementary information, and statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introduction and statistical sections have not been subjected to the auditing procedures applied in the audit by us and the other auditors of the basic financial statements and, accordingly, we express no opinion on them.

Randolph D. Brock



State Auditor
December 31, 2006

INTRODUCTION

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ending June 30, 2006. This MD&A section is intended to serve as an introduction to the State's basic financial statements. It is designed to assist the reader in focusing on significant financial issues, provide an easily readable overview of the State's financial activities, identify any material changes from the original budget, and highlight financial issues that occurred within Vermont during fiscal year 2006. Please read this in conjunction with the transmittal letter found at the front of this report and the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The assets of the State's primary government exceeded its liabilities at June 30, 2006 by \$1.376 billion (net assets).

Total net assets for the primary government increased by \$45.7 million. Governmental activities' net assets increased \$64.1 million while business activities' net assets decreased by \$18.5 million.

The State's governmental funds report combined ending fund balances of \$429.1 million. Of this amount, \$214.2 million is available for spending at the State's discretion (unreserved - undesignated fund balance).

During the fiscal year, the fund balance of the State's General Fund decreased \$2.2 million to \$161.5 million. Of this amount \$93.1 million is reserved for specific purposes.

The State's debt outstanding for General Obligation Bonds decreased \$2.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this Comprehensive Annual Financial Report (CAFR) contains the Independent auditor's report, this discussion and analysis section, the basic financial statements (BFS) with required supplementary information (RSI), other supplementary information, and a statistical section. Additional information regarding the above sections may be found below as well as in the notes to the financial statements.

Basic Financial Statements

Vermont's basic financial statements (BFS) consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) component units' financial statements, and 4) notes to the financial statements. The fund financial statements include governmental, proprietary, and fiduciary types of funds that will be described later in this analysis. Notes to the financial statements provide explanations and/or additional detail for all of the above type financial statements and are considered an integral part of the financial statements.

1) Government-Wide Financial Statements

Vermont's government-wide financial statements which follow this MD&A section are designed to present a broad view of the State's operations and financial position in a manner similar to a private-sector business. All of the State's activities except its fiduciary funds' activities are reported in the government-wide statements. Fiduciary activities are not included because the resources of these funds are not available to support the State's own programs.

The government-wide statements contain both short-term and long-term information about the State's financial position and assist in assessing the State's economic condition at the end of each fiscal year. The State prepares these statements using the "flow of economic resources" measurement focus and the accrual basis of

accounting. This basically means that the methods utilized to prepare these statements are similar to those used by most private sector businesses in preparing their financial statements. They take into account all financial activity connected with the reported fiscal year including revenues, expenses, transfers, sales or acquisitions of capital assets, and any other activity affecting or possibly affecting the financial condition of the State, even if cash involved has not been received or paid. The government-wide financial statements present two statements:

The *Statement of Net Assets* presents both the primary governments' and its component units' assets and liabilities, with the difference between the assets and liabilities reported as "net assets". Over time, increases or decreases in the primary government's net assets may serve as an indicator as to whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents the reported year's financial activity and hence, the reason(s) for the changes in net assets included on the Statement of Net Assets. All changes in financial activities are recognized as soon as the underlying event(s) giving rise to the changes occur, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not result in cash flows until future fiscal periods. This statement also presents the relationship between the State's major expenditure functions and the associated sources of program revenues associated with each expenditure function.

Both of the above financial statements segregate Vermont's financial activity into the following three different categories. The governmental activities and business-type activities are combined to report on what is termed *primary government activities* which are separate and distinct from the *component units activities* of the discretely presented component units. For more information regarding discretely presented component units, please see Note 1 to the financial statements.

Primary Government Activities

Governmental Activities – The financial activities reported in this section generally represent those services (functions) normally performed by a government entity. These activities include public education, general government, public health services, legal and judiciary services, natural resources, public safety, regulatory services, social services, and public transportation. Taxes, grants, and intergovernmental revenues are the main sources of funding for these activities.

Business-Type Activities – These business-type activities of the State include the operations of Vermont's enterprise activities. For financial reporting purposes, these activities are classified as either major or non-major, depending upon their financial size as compared to each other and to the group as a whole. Activities categorized as major include the Unemployment Compensation Trust Fund program, liquor control, and the State lottery commission. Activities reported as non-major include the federal surplus property program, publishing Vermont Life magazine, making equipment loans to municipalities, and several other activities. Both major and non-major activities normally recover all or a portion of their costs through user fees and charges to the external consumers of their goods and services, much like a private business.

Component Units' Activities

Discretely Presented Component Units – These are legally separate (incorporated) entities for which the elected officials of the primary government have financial accountability. The State's discretely presented component units are presented in the aggregate in the government-wide statements. This aggregate total consists of three major and eight non-major component units. This categorization is determined by the relative size of the entities' assets, liabilities, revenues and expenses in relation to the total of all component units. Additional information or financial statements for each of these individual component units can be obtained from their respective administrative offices. Addresses and additional information about the State's component units are presented in Note 1 to the financial statements.

2) 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. Similar to other state and local governments, Vermont uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus and report on the State's activities in more detail than the government-wide statements. All of the funds of the State have been divided into three categories for reporting purposes: governmental, proprietary, and fiduciary. In turn, the governmental and proprietary funds are divided into major and non-major categories as required by the Governmental Accounting Standards Board. For the governmental and proprietary funds, the major funds are reported in individual columns in the fund financial statements while the non-major funds are presented in a consolidated column in the fund financial statements. Combining schedules or statements in the supplementary information section present detailed non-major fund activity. Fiduciary funds are reported by fiduciary type (pension trust, private purpose trusts and agency funds) with combining schedules or statements for the individual pension and agency funds presented in the supplementary information section. It is important to note that these fund categories use different accounting methods and should be interpreted differently as described below.

The Three Categories of Funds are:

Governmental Funds

Most of the basic services provided by the State are accounted for in the 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, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as the balances of resources available at the end of the fiscal year. This approach uses the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assist in determining whether there will be adequate financial resources available to meet the current needs of the State.

Because the time period focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the 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. Schedules reconciling the governmental funds' Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances to their respective government-wide statements are provided on the pages immediately following each governmental fund financial statement to facilitate this comparison.

The State reports eighteen governmental funds of which six are classified as "major" governmental funds. These major funds are the General Fund, Transportation Fund, Education Fund, Special Fund, Federal Revenue Fund and Global Commitment Fund. Each major fund is presented in a separate column in the Governmental Funds' *Balance Sheet* and in the *Statement of Revenues, Expenditures, and Changes in Fund Balance*. The "non-major" governmental funds include the Fish and Wildlife Fund, two capital projects funds, and nine permanent funds and are presented in one consolidated column in the governmental fund statements. Combining and individual non-major governmental fund statements are reported in the supplementary information section of this report.

The governmental funds' financial statements immediately follow the government-wide financial statements.

Proprietary Funds

This category of funds includes enterprise funds (business-type) and internal service funds. These funds report activities that operate much like those of commercial enterprises. These funds' financial reports include a *Statement of Net Assets*; a *Statement of Revenues, Expenses and Changes in Net Assets*; and a *Statement of Cash Flows*.

Enterprise funds provide the same type of information as the business-type activities section in the government-wide financial statements, only in more detail. Like the government-wide financial statements, enterprise fund financial statements use the accrual basis of accounting. Enterprise funds account for services provided to the general public, government, and non-State government entities. They normally derive their revenue by charging user fees in order to cover the costs of their services.

The State reports eight enterprise funds of which three are reported as major funds in separate columns on the proprietary fund statements. These three are the Unemployment Compensation Fund, the Liquor Control Fund, and the Vermont Lottery Commission. The other five enterprise funds are reported as "non-major funds" and are consolidated into one column on the proprietary fund statements.

Internal service funds are used to report activity that provides goods and services to other funds, departments, or agencies of the primary government and its component units, or to other governments on a cost reimbursement basis. Because these funds' activities primarily benefit governmental activities, they have been combined with the governmental activities in the government-wide statements.

The State reports twenty-two internal service funds which are reported in one consolidated column entitled "Governmental Activities – Internal Service Funds Total" on the Proprietary Funds Statement of Net Assets; Statement of Revenues, Expenses, and Changes In Net Assets; and Statement of Cash Flows.

The proprietary funds' financial statements immediately follow the governmental fund financial statements. Combining non-major enterprise and combining internal service fund statements may be found in the supplementary information section.

Fiduciary Funds

These funds are used to account for resources held by the State for the benefit of parties outside of State government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. They use the accrual basis of accounting.

The State's fiduciary funds are divided into the following three basic categories: Pension Trust Funds (six separate retirement plans for employees); Private Purpose Trust Fund (which reports only the Unclaimed Property Fund); and Agency Funds (eleven agency funds which account for the assets held for distribution by the State as an agent for other governmental units, organizations or individuals). These funds financial reports include a *Statement of Fiduciary Net Assets*; and a *Statement of Changes in Fiduciary Net Assets*.

The fiduciary funds financial statements can be found immediately following the proprietary funds financial statements. Individual pension trust funds and agency funds financial statements are reported in the supplementary information section of this report.

3) Discretely Presented Component Units' Financial Statements

As mentioned previously, the State has included the net assets and activities of three major component units in individual columns and eight non-major component units in a single column on the statements. The component units' financial statements can be found immediately after the fiduciary funds. Combining individual non-major component units' financial statements can be found in the supplementary information of this report.

4) Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the component units' financial statements.

Required Supplementary Information Other Than MD&A

The basic financial statements are followed by a section of required supplementary information. This section includes:

Schedules for the General Fund and each of the five major Special Revenue Funds comparing their original budgeted amounts; final budgeted amounts; actual inflows, outflows, and balances stated on the budgetary basis; and variances between the final budgeted amounts and actual amounts presented on a budgetary basis. See Note 1, Section E for additional information regarding the budgetary process, including the budgetary basis.

Notes to Required Supplementary Information include a schedule reconciling the statutory fund balance presented on a budgetary basis to the fund balance prepared on a modified accrual basis as presented in the governmental fund financial statements for each major governmental fund.

Supplementary Information

Combining Financial Statements

The combining fund financial statements referred to earlier in connection with non-major funds and non-major component units are presented following the Required Supplementary Information. The total columns of these combining financial statements carry to the applicable fund financial statement. These combining statements include the following:

- Non-major governmental funds
- Non-major proprietary (enterprise) funds
- Internal service funds
- Fiduciary funds including individual pension trust funds and individual agency funds
- Non-major component units

Statistical Section

A statistical section containing selected financial, debt capacity, operating, economic and demographic information is presented immediately following the combining financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

The State's (governmental and business-type activities) combined net assets total \$1.376 billion at the end of 2006, as shown in Table 1. Over 78 percent of these combined net assets consist of the State's investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, and other immovable assets) less any related debt still outstanding that was used to acquire those assets. This \$1.080 billion in capital assets represent resources used to provide services to citizens, and therefore are not available for future spending. Although the State'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 primary government's net assets (27.4 percent) represents resources that are subject to external restrictions on how they may be used. Internally imposed designations of resources are not presented as restricted net assets. The remaining balance of unrestricted net assets is a deficit of \$81.7 million.

The governmental activities' negative unrestricted net assets balance is mainly the result of two actions: 1) debt issued by the State for municipal, non-profit or component unit capital purposes that does not result in a governmental activities' capital asset and 2) the statutorily mandated restricting of net assets for the budget stabilization reserves.

The business type-activities' positive unrestricted net asset balance may be used to meet the State's ongoing obligation to its citizens and creditors.

At the end of fiscal year 2006, the State reported positive total net asset balances in its governmental activities, business-type activities, and discretely presented component units.

The following primary government condensed financial statement information is derived from the State's government-wide June 30, 2006 and 2005 financial statements. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

TABLE 1
State of Vermont's Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current assets	\$ 665.6	\$ 669.1	\$ 222.0	\$ 241.8	\$ 887.6	\$ 910.9
Other assets	311.1	237.8	5.0	5.4	316.1	243.2
Capital assets	1,242.8	1,209.8	0.4	0.5	1,243.2	1,210.3
Total assets	2,219.5	2,116.7	227.4	247.6	2,446.9	2,364.3
Long-term liabilities	668.1	639.8	4.1	4.2	672.2	644.0
Other liabilities	389.5	379.1	9.5	11.2	399.1	390.4
Total liabilities	1,057.6	1,019.0	13.6	15.4	1,071.3	1,034.4
Net assets:						
Invested in capital assets, net of related debt	1,080.1	1,055.5	0.4	0.5	1,080.5	1,055.9
Restricted	167.5	111.9	209.3	227.9	376.8	339.8
Unrestricted (deficit)	(85.7)	(69.6)	4.0	3.8	(81.7)	(65.8)
Total net assets	\$ 1,161.9	\$ 1,097.8	\$ 213.7	\$ 232.2	\$ 1,375.6	\$ 1,329.9

Totals may not add due to rounding.

Changes in Net Assets

Vermont's primary government's change in net assets for fiscal year 2006 was an increase of \$45.7 million as shown in Table 2. This is the amount of change associated with operations for the year. Governmental activities had an increase in net assets along with business-type activities. The \$229.7 million increase in revenues was largely due to a \$76.9 million increase in program revenues and a \$160.3 million increase in tax revenues, led by a \$81.3 million increase in statewide education tax. This increase was offset by an increase of \$215.8 million in expenses, highlighted by a \$105 million increase in education expenses.

In 2006, governmental activities' revenues exceeded expenses by \$40.6 million and received transfers of \$23.5 million from business activities, resulting in the 5.84 percent increase in net assets. Business-type activities had an overall decrease in net assets of 7.96 percent, resulting from an operating surplus of \$5.1 million offset by transfers out of \$23.5 million to governmental activities, primarily from the Lottery (\$23 million) to support education.

The following condensed table presents a comparison of activity for the fiscal years ended June 30, 2006 and 2005 and contains primary government data only.

Management's Discussion and Analysis

State of Vermont

Fiscal Year Ended June 30, 2006

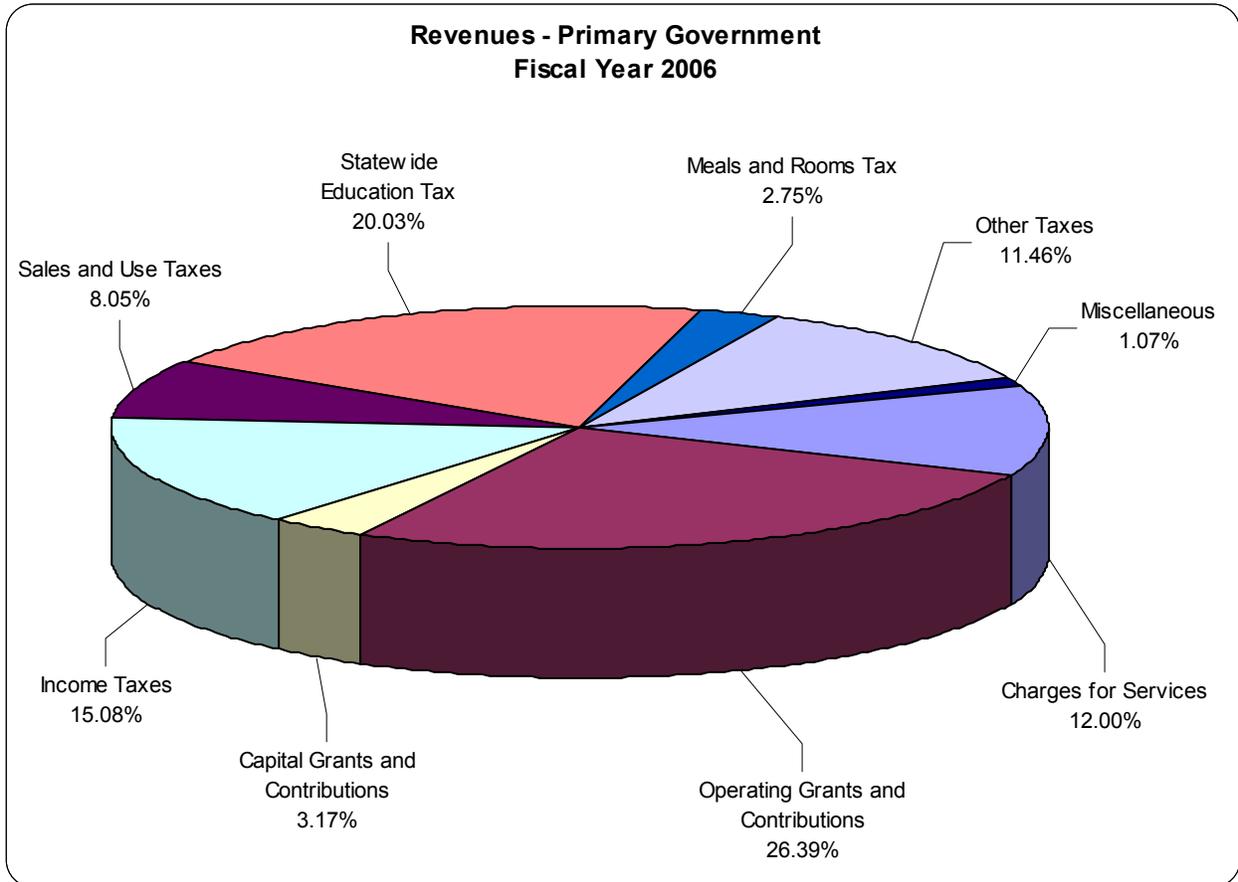
TABLE 2
State of Vermont's Changes in Net Assets
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005 ¹	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services.....	\$ 281.2	\$ 256.3	\$ 206.4	\$ 192.0	\$ 487.7	\$ 448.3
Operating grants and contributions.....	1,072.0	1,032.6	-	-	1,072.0	1,032.6
Capital grants and contributions.....	128.7	130.6	-	-	128.7	130.6
General revenues:						
Income taxes.....	612.6	568.1	-	-	612.6	568.1
Sales and use taxes.....	327.1	312.4	-	-	327.1	312.4
Statewide education tax.....	813.6	732.3	-	-	813.6	732.3
Meals and rooms tax.....	111.6	112.0	-	-	111.6	112.0
Other taxes.....	465.8	445.6	-	-	465.8	445.6
Miscellaneous.....	33.8	38.7	9.8	12.1	43.6	50.8
Total revenues.....	3,846.2	3,628.7	216.3	204.1	4,062.6	3,832.8
Expenses						
General government.....	110.1	120.8	-	-	110.1	120.8
Protection to persons and property.....	233.2	217.6	-	-	233.2	217.6
Human services.....	1,445.9	1,392.5	-	-	1,445.9	1,392.5
Employment and training.....	21.2	20.6	-	-	21.2	20.6
General education.....	1,555.7	1,450.7	-	-	1,555.7	1,450.7
Natural resources.....	82.8	78.5	-	-	82.8	78.5
Commerce and community development.....	32.3	36.6	-	-	32.3	36.6
Transportation.....	301.6	269.1	-	-	301.6	269.1
Public service enterprises.....	2.0	1.6	-	-	2.0	1.6
Interest on long-term debt.....	21.0	19.3	-	-	21.0	19.3
Unemployment compensation.....	-	-	85.5	80.0	85.5	80.0
Lottery commission.....	-	-	82.3	71.7	82.3	71.7
Liquor control.....	-	-	40.5	38.2	40.5	38.2
Other business-type expenses.....	-	-	2.9	3.9	2.9	3.9
Total expenses.....	3,805.6	3,607.3	211.2	193.8	4,016.9	3,801.1
Increase in net assets before transfers.....	40.6	21.4	5.1	10.3	45.7	31.7
Transfers net in (out).....	23.5	20.7	(23.5)	(20.7)	-	-
Change in net assets.....	64.1	42.1	(18.5)	(10.4)	45.7	31.7
Net assets, beginning of year	1,097.8	1,055.6	232.2	242.6	1,330.0	1,298.2
Net assets, end of year.....	\$ 1,161.9	\$ 1,097.8	\$ 213.7	\$ 232.2	\$ 1,375.6	\$ 1,329.9

¹ Some expenses have been reclassified for comparability to current year.

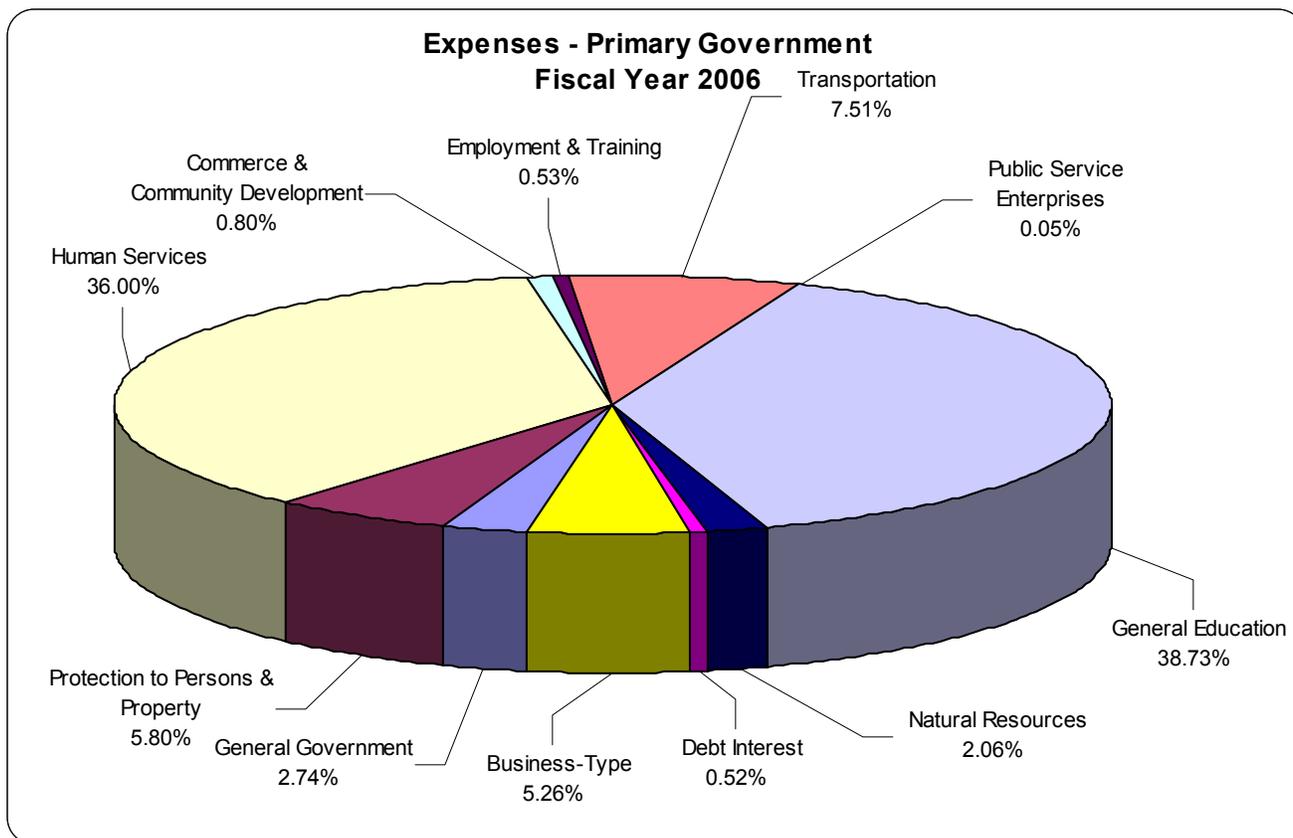
Totals may not add due to rounding.

The following graph illustrates the revenues of Vermont's primary for fiscal year 2006. Approximately 29.5 percent comes from other entities and government in the form of operating and capital grants and contributions (primarily federal grant revenues). An additional 35.1 percent of total revenues are generated by the statewide education and income taxes.



Percentages may not equal 100%, due to rounding.

The following graph illustrates the percentages of total primary government expenses. The largest portion of expenses is for general education (38.73 percent of total expenses) which provides for Vermont's elementary, secondary and higher education, as well as statewide education tax assistance in the form of income sensitive rebates to Vermont's citizens. These income sensitivity payments in fiscal year 2006 were \$121.5 million. The second most significant expense is for human services (36 percent of total expenses) to provide for Vermont's citizens in need of assistance.



Percentages may not equal 100%, due to rounding.

FINANCIAL ANALYSIS OF THE STATE'S INDIVIDUAL FUNDS

As noted earlier, the State of Vermont uses fund accounting to account for its ongoing operations and to demonstrate compliance with finance-related legal requirements imposed by both legislative mandates as well as externally imposed restrictions.

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2006, the unreserved, undesignated fund balance is 49.9 percent of the total fund balance of governmental funds, which is available for spending on governmental programs at the State's discretion in the coming year. The remainder of this fund balance has been reserved to indicate that it is

not available for new spending because it has already been committed to liquidate contracts and purchase orders, for debt service, for the human services caseload reserve, for budget stabilization purposes, or for a variety of other purposes.

At the end of fiscal year 2006, the State's governmental funds reported combined fund balances of \$429.1 million, an increase of \$48.5 million in comparison with the prior fiscal year. This increase is primarily attributable to increases personal and corporate income tax revenues.

The General Fund is the chief operating fund of the State. At the end of fiscal year 2006, the General Fund's total fund balance was \$161.5 million and the unreserved portion of this fund balance was \$68.3 million. Its remaining fund balance was made up of reservations totaling \$93.1 million. These reservations were for the following categories: \$51.8 million for budget stabilization, \$8.5 million for the human services caseload reserve and \$21.1 million for General Fund Surplus. During 2006, general fund expenditures and other uses exceeded total revenues and other sources by \$2.2 million. The extent of this shortfall was somewhat mitigated by the State's fiscal restraint on spending aided by an unexpected increase in budgeted revenues.

The Special Fund's total fund balance at the end of fiscal 2006 was \$97.9 million, an increase of 35.3 percent in comparison with 2005. The Special Fund's total fund balance is comprised of \$76.9 million in unreserved, \$4.8 million in reserved for encumbrances and \$16.2 million reserved for State healthcare resources fund. Even with the creation of the new Global Commitment fund, Special Fund revenues increased \$4.3 million and expenditures decreased \$163.6 million compared to 2005 resulting in an increase in "excess of revenues over expenditures" of \$167.9 million from last fiscal year. Net transfers in from other funds were \$146.1 lower in fiscal year 2006 than in 2005.

The Global Commitment Fund was created in fiscal year 2006 (see 33 V.S.A. § 1901e) as a special revenue fund for Office of Vermont Health Access (OVHA) to administer Vermont's Global Commitment for Health waiver approved by the Centers for Medicare and Medicaid Services under Section 1115 of the Social Security Act. The Global Commitment Fund receives monthly "premium" payments as transfers from the General, Special and Federal Revenue Funds based on an actuarially determined rate range for these premium payments. The Global Commitment Fund's fund balance at the end of the fiscal year was a \$19.9 million with expenditures of \$591.2 million and a net transfer in from other funds of \$611.1 million. See Note 1, Section E for more information regarding this fund.

Proprietary Funds

The State's *enterprise funds* provide the same type of information presented in the business-type activities in the government-wide financial statements, but in more detail. The Unemployment Compensation Trust Fund is the largest of the enterprise funds accounting for 98.0 percent of the \$213.6 million total net assets reported by the enterprise funds. However, the Unemployment Compensation Trust Fund's total net assets decreased by \$18.5 million from \$227.9 million at June 30, 2005 to \$209.3 million at June 30, 2006. This decrease was the result of unemployment benefit distributions exceeding unemployment tax assessments and other income.

The State's *internal service funds'* total net assets at June 30, 2006 were \$21.2 million, a \$4.3 million increase from June 30, 2005. This increase is primarily due to the Highway Garage Fund's total net assets increase of \$3.5 million. It should be remembered that the internal service funds' activity has been combined with the governmental funds' activity in the government-wide financial statements.

Fiduciary Funds

The State's fiduciary funds account for resources held for the benefit of parties outside the government. Net assets of the *pension trust funds* increased by 8 percent to \$3.083 billion at June 30, 2006. For more information regarding the State's retirement plans, see Note 5 to the financial statements. The Unclaimed Property Fund's total assets balance at June 30, 2006 is \$4.6 million with an escheat property claims liability estimated at \$3.8 million, resulting in ending net assets of \$659 thousand. Net assets of all fiduciary funds are reported as held in trust for particular purposes.

GENERAL FUND BUDGET HIGHLIGHTS

The General Fund ended fiscal year 2006 with a budget basis receipts exceeding the revenue estimates and budget basis expenditures less than budgeted which allowed the following to take place: the transfer of \$6 million to the budget stabilization reserve thereby funding it to its' statutory maximum of \$51.8 million (5 percent of the prior fiscal year's appropriations); an additional \$24.7 million to be added to the final fiscal year 2006 appropriations per Act 215 Section 70 of the 2006 Legislative session, and an additional \$10.2 million to be put in the General Fund Surplus reserve to be appropriated in fiscal year 2006. The \$24.7 million of final fiscal year 2006 budget adjustments were largely used for one-time appropriations for various programs within State government. During the year, actual budgetary-based revenues exceeded the final budgetary estimates by \$36.3 million, with actual tax revenue exceeding the final budgeted tax revenue estimate by \$36.2 million. Expenditures were \$57.1 million less than the final budgeted amount.

PRIMARY GOVERNMENT'S CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets**

The State investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2006 was \$1.243 billion, a total increase of 2.72 percent. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

Many component unit, municipal and non-profit capital construction projects and acquisitions are financed by the State, but the assets are actually owned by these other organizations. Therefore, these capital assets are recorded on the financial statements of these owning organizations and are not listed on the books of the State. But the general obligation bonds issued by the State to finance these capital assets are reported as a liability of the State's governmental activities. At June 30, 2006, the State had \$252.2 million of general obligation bonds outstanding related to capital assets of these other organizations.

Debt Administration

The State has no constitutional or other limit on its power to issue obligations or to incur debt besides borrowing only for public purposes. In 1990 the General Assembly created the Capital Debt Affordability Advisory Committee and made it responsible for overseeing the long-term capital planning for the State. The authorization and issuance of State debt including other related terms are statutory. Bonds authorized for a given fiscal year may, at the discretion of the State Treasurer with the approval of the Governor, be issued in the fiscal year, in the months of May and June proceeding such fiscal year, or in subsequent fiscal years. Bonds are backed by the full faith and credit of the State, including the State's power to levy additional taxes to ensure repayment of the debt.

During fiscal year 2006, the State of Vermont's outstanding general obligation bond debt decreased by approximately \$2.1 million. This decrease can be accounted for by the issuance of \$45 million of general obligation bonds and accretion of \$2.4 million in principal on the State's capital appreciation bonds offset by the redemption of \$49.6 million. There was no defeasance in outstanding debt. Additional information on the State's long-term indebtedness is contained in Note 8 of the notes to the financial statements.

The State's bond ratings as of November 2006 are as follows: Moody's – Aa1; S&P – AA+; and Fitch – AA+.

ECONOMIC FACTORS

- Vermont General Fund tax revenues ended the fiscal year with surprising strengths due to revenue sources linked to high-income taxpayers: namely, personal income, corporate and estate taxes. Transportation revenues fell due to upward spiraling gasoline prices and lower than expected new vehicle sales. The Education Fund offset losses in motor vehicle purchase and use tax revenues with steady sales and use tax

revenues and strong lottery receipts that benefited from several rich Powerball jackpots. The U.S. Treasury experienced a nearly identical and similarly unexpected, windfall in corporate and personal income tax receipts.

- The Vermont economy has continued to perform well relative to the region and nation. Vermont unemployment rates have consistently been below those of the U.S. and, at 3% in May of 2006, was the second lowest in the nation and the lowest in New England. However, the real estate market appreciation is forecasted to slow in the State. The U.S. economy is expected to match last's year's growth of about 3.5%, despite darkening economic signals in the second quarter of this year. With the steady increase of interest rates and soaring energy prices, housing and real estate markets are headed for a cool down.
- The Streamlined Sales Tax Agreement (SSTA) is a multi-state endeavor to simplify and streamline state sales and use taxes in order to facilitate the collection of such taxes from out-of-state-vendors, most notably mail order and internet retailers. Vermont's Streamlined Sales Tax statutes were expected to be "current law" effective October 1, 2006, however, technical implementation issues have delayed the start-up date, which is now effective on January 1, 2007. It should be noted that sales tax collection and payment by out-of-state vendors is still voluntary and will remain so until the U.S. Congress acts to allow states to require such tax collection.
- The implementation of the requirements of Governmental Accounting Standards Board Statement No. 48 for Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues is scheduled to begin in fiscal year 2008. This statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as either a sale or a collateralized borrowing. Such transactions are likely to comprise the sale of delinquent taxes, certain mortgages, student loans, or future revenues such as those arising from tobacco settlement agreements.
- The Governmental Accounting Standards Board Statement No. 45, which sets accounting and financial reporting standards by employers for postemployment benefits other than pensions, is effective beginning in fiscal year 2008. The term *other postemployment benefits* (OPEB) includes postemployment healthcare benefits and other types of postemployment benefits, such as life insurance. This new accounting standard will require the State to measure and disclose its liability for the OPEB and the status of its efforts to fund that liability in its fiscal year 2008 financial reports. The State's independent actuary will prepare valuations of the health care benefit liabilities for the Vermont State Retirement System (VSRS) and the State Teachers Retirement System (STRS). The actuarial valuation will determine the State's annual required contribution (ARC) necessary to fully fund the OPEB and compare it to the actual contribution paid. The difference is the Net OPEB Obligation to be reported in the Government-wide financial statements. The Vermont Municipal Employees' Retirement System, a cost-sharing, multiple-employer public employees' retirement system, is administered by the State but has no associated state health care benefit or liability. Component units and authorities of the State will perform their own valuations as the State does not assume the risk or financial burden for their health care costs. The State has not yet made any decision on when or how it will fund the full ARC, although it has taken several steps.
- The Governmental Accounting Standards Board Statement No. 43 sets the financial reporting standards for postemployment benefit plans other than pension plans. The term *plans* refers to trust or other funds that accumulate assets to finance the OPEB, and benefits are paid as they come due. The requirements of this statement are effective beginning with fiscal year 2007. In fiscal year 2007, an irrevocable trust was established to be administered by the State Treasurer for the purpose of accumulating and providing reserves to fund retiree post-employment benefits for members of the VSRS, excluding pensions and benefits otherwise appropriated by statute. All funds remitted to the State as a subsidy on behalf of the members of the VSRS for employer-sponsored qualified prescription drug plans pursuant to the Medicare Prescription Drug Improvement and Modernization Act of 2003 will be deposited into this fund, as well as any appropriations by the legislature to fund retiree post-employment benefits other than pension for members of the VSRS.

These factors will likely have an impact on the State's financial position and budget in future fiscal years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Vermont's finances for all of Vermont's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

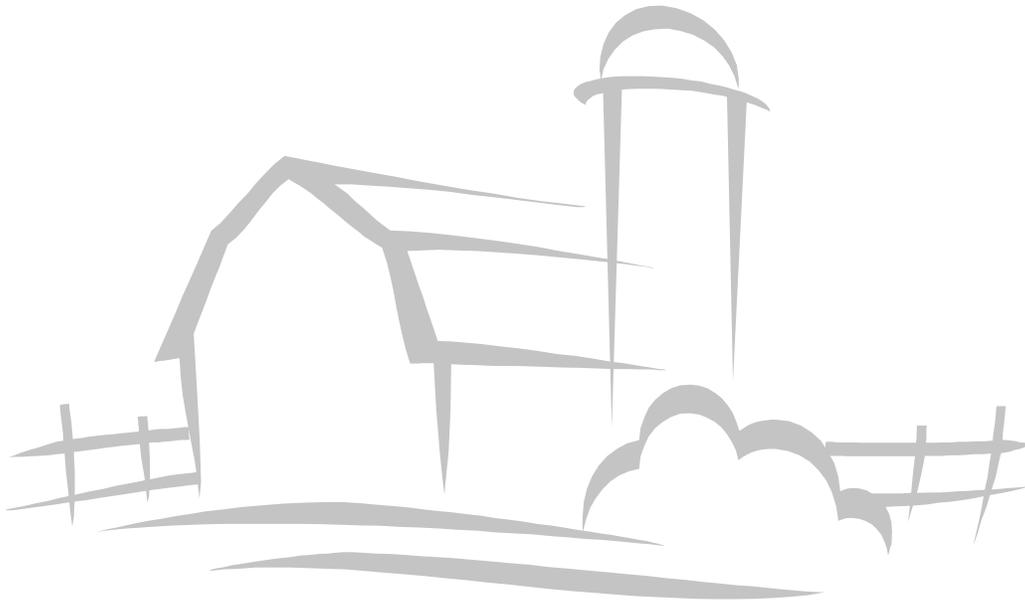
State of Vermont
Department of Finance and Management
109 State Street, 5th Floor
Pavilion Building
Montpelier, Vermont 05609-0401

The State's component units issue their own separately issued financial statements. Their statements may be obtained by directly contacting them at the addresses found in Note 1 to the State's financial statements.



BASIC FINANCIAL STATEMENTS

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Vermont



**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

**STATE OF VERMONT
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 335,213,647	\$ 206,941,347	\$ 542,154,994	\$ 220,804,756
Taxes receivable (net).....	104,914,582	8,634,074	113,548,656	-
Loans and notes receivable-current.....	6,600,080	936,370	7,536,450	165,149,869
Federal grants receivable (net).....	137,856,940	144,597	138,001,537	14,358,083
Other receivables (net).....	40,506,462	1,268,615	41,775,077	101,231,955
Investments.....	32,781,895	-	32,781,895	108,208,884
Inventories.....	2,626,247	5,155,949	7,782,196	226,434
Internal balances.....	1,277,092	(1,277,092)	-	-
Receivable from component units.....	2,762,812	-	2,762,812	-
Other current assets.....	1,060,286	159,731	1,220,017	11,730,262
Total current assets.....	665,600,043	221,963,591	887,563,634	621,710,243
Noncurrent assets:				
Cash and cash equivalents.....	-	951,284	951,284	26,162,688
Taxes receivable.....	94,136,827	-	94,136,827	-
Other receivables.....	21,040,588	68,188	21,108,776	-
Notes and loans receivable.....	153,906,897	972,596	154,879,493	2,098,019,099
Investments.....	32,721,470	3,028,976	35,750,446	427,503,033
Other noncurrent assets.....	9,277,985	-	9,277,985	28,412,831
Capital assets:				
Land.....	71,141,882	-	71,141,882	26,733,028
Construction in progress.....	317,331,633	-	317,331,633	78,815,579
Works of art.....	111,521	-	111,521	-
Capital assets being depreciated:				
Infrastructure.....	1,312,999,583	-	1,312,999,583	19,516,891
Property, plant and equipment.....	466,305,821	1,177,818	467,483,639	710,710,862
Less accumulated depreciation.....	(925,068,594)	(805,876)	(925,874,470)	(308,621,955)
Total capital assets, net of depreciation.....	1,242,821,846	371,942	1,243,193,788	527,154,405
Total noncurrent assets.....	1,553,905,613	5,392,986	1,559,298,599	3,107,252,056
Total assets.....	2,219,505,656	227,356,577	2,446,862,233	3,728,962,299

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities.....	216,241,348	8,249,001	224,490,349	72,341,296
Income tax refunds payable.....	69,804,279	-	69,804,279	-
Payable to primary government.....	-	-	-	2,762,812
Accrued interest payable.....	7,794,963	-	7,794,963	5,543,426
Bonds, notes and leases payable.....	50,632,978	-	50,632,978	124,080,426
Compensated absences.....	20,345,922	216,526	20,562,448	-
Claims and judgments.....	10,314,803	-	10,314,803	-
Current portion of other long-term liabilities.....	1,273,601	-	1,273,601	679,359
Deferred revenue.....	13,134,448	1,059,195	14,193,643	24,786,153
Total current liabilities	<u>389,542,342</u>	<u>9,524,722</u>	<u>399,067,064</u>	<u>230,193,472</u>
Long-term liabilities:				
Lottery prize awards payable.....	-	4,003,964	4,003,964	-
Bonds, notes and leases payable.....	411,077,366	-	411,077,366	2,533,048,320
Compensated absences.....	10,127,222	120,038	10,247,260	-
Claims and judgments.....	23,174,203	-	23,174,203	-
Other long-term liabilities.....	223,686,197	-	223,686,197	44,337,312
Total long-term liabilities.....	<u>668,064,988</u>	<u>4,124,002</u>	<u>672,188,990</u>	<u>2,577,385,632</u>
Total liabilities.....	<u>1,057,607,330</u>	<u>13,648,724</u>	<u>1,071,256,054</u>	<u>2,807,579,104</u>
NET ASSETS				
Invested in capital assets, net of related debt.....	1,080,092,389	371,942	1,080,464,331	165,430,751
Restricted for:				
Unemployment compensation.....	-	209,321,179	209,321,179	-
Component unit net assets.....	-	-	-	516,629,098
Funds held in permanent investments:				
Expendable.....	22,096,858	-	22,096,858	-
Nonexpendable.....	4,673,830	-	4,673,830	-
Budget stabilization.....	87,176,077	-	87,176,077	-
Global commitment to health.....	31,446,757	-	31,446,757	-
Capital projects.....	22,096,316	-	22,096,316	-
Unrestricted.....	(85,683,901)	4,014,732	(81,669,169)	239,323,346
Total net assets.....	<u>\$ 1,161,898,326</u>	<u>\$ 213,707,853</u>	<u>\$ 1,375,606,179</u>	<u>\$ 921,383,195</u>

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

**STATE OF VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government.....	\$ 110,054,915	\$ 46,748,777	\$ 2,429,614	\$ -
Protection to persons & property.....	233,163,452	97,700,416	43,494,691	-
Human services.....	1,445,867,889	33,474,522	833,215,997	-
Employment & training.....	21,154,243	516,896	18,175,215	-
General education.....	1,555,673,656	1,702,774	112,640,373	-
Natural resources.....	82,814,307	23,868,138	21,856,328	9,860,615
Commerce & community development.....	32,251,500	519,461	9,405,148	-
Transportation.....	301,625,876	74,645,995	30,824,625	118,797,298
Public service enterprises.....	1,994,246	2,050,307	-	-
Interest on long-term debt.....	21,046,866	-	-	-
Total governmental activities.....	<u>3,805,646,950</u>	<u>281,227,286</u>	<u>1,072,041,991</u>	<u>128,657,913</u>
Business-type activities:				
Vermont Lottery Commission.....	82,262,856	104,878,624	-	-
Liquor Control.....	40,511,410	41,480,297	-	-
Unemployment Compensation.....	85,483,130	57,428,204	-	-
Other.....	2,948,294	2,648,873	-	-
Total business-type activities.....	<u>211,205,690</u>	<u>206,435,998</u>	<u>0</u>	<u>0</u>
Total primary government.....	<u>\$ 4,016,852,640</u>	<u>\$ 487,663,284</u>	<u>\$ 1,072,041,991</u>	<u>128,657,913</u>
Component Units:				
Vermont Student Assistance Corporation.....	\$ 154,884,000	\$ 84,537,000	\$ 75,937,000	\$ -
University of Vermont and State Agricultural College.....	453,127,000	241,837,000	196,167,000	8,234,000
Vermont State Colleges.....	135,102,593	83,360,619	50,145,122	1,664,675
Other.....	61,848,235	41,440,876	13,145,779	752,492
Total component units.....	<u>\$ 804,961,828</u>	<u>\$ 451,175,495</u>	<u>\$ 335,394,901</u>	<u>\$ 10,651,167</u>

General Revenues:

Taxes:
Personal and corporate income.....
Sales and use.....
Meals and rooms.....
Purchase and use.....
Motor fuel.....
Statewide property.....
Other taxes.....
Total taxes.....
Unrestricted investment earnings.....
Tobacco litigation settlement.....
Additions to non-expendable endowments.....
Miscellaneous.....
Transfers.....
Total general revenues and transfers.....

Changes in net assets.....

Net Assets - Beginning.....

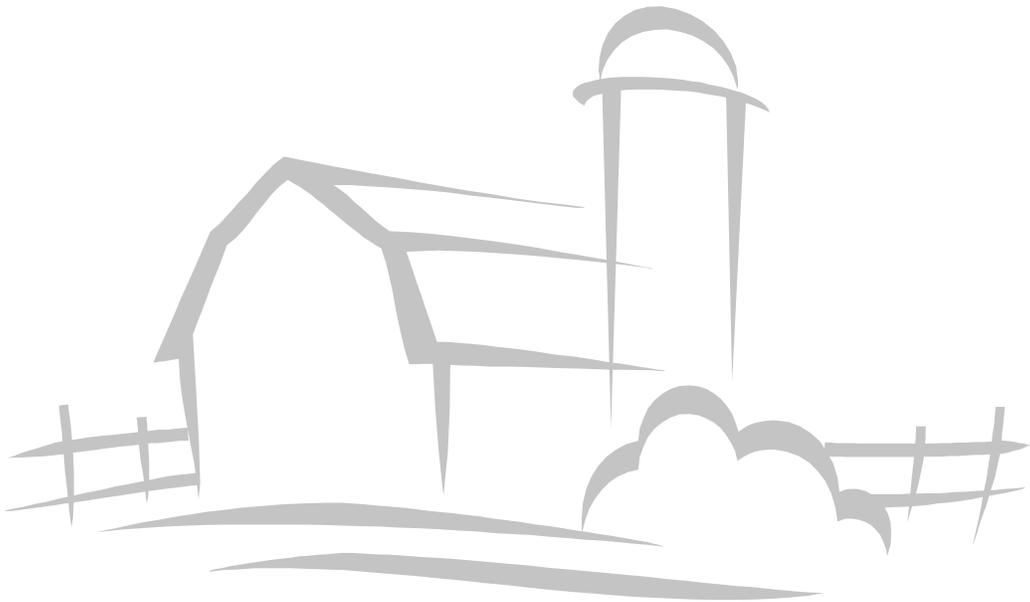
Net Assets - Ending.....

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

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government			Discretely Presented Component Units
Governmental Activities	Business-type Activites	Total	
\$ (60,876,524)	\$ -	\$ (60,876,524)	\$ -
(91,968,345)	-	(91,968,345)	-
(579,177,370)	-	(579,177,370)	-
(2,462,132)	-	(2,462,132)	-
(1,441,330,509)	-	(1,441,330,509)	-
(27,229,226)	-	(27,229,226)	-
(22,326,891)	-	(22,326,891)	-
(77,357,958)	-	(77,357,958)	-
56,061	-	56,061	-
(21,046,866)	-	(21,046,866)	-
<u>(2,323,719,760)</u>	<u>0</u>	<u>(2,323,719,760)</u>	<u>0</u>
-	22,615,768	22,615,768	-
-	968,887	968,887	-
-	(28,054,926)	(28,054,926)	-
-	(299,421)	(299,421)	-
<u>0</u>	<u>(4,769,692)</u>	<u>(4,769,692)</u>	<u>0</u>
<u>(2,323,719,760)</u>	<u>(4,769,692)</u>	<u>(2,328,489,452)</u>	<u>0</u>
-	-	-	5,590,000
-	-	-	(6,889,000)
-	-	-	67,823
-	-	-	(6,509,088)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(7,740,265)</u>
612,565,565	-	612,565,565	-
327,074,633	-	327,074,633	-
111,570,407	-	111,570,407	-
80,987,232	-	80,987,232	-
67,579,632	-	67,579,632	-
813,588,165	-	813,588,165	-
317,186,837	-	317,186,837	15,671,180
<u>2,330,552,471</u>	<u>0</u>	<u>2,330,552,471</u>	<u>15,671,180</u>
7,426,303	9,831,999	17,258,302	55,017,880
24,056,870	-	24,056,870	-
-	-	-	761,704
2,276,594	8,341	2,284,935	129,925
23,548,129	(23,548,129)	-	-
<u>2,387,860,367</u>	<u>(13,707,789)</u>	<u>2,374,152,578</u>	<u>71,580,689</u>
64,140,607	(18,477,481)	45,663,126	63,840,424
<u>1,097,757,719</u>	<u>232,185,334</u>	<u>1,329,943,053</u>	<u>857,542,771</u>
<u>\$ 1,161,898,326</u>	<u>\$ 213,707,853</u>	<u>\$ 1,375,606,179</u>	<u>\$ 921,383,195</u>

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Vermont



**GOVERNMENTAL FUNDS
FINANCIAL STATEMENTS**

**STATE OF VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	General Fund	Transportation Fund	Education Fund
ASSETS:			
Cash and cash equivalents.....	\$ 100,436,494	\$ 8,384,003	\$ 29,556,505
Investments.....	-	-	-
Receivables:			
Taxes receivable (net).....	165,686,443	9,355,267	13,532,303
Notes and loans receivable.....	5,915,196	1,881,476	-
Other receivables (net).....	12,090,650	10,297,861	-
Intergovernmental receivable - federal government (net).....	-	23,016,298	-
Due from other funds.....	399,544	395,020	-
Due from component units.....	2,710,982	-	-
Interfund receivable.....	31,463,007	-	-
Advances to other funds.....	323,700	-	-
Restricted cash.....	-	1,748,878	-
	\$ 319,026,016	\$ 55,078,803	\$ 43,088,808
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable.....	\$ 21,347,944	\$ 17,802,931	\$ 13,468,085
Accrued liabilities.....	13,182,890	5,435,788	-
Retainage payable.....	1,493,338	2,148,044	-
Due to other funds.....	12,927,311	49,400	11,623
Tax refunds payable.....	5,994,718	-	-
Deferred revenue.....	102,629,765	8,841,528	2,499,815
	157,575,966	34,277,691	15,979,523
FUND BALANCES:			
Reserved for:			
Encumbrances.....	4,773,632	1,021	-
Budget stabilization.....	51,807,658	11,043,987	24,324,432
Debt service.....	722,799	-	-
Advances and notes receivable.....	6,238,896	-	-
General fund surplus.....	21,135,375	-	-
State healthcare resources fund.....	-	-	-
Human caseload management.....	8,454,751	-	-
Endowments.....	-	-	-
Unreserved:			
Designated for specific purposes.....	-	-	-
Undesignated.....	68,316,939	9,756,104	2,784,853
	161,450,050	20,801,112	27,109,285
Total fund balances.....	161,450,050	20,801,112	27,109,285
Total liabilities and fund balances.....	\$ 319,026,016	\$ 55,078,803	\$ 43,088,808

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

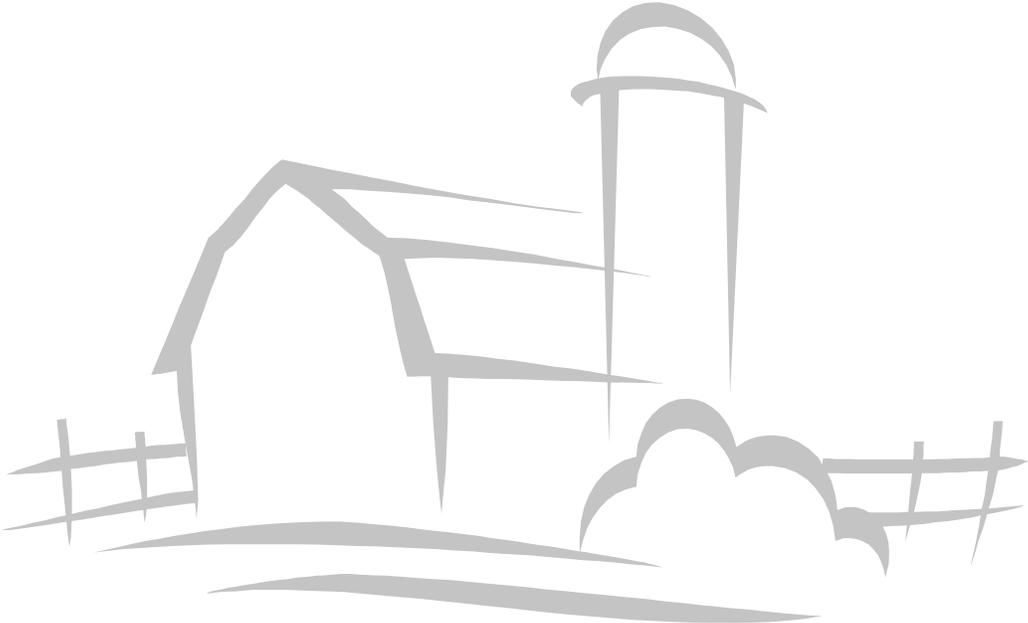
Special Fund	Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Total Governmental Funds
\$ 80,855,898	\$ 14,220,467	\$ 13,439,915	\$ 37,200,623	\$ 284,093,905
35,863,066	15,000,000	-	14,640,299	65,503,365
10,380,872	-	-	96,524	199,051,409
190,000	152,520,305	-	-	160,506,977
9,212,997	5,528,273	18,007,165	328,290	55,465,236
-	114,592,384	-	248,258	137,856,940
910,537	18,177	87,135,821	5,873	88,864,972
51,830	-	-	-	2,762,812
-	-	-	-	31,463,007
-	-	-	-	323,700
3,028,103	-	-	150,032	4,927,013
\$ 140,493,303	\$ 301,879,606	\$ 118,582,901	\$ 52,669,899	\$ 1,030,819,336
\$ 12,156,439	\$ 31,071,562	\$ 85,915,089	\$ 2,646,742	\$ 184,408,792
3,437,670	5,964,862	1,220,897	547,382	29,789,489
19,656	67,667	-	471,296	4,200,001
20,736,694	54,341,523	-	242	88,066,793
-	-	-	-	5,994,718
6,281,800	157,424,923	11,581,729	6,003	289,265,563
42,632,259	248,870,537	98,717,715	3,671,665	601,725,356
4,767,027	11,383,124	158	4,672,765	25,597,727
-	-	-	-	87,176,077
-	-	-	-	722,799
-	-	-	-	6,238,896
-	-	-	-	21,135,375
16,200,000	-	-	-	16,200,000
-	-	-	-	8,454,751
-	-	-	7,415,388	7,415,388
-	-	19,865,028	22,096,858	41,961,886
76,894,017	41,625,945	-	14,813,223	214,191,081
97,861,044	53,009,069	19,865,186	48,998,234	429,093,980
\$ 140,493,303	\$ 301,879,606	\$ 118,582,901	\$ 52,669,899	\$ 1,030,819,336

State of Vermont
Reconciliation of Governmental Fund Balances
to the Statement of Net Assets - Governmental Activities
June 30, 2006

Total fund balances from previous page		\$ 429,093,980
<p>Capital assets used in governmental activities (net of internal service funds' capital assets) are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds. Those assets consist of:</p>		
Land.....	71,115,726	
Construction in progress.....	315,273,256	
Depreciable capital assets and infrastructure, net of \$891,922,586 of accumulated depreciation.....	825,606,059	
Capital assets, net of accumulated depreciation.....		1,211,995,041
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to certain funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....</p>		
		21,118,915
<p>Amount presented in the statement of net assets relating to, but not in fund balances due to different basis of accounting include:</p>		
Long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred revenues in the governmental funds.....		277,659,712
Deferred charge for unamortized bond issuance costs.....		1,634,495
Deferred for unamortized loss on sale of refunding bonds.....		7,643,490
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not considered financial liabilities for fund perspective reporting, and therefore, are not reported in the funds. These liabilities include:</p>		
Bonded and capital lease debt.....	(461,710,344)	
Accrued interest payable on bonds.....	(7,794,963)	
Compensated absences (net of internal service funds' liability).....	(28,972,641)	
Tax refunds payable.....	(63,809,561)	
Other long-term liabilities.....	(224,959,798)	
Long-term liabilities.....		(787,247,307)
Net assets of governmental activities.....		\$ 1,161,898,326

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

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Vermont

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Education Fund</u>
REVENUES:			
Taxes:			
Personal income tax.....	\$ 545,710,460	\$ -	\$ -
Corporate income tax.....	72,035,738	-	-
Sales and use tax.....	218,226,689	-	109,111,895
Meals and rooms.....	112,203,945	-	-
Motor fuel tax.....	-	64,606,330	-
Purchase and use tax.....	-	53,987,968	26,996,736
Statewide education tax.....	-	-	813,588,165
Other taxes.....	150,574,181	18,090,639	1,771,798
Earnings of departments:			
Fees.....	13,232,288	3,393,919	-
Rents and leases.....	-	862,137	-
Sales of services.....	1,281,045	138,465	-
Federal grants.....	-	149,621,924	-
Fines, forfeits and penalties.....	2,775,474	8,605,155	-
Investment income.....	3,348,484	112,769	163,165
Licenses:			
Business.....	2,798,837	512,887	-
Non-business.....	88,450	60,765,946	-
Special assessments.....	-	-	-
Other revenues.....	404,985	2,191,446	-
Total revenues.....	<u>1,122,680,576</u>	<u>362,889,585</u>	<u>951,631,759</u>
EXPENDITURES:			
General government.....	43,270,300	9,704,200	-
Protection to persons and property.....	81,476,870	27,791,598	-
Human services.....	272,632,793	1,641,462	-
Employment and training.....	1,415,582	-	-
General education.....	137,093,589	3,121,901	1,239,071,785
Natural resources.....	22,073,444	1,464,802	-
Commerce and community development.....	16,086,954	-	-
Transportation.....	-	321,235,007	-
Public service enterprises.....	-	-	-
Debt service.....	62,701,531	2,146,285	-
Total expenditures.....	<u>636,751,063</u>	<u>367,105,255</u>	<u>1,239,071,785</u>
Excess of revenues over (under) expenditures.....	<u>485,929,513</u>	<u>(4,215,670)</u>	<u>(287,440,026)</u>
Other Financing Sources (Uses):			
Proceeds from the sale of bonds.....	-	-	-
Premium on sale of bonds.....	744,195	-	-
Transfers in.....	10,300,052	11,171,844	289,475,912
Transfers out.....	(499,191,878)	(8,383,514)	(932,000)
Total other financing sources (uses).....	<u>(488,147,631)</u>	<u>2,788,330</u>	<u>288,543,912</u>
Net change in fund balances.....	<u>(2,218,118)</u>	<u>(1,427,340)</u>	<u>1,103,886</u>
Fund balances, July 1.....	<u>163,668,168</u>	<u>22,228,452</u>	<u>26,005,399</u>
Fund balances, June 30.....	<u>\$ 161,450,050</u>	<u>\$ 20,801,112</u>	<u>\$ 27,109,285</u>

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

Special Fund	Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 545,710,460
-	-	-	-	72,035,738
-	-	-	-	327,338,584
-	-	-	-	112,203,945
1,964,758	-	-	1,008,544	67,579,632
-	-	-	-	80,984,704
-	-	-	-	813,588,165
147,463,202	-	-	-	317,899,820
36,024,149	-	-	162,673	52,813,029
2,881,868	-	-	55,715	3,799,720
8,236,025	-	-	-	9,655,535
-	1,041,209,358	-	4,787,359	1,195,618,641
7,776,676	-	-	14,763	19,172,068
4,796,862	2,287,885	-	759,569	11,468,734
10,668,055	-	-	1,550	13,981,329
2,372,423	-	-	5,564,095	68,790,914
27,315,061	-	-	5,138	27,320,199
49,317,808	5,379,238	-	1,034,029	58,327,506
298,816,887	1,048,876,481	0	13,393,435	3,798,288,723
8,099,257	2,380,747	-	12,620,495	76,074,999
72,401,806	44,137,058	1,277,507	6,143,092	233,227,931
144,549,806	428,216,915	586,149,229	1,838,117	1,435,028,322
286,803	19,388,103	-	-	21,090,488
18,328,446	111,728,223	3,783,657	11,639,192	1,524,766,793
23,583,482	33,971,506	-	21,784,980	102,878,214
5,480,743	9,275,284	-	1,726,633	32,569,614
186,182	-	-	474,145	321,895,334
1,994,246	-	-	-	1,994,246
2,383,260	-	-	-	67,231,076
277,294,031	649,097,836	591,210,393	56,226,654	3,816,757,017
21,522,856	399,778,645	(591,210,393)	(42,833,219)	(18,468,294)
-	-	-	45,000,000	45,000,000
-	-	-	-	744,195
164,695,393	15,580,148	656,960,846	6,894,006	1,155,078,201
(160,675,520)	(415,565,732)	(45,885,267)	(3,254,886)	(1,133,888,797)
4,019,873	(399,985,584)	611,075,579	48,639,120	66,933,599
25,542,729	(206,939)	19,865,186	5,805,901	48,465,305
72,318,315	53,216,008	0	43,192,333	380,628,675
\$ 97,861,044	\$ 53,009,069	\$ 19,865,186	\$ 48,998,234	\$ 429,093,980

State of Vermont
Reconciliation of Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds to the
Statement of Activities - Governmental Activities
For the Fiscal Year Ended June 30, 2006

Total net change in fund balances from the previous page..... \$ 48,465,305

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period (net of internal service funds).

Capital outlay/functional expenditures and expensed net book value of disposed capital assets	107,138,213
Depreciation expense	(75,089,055)

Repayment of bond principal is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayment.....	49,866,311
--------------------------	------------

Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Bonds issued.....	(45,000,000)
Bond premium is amortized over the life of the bonds in the statement of activities.....	529,405
Refunding bonds gain amortized over the life of the refunded bonds.....	(1,091,927)

Bond issuance costs are reported as expenditures in the governmental funds, but this cost is amortized over the life of the bonds in the statement of activities.....

137,664

Receivables in the governmental funds that are not available to provide current financial resources are not reported as revenues in the governmental funds.....

5,433,408

Estimated personal income tax refunds that are not due and payable are not governmental fund liabilities.....

(4,844,575)

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.

Net increase in accrued interest payable.....	(1,418,696)
Accreted interest on capital appreciation bonds.....	(2,445,078)
Increase in compensated absences.....	(1,161,601)
Increase in employer pension related costs.....	(31,953,604)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.....

4,252,486

Notes and loans issued by governmental funds are reported as an expenditure in governmental funds and repayments are reported as a revenue in the governmental funds, but the issuances and repayment increase or decrease notes and loans receivable in the statement of net assets.....

11,322,351

Total changes in net assets of governmental activities as reported on the statement of activities..... \$ 64,140,607

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



**PROPRIETARY FUNDS
FINANCIAL STATEMENTS**

STATE OF VERMONT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Business-type Activities - Enterprise Funds		
	Unemployment Compensation	Liquor Control	Vermont Lottery
	Trust Fund	Fund	Commission
ASSETS			
Current Assets:			
Cash and cash equivalents.....	\$ 202,558,504	\$ 1,154,862	\$ 2,086,775
Investments.....	-	-	-
Receivables:			
Taxes receivable (net of allowance for uncollectibles).....	8,634,074	-	-
Accrued interest receivable.....	-	-	-
Accounts receivable (net of allowance for uncollectibles).....	366,531	111,621	507,269
Loans receivable.....	-	-	-
Due from other funds.....	-	-	11,623
Intergovernmental receivable - federal.....	144,597	-	-
Inventories, at cost.....	-	4,367,766	422,845
Prepaid expenses.....	-	-	-
Total current assets.....	211,703,706	5,634,249	3,028,512
Restricted and Noncurrent Assets:			
Cash-subscription reserve fund.....	-	-	-
Investments.....	-	-	3,028,976
Loans receivable.....	-	-	-
Accounts receivable - subscriptions.....	-	-	-
Imprest cash and change fund - advances.....	-	5,700	300,000
Total restricted & noncurrent assets.....	0	5,700	3,328,976
Capital Assets:			
Land.....	-	-	-
Construction in progress.....	-	-	-
Capital assets being depreciated:			
Machinery, equipment and buildings.....	-	886,831	269,347
Less accumulated depreciation.....	-	(630,200)	(159,422)
Total capital assets, net of depreciation.....	0	256,631	109,925
Total assets.....	211,703,706	5,896,580	6,467,413
LIABILITIES			
Current Liabilities:			
Accounts payable.....	1,677,357	3,783,031	742,956
Accrued salaries and benefits.....	-	388,175	139,394
Claims payable.....	-	-	-
Due to lottery winners.....	-	-	479,723
Due to agents.....	-	276,198	-
Due to other funds.....	11,375	255,528	-
Interfund payable.....	-	-	-
Future and unclaimed prizes payable.....	-	-	1,554,375
Deferred revenue.....	-	-	168,942
Other Liabilities.....	693,795	-	-
Total current liabilities.....	2,382,527	4,702,932	3,085,390
Liabilities Payable From Restricted Assets:			
Unexpired subscriptions.....	-	-	-
Due to lottery winners.....	-	-	2,449,589
Advances from other funds.....	-	5,700	300,000
Total liabilities payable from restricted assets.....	0	5,700	2,749,589
Total liabilities.....	2,382,527	4,708,632	5,834,979
NET ASSETS			
Invested in capital assets.....	-	256,631	109,925
Restricted for unemployment compensation benefits.....	209,321,179	-	-
Unrestricted.....	-	931,317	522,509
Total net assets.....	\$ 209,321,179	\$ 1,187,948	\$ 632,434

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

Business-type Activities - Enterprise Funds		Governmental Activities	
Non-major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds	
\$ 1,141,206	\$ 206,941,347	\$ 46,177,629	
-	-	-	
-	8,634,074	-	
5,395	5,395	-	
277,799	1,263,220	12,222,545	
936,370	936,370	-	
11,375	22,998	-	
-	144,597	-	
365,338	5,155,949	2,626,247	
159,731	159,731	1,060,286	
2,897,214	223,263,681	62,086,707	
642,684	642,684	-	
-	3,028,976	-	
972,596	972,596	-	
68,188	68,188	-	
2,900	308,600	15,100	
1,686,368	5,021,044	15,100	
-	-	26,156	
-	-	2,058,377	
21,640	1,177,818	61,888,280	
(16,254)	(805,876)	(33,146,008)	
5,386	371,942	30,826,805	
4,588,968	228,656,667	92,928,612	
305,463	6,508,807	3,293,796	
99,473	627,042	2,915,962	
-	-	33,489,006	
-	479,723	-	
-	276,198	-	
-	266,903	-	
821,385	821,385	30,470,438	
-	1,554,375	-	
247,569	416,511	1,528,597	
-	693,795	-	
1,473,890	11,644,739	71,697,799	
642,684	642,684	-	
-	2,449,589	-	
2,900	308,600	15,100	
645,584	3,400,873	15,100	
2,119,474	15,045,612	71,712,899	
5,386	371,942	30,826,805	
-	209,321,179	-	
2,464,108	3,917,934	(9,611,092)	
\$ 2,469,494	\$ 213,611,055	\$ 21,215,713	

Adjustment to reflect the consolidation of internal service activities related to enterprise funds 96,798
Net Assets - Business-type Activities..... \$ 213,707,853

STATE OF VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
Operating Revenues			
Charges for sales and services.....	\$ 49,277,052	\$ 39,739,399	\$ -
Ticket sales.....	-	-	104,853,954
Rental income.....	-	-	-
License fees.....	-	227,766	-
Federal donated property.....	-	-	-
Advertising revenue.....	-	-	-
Other operating revenues.....	8,151,152	1,513,132	24,670
Total operating revenues.....	57,428,204	41,480,297	104,878,624
Operating Expenses			
Cost of sales and services.....	77,331,978	32,180,959	-
Lottery ticket prizes.....	-	-	66,450,281
Agents commissions and fees.....	-	-	6,151,262
Tri-State (megabucks) and MUSL (powerball) expenses	-	-	2,681,054
Lottery tickets.....	-	-	1,274,637
Salaries and benefits	-	-	1,133,298
Insurance premium expense.....	-	-	-
Transportation.....	-	-	205,408
Contractual services.....	-	-	-
Repairs and maintenance.....	-	-	-
Warehouse expense.....	-	1,025,924	-
Depreciation.....	-	117,751	37,449
Rental expense.....	-	-	77,611
Utilities and property management.....	-	-	-
Non-capital equipment purchased.....	-	-	-
Stores and agencies expense.....	-	4,266,327	-
Promotions and advertising.....	-	-	381,788
Administrative expenses.....	-	1,459,982	2,760,196
Inspection and enforcement expense.....	-	1,462,305	-
Supplies and parts.....	-	-	14,937
Distribution and postage.....	-	-	-
Travel.....	-	-	-
Loss on bad debts.....	-	-	-
Other operating expenses.....	8,151,152	(142)	1,101,550
Total operating expenses.....	85,483,130	40,513,106	82,269,471
Operating income (loss).....	(28,054,926)	967,191	22,609,153
Non-Operating Revenues (Expenses)			
Gain (loss) on disposal of capital assets.....	-	8,386	(45)
Investment income (expense).....	9,848,568	-	(65,877)
Total non-operating revenues (expenses).....	9,848,568	8,386	(65,922)
Income (loss) before contributions and transfers.....	(18,206,358)	975,577	22,543,231
Capital contributions from (to) other funds.....	-	-	-
Transfer in.....	-	-	-
Transfer out.....	(328,238)	(263,305)	(23,013,768)
Changes in net assets.....	(18,534,596)	712,272	(470,537)
Total net assets, July 1.....	227,855,775	475,676	1,102,971
Total net assets, June 30.....	\$ 209,321,179	\$ 1,187,948	\$ 632,434

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

Business-type Activities - Enterprise Funds		Governmental Activities
Non-major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
\$ 1,763,037	\$ 90,779,488	\$ 175,968,697
-	104,853,954	-
-	-	12,119,674
-	227,766	-
283,204	283,204	-
502,715	502,715	-
99,917	9,788,871	2,870,594
2,648,873	206,435,998	190,958,965
950,157	110,463,094	118,574,278
-	66,450,281	-
-	6,151,262	-
-	2,681,054	-
-	1,274,637	-
932,141	2,065,439	26,249,787
416	416	6,972,072
41,078	246,486	191,899
79	79	3,504,319
954	954	3,575,300
-	1,025,924	-
2,371	157,571	6,627,566
18,662	96,273	2,037,881
9,596	9,596	8,942,910
1,322	1,322	1,134,043
-	4,266,327	-
369,047	750,835	-
285,025	4,505,203	7,045,647
-	1,462,305	-
16,735	31,672	7,865,467
223,088	223,088	-
8,569	8,569	-
8,901	8,901	-
78,002	9,330,562	326,542
2,946,143	211,211,850	193,047,711
(297,270)	(4,775,852)	(2,088,746)
-	8,341	23,832
49,308	9,831,999	1,351,345
49,308	9,840,340	1,375,177
(247,962)	5,064,488	(713,569)
-	-	360,728
328,238	328,238	7,848,503
(271,056)	(23,876,367)	(3,237,016)
(190,780)	(18,483,641)	4,258,646
2,660,274	232,094,696	16,957,067
\$ 2,469,494	\$ 213,611,055	\$ 21,215,713

Total change in net assets reported above..... (18,483,641)
Consolidation adjustment of internal service activities related to enterprise funds..... 6,160
Change in net assets - business-type activities..... \$ (18,477,481)

STATE OF VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
Cash Flows from Operating Activities:			
Cash received from customers.....	\$ 49,541,729	\$ 53,632,885	\$ 104,860,739
Cash paid to suppliers for goods and services.....	-	(38,849,846)	-
Cash paid to employees for services.....	-	(3,213,102)	(1,121,675)
Cash paid for prizes and commissions.....	-	-	(72,467,641)
Cash paid to claimants.....	(77,432,402)	-	-
Liquor taxes and licenses paid.....	-	(13,672,136)	-
Cash paid for fees, operations and other.....	-	-	(9,126,597)
Other operating revenues (expenses).....	(233,280)	1,513,275	24,670
Net cash provided (used) by operating activities.....	(28,123,953)	(588,924)	22,169,496
Cash Flows from Noncapital Financing Activities:			
Operating transfers in (out).....	-	(263,305)	(23,013,759)
Interfund loans and advances.....	-	-	-
Net cash provided (used) by noncapital financing activities.....	0	(263,305)	(23,013,759)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets.....	-	(33,585)	(7,000)
Proceeds from sale of capital assets.....	-	8,386	-
Net cash provided (used) by capital and related financing activities.....	0	(25,199)	(7,000)
Cash Flows From Investing Activities:			
Interest and dividends on investments.....	9,848,568	-	203,505
Proceeds from sales/maturities of investments.....	-	-	245,736
Interest & penalties received (paid).....	(336,261)	-	-
Excess cash transferred.....	-	-	-
Net cash provided (used) by investing activities.....	9,512,307	0	449,241
Net increase (decrease) in cash and cash equivalents.....	(18,611,646)	(877,428)	(402,022)
Cash and cash equivalents at July 1.....	221,170,150	2,037,990	2,788,797
Cash and cash equivalents at June 30 (see note below).....	\$ 202,558,504	\$ 1,160,562	\$ 2,386,775
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss).....	\$ (28,054,926)	\$ 967,191	\$ 22,609,153
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization.....	-	117,751	37,449
(Increase) decrease in accounts/taxes receivable.....	98,161	(6,416)	5,530
(Increase) decrease in loans receivable.....	-	-	-
(Increase) decrease in accrued interest receivable.....	-	-	-
(Increase) decrease in due from other funds.....	-	-	-
(Increase) decrease in inventory.....	-	(267,826)	174,766
(Increase) decrease in prepaid expenses.....	-	-	-
(Increase) decrease in intergovernmental receivable - federal.....	(66,764)	-	-
Increase (decrease) in accounts payable.....	133,670	(1,274,658)	(629,416)
Increase (decrease) in accrued salaries and benefits.....	-	29,052	11,623
Increase (decrease) in claims payable.....	-	-	-
Increase (decrease) in due to lottery winners.....	-	-	(245,736)
Increase (decrease) in due to agents.....	-	18,258	-
Increase (decrease) in future and unclaimed prizes payable.....	-	-	204,872
Increase (decrease) in deferred revenue.....	-	-	1,255
Increase (decrease) in due to other funds.....	-	(172,276)	-
Increase (decrease) in other liabilities.....	(234,094)	-	-
Increase (decrease) in subscription reserves.....	-	-	-
Total adjustments.....	(69,027)	(1,556,115)	(439,657)
Net cash provided (used) by operating activities.....	\$ (28,123,953)	\$ (588,924)	\$ 22,169,496

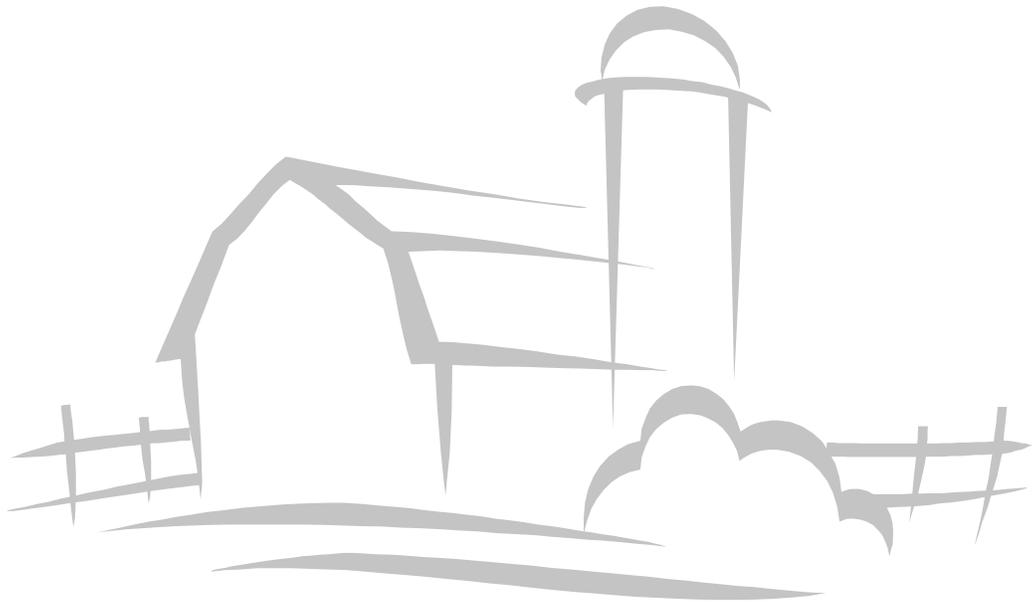
¹ July 1 balance restated for cash overdraft in Unemployment Compensation Trust Fund.

NOTE: Total cash/cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, cash-subscription reserve fund, and imprest cash on the Statement of Net Assets.

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

Business-type Activities - Enterprise Funds		Governmental Activities
Non-major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
\$ 2,980,633	\$ 211,015,986	\$ 187,540,668
(2,586,504)	(41,436,350)	(67,662,202)
(922,578)	(5,257,355)	(25,954,517)
-	(72,467,641)	-
-	(77,432,402)	(93,329,539)
-	(13,672,136)	-
-	(9,126,597)	-
19,056	1,323,721	2,558,272
(509,393)	(7,052,774)	3,152,682
-	(23,277,064)	4,743,965
150,378	150,378	379,129
150,378	(23,126,686)	5,123,094
(5,340)	(45,925)	(7,944,737)
-	8,386	466,564
(5,340)	(37,539)	(7,478,173)
49,308	10,101,381	1,351,345
-	245,736	-
336,262	1	-
(271,056)	(271,056)	-
114,514	10,076,062	1,351,345
(249,841)	(20,140,937)	2,148,948
2,036,631	228,033,568	44,043,781
\$ 1,786,790	\$ 207,892,631	\$ 46,192,729
\$ (297,270)	\$ (4,775,852)	\$ (2,088,746)
2,371	157,571	6,627,566
(79,116)	18,159	(580,355)
(323,392)	(323,392)	-
1,631	1,631	-
-	-	32,650
16,027	(77,033)	(430,079)
(47,002)	(47,002)	(23,274)
-	(66,764)	-
245,928	(1,524,476)	(1,365,614)
9,564	50,239	295,270
-	-	634,680
-	(245,736)	-
-	18,258	-
-	204,872	-
(31,515)	(30,260)	(36,684)
-	(172,276)	87,268
-	(234,094)	-
(6,619)	(6,619)	-
(212,123)	(2,276,922)	5,241,428
\$ (509,393)	\$ (7,052,774)	\$ 3,152,682

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Vermont



***FIDUCIARY FUNDS
FINANCIAL STATEMENTS***

**STATE OF VERMONT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006**

	Pension Trust Funds	Private Purpose Trust Fund	Agency Funds
		Unclaimed Property Fund	
ASSETS			
Cash and cash equivalents.....	\$ 390,080,692	\$ 3,647,013	\$ 7,018,782
Investments at fair value.....	2,848,491,356	-	-
Receivables:			
Taxes.....	-	-	639,377
Contributions.....	7,516,531	-	-
Investment principal and interest.....	15,759,787	-	-
Investments sold.....	58,239,182	-	-
Other.....	11,041,514	-	126,093
Due from other funds.....	-	-	31,655
Prepaid expenses.....	2,211,276	-	-
Other assets.....	-	906,259	-
Capital assets:			
Construction in progress.....	214,302	-	-
Total assets.....	3,333,554,640	4,553,272	7,815,907
LIABILITIES			
Liabilities:			
Accounts payable.....	2,441,184	3,036	-
Accrued liabilities.....	103,242	16,548	-
Claims payable.....	-	3,818,587	-
Due to other funds.....	-	56,155	529,774
Retainage.....	43,107	-	-
Interfund loans payable.....	-	-	171,184
Due to depositories.....	-	-	8,008
Intergovernmental payable - other governments.....	-	-	2,535,212
Amounts held in custody for others.....	-	-	3,817,528
Payable for investments purchased.....	247,659,669	-	-
Other liabilities.....	-	-	754,201
Total liabilities.....	250,247,202	3,894,326	\$ 7,815,907
Net assets held in trust for benefits & other purposes...	\$ 3,083,307,438	\$ 658,946	
RECONCILIATION OF NET ASSETS HELD IN TRUST:			
Employees' pension benefits.....	\$ 3,083,307,438	\$ -	
Other purposes.....	-	658,946	
Net assets held in trust for benefits & other purposes...	\$ 3,083,307,438	\$ 658,946	

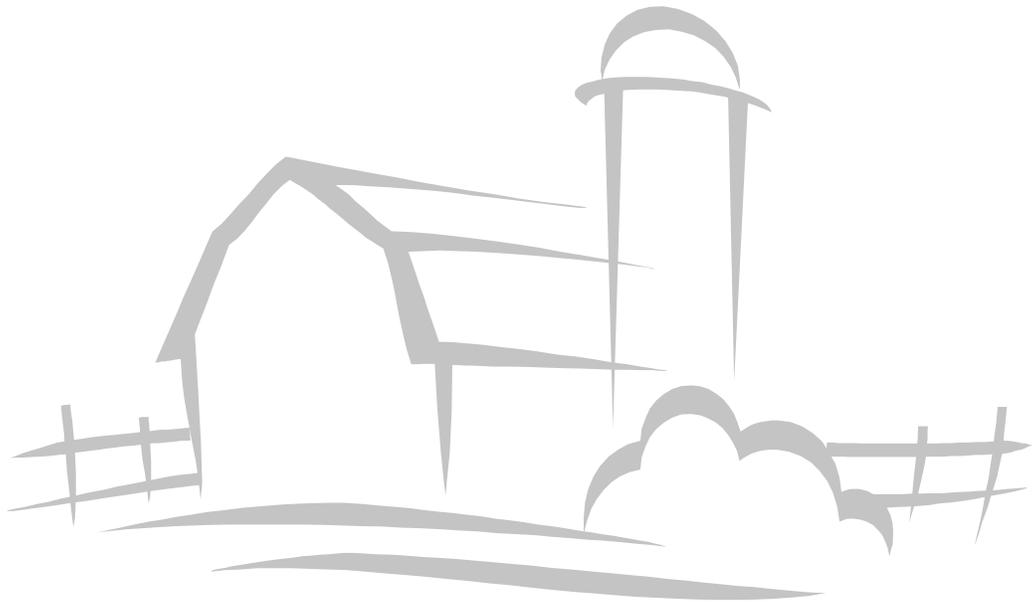
The accompanying notes are an integral part of these financial statements.

**STATE OF VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Pension Trust Funds	Private Purpose Trust Fund
	<u> </u>	<u> </u>
	Unclaimed Property Fund	<u> </u>
ADDITIONS		
Contributions:		
Employer.....	\$ 71,542,857	\$ -
Plan member.....	46,324,725	-
Transfers from non-state systems.....	110,315	-
Medicare part D drug subsidy.....	539,224	-
Total contributions.....	<u>118,517,121</u>	<u>0</u>
Investment Income:		
Net appreciation in fair value of investments.....	190,096,440	-
Dividends.....	36,120,410	-
Interest income.....	59,289,139	138,920
Securities lending income.....	1,193,512	-
Other income.....	1,568,101	-
Less Investment Expenses:		
Investment managers and consultants.....	(10,211,964)	-
Securities lending expenses.....	(396,902)	-
Net investment income.....	<u>277,658,736</u>	<u>138,920</u>
Escheat property remittances.....	-	3,111,321
Total additions.....	<u>396,175,857</u>	<u>3,250,241</u>
 DEDUCTIONS		
Retirement benefits.....	137,561,877	-
Refunds of contributions.....	3,269,622	-
Death claims.....	475,426	-
Operating expenses.....	26,581,076	701,111
Transfers out.....	-	2,252,762
Total deductions.....	<u>167,888,001</u>	<u>2,953,873</u>
 Change in net assets.....	228,287,856	296,368
 Net assets held in trust for benefits & other purposes:		
July 1.....	<u>2,855,019,582</u>	<u>362,578</u>
June 30.....	<u>\$ 3,083,307,438</u>	<u>\$ 658,946</u>

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

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Vermont



***Component Unit
Financial Statements***

STATE OF VERMONT
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2006

	Vermont Student Assistance Corporation 06/30/2006	University of Vermont and State Agricultural College 06/30/2006	Vermont State Colleges 06/30/2006	Non-major Component Units	Total Component Units
ASSETS					
Current Assets:					
Cash and cash equivalents.....	\$ 151,041,000	\$ 22,962,000	\$ 13,682,874	\$ 33,118,882	\$ 220,804,756
Investments.....	1,167,000	88,879,000	10,510,223	7,652,661	108,208,884
Accounts receivable (net).....	-	28,610,000	7,977,100	1,806,847	38,393,947
Accrued interest receivable - loans.....	41,736,000	-	-	14,256,439	55,992,439
Accrued interest receivable - investments.....	572,000	-	-	-	572,000
Loans and notes receivable - current portion.....	117,298,000	3,317,000	-	44,534,869	165,149,869
Other receivables.....	2,211,000	3,935,000	-	127,569	6,273,569
Due from federal government.....	109,000	-	-	14,249,083	14,358,083
Inventories (at cost).....	-	-	119,078	107,356	226,434
Prepaid expenses.....	-	-	-	9,837	9,837
Other current assets.....	1,572,000	8,255,000	1,283,152	610,273	11,720,425
Total current assets.....	315,706,000	155,958,000	33,572,427	116,473,816	621,710,243
Restricted and Non-Current Assets:					
Cash.....	-	24,198,000	698,815	1,265,873	26,162,688
Investments.....	-	343,130,000	18,286,817	66,086,216	427,503,033
Deferred bond issue costs.....	7,991,000	-	-	5,504,011	13,495,011
Loans and notes receivable (net).....	1,511,836,000	25,015,000	5,158,015	556,010,084	2,098,019,099
Other assets.....	-	14,913,000	-	4,820	14,917,820
Total restricted and noncurrent assets.....	1,519,827,000	407,256,000	24,143,647	628,871,004	2,580,097,651
Capital Assets:					
Land.....	3,150,000	17,884,000	5,386,653	312,375	26,733,028
Construction in process.....	-	73,978,000	4,758,982	78,597	78,815,579
Building and leasehold improvements.....	16,653,000	427,634,000	119,973,702	12,686,470	576,947,172
Equipment, furniture and fixtures.....	8,620,000	114,411,000	7,889,236	2,843,454	133,763,690
Infrastructure.....	-	-	19,516,891	-	19,516,891
Accumulated depreciation.....	(5,021,000)	(211,512,000)	(80,600,359)	(11,488,596)	(308,621,955)
Total capital assets, net of depreciation.....	23,402,000	422,395,000	76,925,105	4,432,300	527,154,405
Total assets.....	1,858,935,000	985,609,000	134,641,179	749,777,120	3,728,962,299
LIABILITIES					
Current Liabilities:					
Accounts payable.....	4,651,000	18,535,000	10,162,924	1,163,358	34,512,282
Accrued salaries and benefits.....	-	23,745,000	-	1,286,526	25,031,526
Accrued interest payable.....	-	-	-	711,521	711,521
Bond interest payable.....	3,120,000	-	-	1,711,905	4,831,905
Deferred revenue.....	2,086,000	18,011,000	4,256,841	432,312	24,786,153
Accrued arbitrage rebate.....	233,000	-	-	446,359	679,359
Current portion - bonds, notes and leases payable.....	735,000	4,433,000	1,875,228	117,037,198	124,080,426
Due to primary government.....	-	-	-	2,762,812	2,762,812
Escrowed cash deposits.....	-	-	-	137,278	137,278
Other current liabilities.....	-	437,000	-	12,223,210	12,660,210
Total current liabilities.....	10,825,000	65,161,000	16,294,993	137,912,479	230,193,472
Restricted and Non-Current Liabilities:					
Bonds, notes and leases payable.....	1,701,970,000	349,214,000	46,808,158	435,056,162	2,533,048,320
Accounts payable and accrued liabilities.....	-	-	854,025	-	854,025
Accrued arbitrage rebate.....	23,292,000	-	-	385,906	23,677,906
Other liabilities.....	-	13,541,000	6,233,914	30,467	19,805,381
Total liabilities payable from restricted assets.....	1,725,262,000	362,755,000	53,896,097	435,472,535	2,577,385,632
Total liabilities.....	1,736,087,000	427,916,000	70,191,090	573,385,014	2,807,579,104
NET ASSETS					
Invested in capital assets, (net of related debt).....	2,111,000	125,562,000	33,325,451	4,432,300	165,430,751
Restricted.....	69,951,000	306,156,000	13,820,140	126,701,958	516,629,098
Unrestricted - designated.....	-	-	-	30,000	30,000
Unrestricted.....	50,786,000	125,975,000	17,304,498	45,227,848	239,293,346
Total net assets.....	\$ 122,848,000	\$ 557,693,000	\$ 64,450,089	\$ 176,392,106	\$ 921,383,195

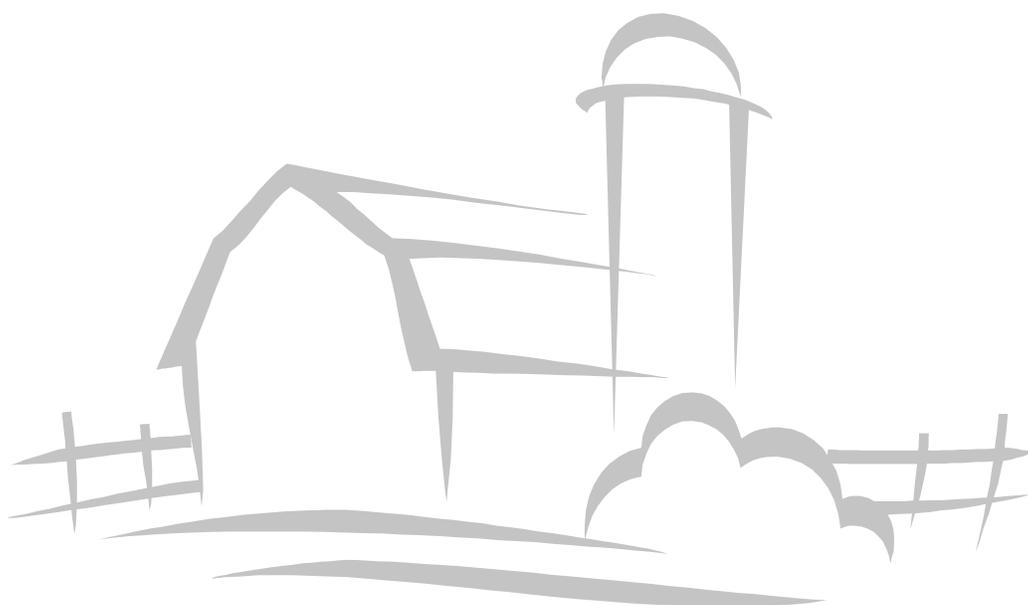
The accompanying notes are an integral part of these financial statements.

**STATE OF VERMONT
STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Function/Program</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Vermont Student Assistance Corporation.....	\$ 154,884,000	\$ 84,537,000	\$ 75,937,000	\$ -	\$ 5,590,000
University of Vermont and State Agricultural College.....	453,127,000	241,837,000	196,167,000	8,234,000	(6,889,000)
Vermont State Colleges.....	135,102,593	83,360,619	50,145,122	1,664,675	67,823
Non-major component units.....	<u>61,848,235</u>	<u>41,440,876</u>	<u>13,145,779</u>	<u>752,492</u>	<u>(6,509,088)</u>
Total component units.....	<u>\$ 804,961,828</u>	<u>\$ 451,175,495</u>	<u>\$ 335,394,901</u>	<u>\$ 10,651,167</u>	<u>(7,740,265)</u>
General Revenues:					
Property transfer tax.....					15,671,180
Investment income.....					55,017,880
Additions to non-expendable endowments.....					761,704
Miscellaneous.....					129,925
Total general revenues.....					<u>71,580,689</u>
Changes in net assets.....					63,840,424
Net assets - beginning.....					<u>857,542,771</u>
Net assets - ending.....					<u>\$ 921,383,195</u>

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

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Vermont

State of Vermont
Notes to the Financial Statements
Fiscal Year Ended June 30, 2006

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**STATE OF VERMONT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Vermont have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Newly implemented in these statements are the requirements of GASB Statement No. 42 - "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries;" GASB Statement No. 46 - "Net Assets Restricted by Enabling Legislation (an amendment of GASB Statement No. 34);" and GASB Statement No. 47 - "Accounting for Termination Benefits."

The accompanying financial statements present the financial position of the State, the results of operations of the State and the various funds and fund types, and the cash flows of the various proprietary funds. The financial statements are presented as of and for the period ending June 30, 2006.

A. Reporting Entity

The financial statements include the various agencies, boards, commissions, public trusts, and authorities of the State as well as legally separate entities over which the State's executive, legislative, and judicial branches exercise oversight responsibility. Oversight responsibility as defined by GASB includes the following considerations:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

In addition, the following criteria were considered during the evaluation of the legally separate entities for inclusion in the CAFR as Component Units:

the scope of public services as to whether its activity benefits the State or its citizens, and whether the activity is conducted within the geographic boundaries of Vermont and is generally available to Vermont residents; and

the existence of any special relationships regardless of whether the government exercises oversight responsibility that would cause the State's financial statements to be misleading or incomplete if the entity's financial activity were to be omitted.

Entities that may meet only one of the above criteria have not been included in this report.

As required by generally accepted accounting principles, these financial statements present the primary government and component units of the State of Vermont.

COMPONENT UNITS

Component Units are entities that, although legally separate from the State, have been included because they are either financially accountable to the State, or have relationships with the State such that exclusion would cause the State's financial statements to be misleading or incomplete. Their activity may be "blended" into the activity of the primary government or may be reported separately. If they are reported separately, they are called "discretely presented component units." Vermont does not report any blended component units in this CAFR but does report discretely presented component units that may report blended component units in their

financial statements (See the Vermont Municipal Bond Bank). Component Unit's designation as either "major" or "non-major" has been determined by applying the criteria of GASB Statement No. 34. See Section C – Fund Financial Statements – for definitions of major and non-major funds. Additional information as well as separately issued financial reports may be obtained by contacting the individual entity desired at the address given in the following text.

The "Discretely Presented Component Units" columns contained in the government-wide financial statements report the financial results of the following entities:

Major Component Units

Vermont Student Assistance Corporation (VSAC) – VSAC was established by the Vermont Legislature to provide opportunities for persons who are residents of Vermont to attend colleges or other institutions of higher education by awarding grants and by making, financing, servicing, and guaranteeing loans to qualifying students. For further information, contact their administrative offices at the Champlain Mill, P.O. Box 2000, Winooski, Vermont 05404-2601.

University Of Vermont (UVM) - The University of Vermont's financial report includes both the university and the State Agricultural College. Additional information may be obtained by contacting the university's administrative offices at 348 Waterman Building, Burlington, Vermont 05405.

Vermont State College System (VSC) – The Vermont State College System's annual report includes the financial activity for the following organizations:

- System Offices and Services
- Community College of Vermont
- Castleton State College
- Johnson State College
- Lyndon State College
- Vermont Technical College
- Vermont Interactive Television
- Practical Nursing Program
- Vermont Manufacturing Extension Center

Additional information about the system itself or about any of the individual organizations included in the system may be obtained by contacting the Office of the Chancellor, Vermont State Colleges, Stanley Hall, Park Street, PO Box 359, Waterbury, Vermont 05676.

Non-major Component Units

Vermont Educational and Health Buildings Financing Agency (VEHBFA) – VEHBFA is a non-profit entity which finances or assists in the financing of projects for eligible educational or health related entities. It has a December 31 (annual) year-end and issues audited financial statements under separate cover. For additional information, they may be contacted at 58 East State Street, Montpelier, Vermont 05601-0564.

Vermont Housing and Conservation Board (VHCB) – The Legislature created and charged this non-profit organization with two goals: create affordable housing for Vermont residents; and conserve and protect Vermont's agricultural lands, historic properties, important natural areas, and recreational lands. VHCB issues audited financial statements under separate cover. Additional information may be obtained by contacting them at 149 State Street, Montpelier, Vermont 05602.

Vermont Economic Development Authority (VEDA) – VEDA, a tax-exempt entity, was created by the Vermont Legislature for the purpose of promoting economic prosperity in the State by directly financing eligible businesses and projects including manufacturing, agricultural, and travel and tourism enterprises; and by operating programs which provide eligible borrowers with access to capital.

VEDA also administers the State Infrastructure Bank (SIB) and the Drinking Water State Revolving Loan Fund – Private Loans. These two funds are administered for the benefit of the State and are consolidated and reported in VEDA's agency fund. Audited financial statements and additional information may be obtained by contacting VEDA at 56 East State Street, Suite 5, Montpelier, Vermont 05602.

Vermont Municipal Bond Bank (VMBB) – The Vermont Legislature established the VMBB for the express purpose of fostering and promoting adequate capital markets and facilities for borrowing money by governmental units of the State of Vermont for the financing of public improvements or other public purposes. VMBB is authorized to carry out these charges by borrowing money or by issuing its own bonds and notes to obtain funds which are then utilized to purchase bonds and notes issued by local governmental entities. It has an annual fiscal year (December 31) and issues audited financial statements under separate cover.

VMBB also administers the *Special Environmental Revolving Fund* in accordance with 24 V.S.A. 4753(b). This fund was created by the Vermont Legislature for the purpose of fostering and promoting timely expenditures by municipalities for water supply, water pollution control, and solid waste management. The fund has a June 30 year-end and issues its own audited financial statements. For financial reporting purposes, its financial statements have been consolidated with the State's Federal Revenue Fund financial statements in this CAFR. Further information regarding VMBB or the Special Environmental Revolving Fund may be obtained by contacting VMBB at 58 East State Street, Montpelier, Vermont 05601-0564.

Vermont Center For Geographic Information (VCGI) – The Vermont Legislature established VCGI and charged it with creating a comprehensive strategy for the development and use of a geographic information system. Audited financial statements or additional information may be obtained by contacting them at 58 South Main Street, Suite 2, Waterbury, Vermont 05676.

Vermont Sustainable Jobs Fund, Inc. – The Vermont Legislature established a jobs program and directed VEDA to set up a non-profit 503(c)(3) corporation to implement the program and to establish policies and procedures in order to fulfill the goals of the jobs program as listed in 10 V.S.A. 326(a). Audited financial statements and additional information may be obtained by contacting them at 56 East State Street, Montpelier, Vermont 05602.

Vermont Transportation Authority (VTA) – The Vermont Legislature specifically authorized the creation of VTA pursuant to the acquisition, operation, and support of an authorized transportation facility as defined in 29 V.S.A. 701. It had no activity during fiscal year 2006 as operations were discontinued on February 28, 2003. Additional information may be obtained from the Agency of Transportation – Rail Division, National Life Building, Montpelier, Vermont 05633–5001.

Vermont Veterans' Home – The Vermont Veterans' Home was originally chartered in 1884 by the Vermont Legislature and incorporated on November 24, 1884. A Board of Trustees appointed by the Governor oversees the operations of the Vermont Veterans' Home. The Vermont Veterans' Home issues its own audited financial statements under separate cover. Additional information may be obtained by contacting them at 325 North Street, Bennington, Vermont 05201.

Vermont Rehabilitation Corporation – The Vermont Rehabilitation Corporation is a non-profit quasi-public corporation that was incorporated in 1935 in accordance with 10 V.S.A. 272-277. Its main purpose is to provide a limited source of loan funds to family farmers or prospective family farmers under terms and conditions which will reduce their investment costs to an extent that offers them a reasonable chance to succeed. Additional information may be obtained by contacting the Vermont State Treasurer at 109 State Street, 4th Floor, Montpelier, Vermont 05609-6200.

JOINT VENTURES

A joint venture is a legal entity or other contractual arrangement that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. The following entities in which the State has been participating have been classified as joint ventures. The financial activities of these organizations have not been included in the

State's financial statements; however, see Note 13 for a summary of the financial activity of the Tri-State Lotto Commission.

Connecticut River Atlantic Salmon Committee (10 V.S.A. 4654)
 Connecticut River Valley Flood Control Commission (10 V.S.A. 1153)
 New England Board of Higher Education (16 V.S.A. 2692)
 New England Interstate Water Pollution Control Commission (10 V.S.A. 1333)
 Northeastern Forest Fire Protection Commission (10 V.S.A. 2503)
 Tri-State Lotto Commission (31 V.S.A. 673)
 Texas Low Level Radioactive Waste Disposal Compact (10 V.S.A. 7013)

RELATED ORGANIZATIONS

Related organizations are separate legal entities for which the primary government is accountable only because it appoints a voting majority of the board but for which it is not financially accountable. The following entities have been classified as related organizations but their financial activity has not been included in the State's financial statements.

Vermont State Housing Authority (24 V.S.A. 4005)
 Vermont Housing Finance Agency (10 V.S.A. 611)

EXCLUDED ORGANIZATIONS

The following entities have been determined not to be part of the reporting entity after applying the criteria of GASB Statement No. 14 "The Financial Reporting Entity."

Vermont Council on the Humanities
 Vermont Council on the Arts
 Vermont Historical Society
 Vermont Public Power Supply Authority

These organizations have not been included in the reporting entity because they are legally separate entities and the voting majority of their governing boards are not appointed by the State. They are not fiscally dependent on the State's primary government and exclusion from the reporting entity would not render Vermont's financial statements incomplete or misleading.

B. Government-wide Financial Statements

Vermont's Government-wide Financial Statements (the Statement of Net Assets and the Statement of Activities) report information on all of the financial activities of both the primary government and its component units, except fiduciary activity. Fiduciary fund activity has not been included in these entity-wide statements in accordance with the requirements of GASB Statement No. 34. For the most part, the effect of intrafund activity has also been removed from these government-wide statements. Primary government activities are segregated between governmental activities and business-type activities. Governmental activities' sources of revenues are normally taxes and inter-governmental revenues. Business-type activities rely, to a significant extent, on fees and charges for support. Further, the primary government is reported separately from its legally separate component units.

The statement of activities demonstrates the degree to which direct expenses of a given function, segment, or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Items not properly included among program

revenues are reported instead as general revenues. Taxes and other resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources by management are not presented as restricted net assets. When both restricted and non-restricted resources are available for use, generally it is the State's policy to use restricted assets first with unrestricted resources utilized as needed.

C. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and major component units. Major governmental funds, major proprietary funds, and major component units are reported in individual columns in their respective fund financial statements. Non-major funds are consolidated and reported in a single column. The single test for classifying a fund as either major or non-major consists of applying the following two steps:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc) for all funds in that category or type (that is total governmental or total enterprise), **and**
- b. The same element that met the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

In addition to the above major fund criteria, any other governmental or enterprise fund that government officials believe is particularly important to financial statement users (i.e. because of public interest or for consistency) may be reported as a major fund.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental Fund Financial Statements – The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of year-end. Principle revenue sources considered susceptible to accrual include federal grants, interest on investments, and sales and income taxes. See special consideration for personal income tax revenue recognition under the "Receivables" section of this footnote.

Expenditures generally are recorded when a liability is due and payable. See the "Tax Refunds" section of this footnote for the special consideration afforded the recognition of personal income tax refunds in this report.

Modifications to the modified accrual basis of accounting include:

- a. Employees' vested annual, personal, and compensated leave time are recorded as expenditures when utilized. The amount of accumulated leave unpaid at the end of the fiscal year has been reported only in the government-wide financial statements and does not include any accruals for the State's share of any taxes due when the expenditures are actually paid. See the "Compensated Absences" section of this footnote for additional information.

- b. Interest on general long-term debt is recognized when due to be paid.
- c. Debt service expenditures and claims and judgments are recorded only when payment is due to be paid.

Proprietary Funds, Fiduciary Funds, and Discretely Presented Proprietary Fund Type Component Units – The financial statements presented for these types of funds use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liabilities are incurred. The State's proprietary funds have elected not to apply standards issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations). Revenues and expenses not meeting this definition are categorized as non-operating revenues and expenses.

University of Vermont (UVM) and the Vermont State College System (VSC) – These entities account for their activity using the economic resources measurement focus and the accrual basis of accounting in accordance with generally accepted accounting principles set forth for public colleges and universities.

E. Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. A fund is defined as a separate accounting entity with a self-balancing set of accounts. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The financial activities of the State that are reported in the accompanying financial statements have been classified into the following governmental, proprietary and fiduciary funds:

GOVERNMENTAL FUNDS

General Fund – The Vermont Legislature has established the General Fund as the basic operating fund of the State. As such, the General Fund is used to finance and to account for all expenditures for which no special revenues have otherwise been provided by law. All revenues received by the State and not otherwise required by law to be deposited in any other designated fund or used for any designated purpose are deposited in the General Fund. Unexpended and/or unencumbered appropriation balances will, unless otherwise directed by law, revert to fund balance at the end of the fiscal year.

Special Revenue Funds - These funds are used to account for revenues specifically earmarked to finance only particular or restricted programs and activities and include the following:

Transportation Fund – This fund is a major special revenue fund. It is used primarily for preservation, maintenance, and improvements to the State's transportation infrastructure. This infrastructure includes highways, bridges, railroads, airports, public transportation, and other related activities. The fund is also used for maintenance and staffing of highway rest areas, construction of transportation capital facilities, and to provide funding for transportation related debt service requirements. The principle sources of revenue in this fund are motor fuel taxes, motor vehicle purchase and use tax, motor vehicle license and registration fees, traffic ticket revenue, other statutorily specified revenues, as well as reimbursements from the federal government for transportation projects.

Education Fund – This fund is a major special revenue fund. It was established by the Vermont Legislature to equalize statewide education funding requirements. Sources of funding and allowable expenditures are codified in 16 V.S.A. 4025. These allowable expenditures include payments to school

districts and supervisory unions for the support of education, the costs of short-term borrowing, and education property tax rebates. Funding includes the statewide education tax, allocations of other taxes, State lottery profits, Medicaid reimbursements, and appropriated transfers from the General Fund.

Special Fund – This fund is a major special revenue fund. It consolidates many individual special revenue funds that account for proceeds or specific revenues not categorized above that are legally restricted to expenditures for specific purposes. These purposes cross the entire range of state government activities.

Federal Revenue Fund – This fund is a major special revenue fund. All federal grant receipts are recorded in this fund except for those federal funds specifically designated for transportation or fish and wildlife purposes. Federal grants of these latter two types are recorded in the State's Transportation Fund or Fish and Wildlife Fund respectively.

Global Commitment (to health) Fund – This fund is a major special revenue fund created in accordance with Section 16c of 33 V.S.A. 1901e. It is the result of Vermont entering into a Medicaid demonstration waiver agreement with the Federal Government. This agreement caps Federal expenditures in Medicaid services for five years but gives Vermont great latitude in promoting universal access to health care, cost containment, and effective administration. The State will be financially at risk for managing costs within the capped limits but stands to benefit from any savings realized from program efficiencies. As part of the agreement, the Agency of Human Resources (AHS) has contracted with the Office of Vermont Health Access, which will serve as a publicly sponsored managed care organization, and adhere to all Federal managed care organization regulations.

General, Special and Federal Revenue Funds are used to fund payments of actuarially certified premiums from the Agency of Human Services to the managed care organization within the Office of Vermont Health Access for the purpose of providing services under the global commitment to health care waiver approved by the Federal Centers for Medicare and Medicaid Services under Section 1115 of the Social Security Act. These payments are reported as transfers out of the General, Special and Federal Revenue Funds and as transfers in to the Global Commitment Fund.

These funds will be expended as appropriated by the general assembly, authorized by the Director of the Office of Vermont Health Access, and approved by the Commissioner of Finance and Management consistent with agreements between the managed care organization within the Office of Vermont Health Access and departments delivering eligible services under the waiver.

Fish and Wildlife Fund – This fund is a non-major special revenue fund. The fund's revenue is restricted by statute and can only be utilized for fish and wildlife purposes. Principle sources of revenue include license fees and federal grants.

Capital Projects Funds – These funds, consisting of the General Bond Fund and the Transportation Bond Fund, are non-major governmental funds, and account for capital improvement expenditures. These appropriations are primarily funded by the issuance of State capital bonds. These capital expenditures may be for the State directly or for outside organizations such as the Vermont State College System, municipalities, etc.

Permanent Funds – These are non-major governmental funds that report resources that are legally restricted to the extent that only earnings, not principal, may be expended for purposes that benefit the government or citizenry, such as higher education, cemetery care, monument preservation, etc.

PROPRIETARY FUNDS

These funds account for those activities for which the intent of management is to recover the cost of providing goods or services to the general public or other departments of government primarily through user charges; or where prudent financial management dictates that periodic determinations of results of operations are appropriate. These funds include the following types:

Enterprise Funds – These eight funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The State’s intent in these funds is to recover the costs including depreciation expense associated with providing the goods and services to the public primarily through user charges. Three of these enterprise funds are reported as “major funds” while the remaining five are reported as non-major funds.

Internal Service Funds – These funds are used to account for the financing of goods and services provided by one State department to other State agencies, departments, or intergovernmental units. Their objective is not to make a profit but rather to recover the total cost of providing these goods and services by charging users of their services and products. In 2006, a new internal service fund, State Resource Management Revolving Fund, is reported for the first time. This brings the total number of internal service funds reported by the State to twenty-two. In the government-wide financial statements, Internal Service Funds are reported within the governmental activities.

FIDUCIARY FUNDS

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. These funds include the following:

Pension Trust Funds – These funds are used to report assets and associated financial activity that are held in trust for the members and beneficiaries of the Vermont State Retirement (defined benefit) System, the Vermont State Defined Contribution Retirement System, the State Teachers’ Retirement System of Vermont, the Vermont Municipal Employees’ (defined benefit) Retirement System, the Vermont Municipal Employees’ Defined Contribution Plan, and the State’s Single Deposit Investment Account.

Private Purpose Trust Fund – The State reports only one fund under this category, the *Unclaimed Property Fund* managed by the State Treasurer’s Office. This fund accounts for all abandoned property in the State that is required to be reported and sent to the State for safekeeping. The State Treasurer is required to return this property to its rightful owner if he/she can be determined. If no one claims the property after a prescribed amount of time has passed, the Treasurer is required to convert non-cash property to cash and transfer it to the General Fund where the Legislature will appropriate it. However, if a valid claim is submitted after the Legislature has appropriated this property, the State is still required to return this property or its equivalent value to the rightful owner.

Agency Funds – These funds report assets and liabilities for deposits and investments entrusted to the State as agent for others. They have no fund balance and report items such as Federal income tax withholding, social security tax withholding, etc.

BUDGETARY PROCESS

Vermont statutes require the head of every State department, board, and commission and any officer or individual responsible for any activity for which funds are appropriated by the Vermont Legislature to provide, on or before September 1 preceding any biennium, statements to the Commissioner of Finance and Management showing in detail the amounts appropriated and expended for both the current and preceding fiscal years and the amount estimated to be necessary for similar activity for the ensuing two fiscal years. The Commissioner of Finance and Management and the Secretary of Administration are then required to submit to the Governor by the November 1 preceding each biennium, the estimates as received along with any other estimates for the ensuing two fiscal years. The Governor then submits to the Vermont Legislature, no later than the third Tuesday of every annual session, a budget that embodies estimates, requests, and recommendations for appropriations or other authorizations for expenditures from the State treasury for at least the succeeding fiscal year. The Vermont Legislature then enacts into law an appropriations act that must be approved by the Governor before expenditures can be made. In recent years in accordance with Act 250 of 1979 Section 125, it has been the practice of the Governor to submit an annual budget and the Vermont Legislature to enact appropriations on an annual basis.

Budgets are prepared and appropriated on a cash basis usually at the program level. The Governor may amend appropriations within limits established by statute. The Agency of Administration maintains budgetary control by fund at the appropriation level. Governmental funds' unspent appropriation balances revert to the fund balance at the end of each fiscal year for re-appropriation unless authorized to be carried forward to the following year(s) by legislative act. Unexpended balances of capital projects funds are available for expenditure in the following fiscal year(s).

CASH AND CASH EQUIVALENTS

Cash balances for most funds are deposited with the State Treasurer, except for the Pension Trust Funds, Capital Projects Funds, and the Single Deposit Investment Account Fund. Cash balances deposited with the State Treasurer are pooled together and amounts that are not immediately required are invested in short-term investments.

Income earned by these short-term investments is allocated to those funds authorized to receive it while any remaining earnings are deposited in the General Fund.

Cash and cash equivalents as reported in the financial statements include bank accounts, imprest cash, short-term investments with an original maturity of 3 months or less such as certificates of deposit, commercial paper, federal government agencies' discount notes, money market accounts, and repurchase agreements.

RECEIVABLES

Receivables in the government-wide financial statements represent amounts due to the State at June 30 that will be collected at some time in the future. They consist primarily of accrued taxes and federal grants receivable.

Receivables reported in the governmental funds financial statements consist primarily of accrued taxes, federal grants receivable, and notes receivable from drinking water and clean water special environmental loans. Other receivables includes primarily fees, fines, and expenditure reimbursements due to the Medicaid program from drug companies and third party insurance companies. Revenues accrued in the governmental funds financial statements consist primarily of accrued taxes, and notes receivable from component units that will be collected by the State within 60 days. Amounts estimated to be collected after the 60-day period, are recorded as deferred revenues. Federal receivables are amounts due from the federal government to reimburse the State's expenditures incurred pursuant to federally funded programs. Federal grant revenues are accrued when the qualifying expenditure is incurred. Notes receivable in the General Fund consist primarily of Vermont Economic Development Authority notes purchased by the State. See Note 12 – Contingent Liabilities for further information. No allowances for uncollectible amounts have been recognized in these notes receivable.

The "Investments Sold" receivable balance on the Statement of Fiduciary Net Assets – Pension Trust Funds represent monies due to the respective retirement funds for investments sold or matured prior to June 30, 2006, but for which the receipts were received subsequent to June 30, 2006.

The "Other" receivable balance in the Vermont Municipal Employees' Retirement Fund represents the remaining cash balance due from several municipal entities that recently joined this plan. Please see Note 5A – Retirement Plan Descriptions for further information regarding these new entities.

INVENTORIES

Inventories of materials and supplies reported in the governmental funds are recorded as expenditures when purchased. Inventories reported in the proprietary funds are generally valued at the lower of average cost or market. However, inventories reported in the Federal Surplus Property Fund (an enterprise fund) are reported at the federal acquisition cost.

CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, plant, equipment, and infrastructure assets are recorded in the Government-wide Statement of Net Assets at historical cost if available or, if donated or the actual cost is not known, at the estimated fair market value at the date the State acquired them. Interest incurred on debt issued for construction of these capital assets is not capitalized.

Vermont defines a Capital Asset as a physical resource that costs at least \$5,000 and provides a future economic benefit for a minimum of 2 years. This includes capital leases and buildings that are not considered to be part of an infrastructure asset. All land regardless of cost, is capitalized and is not depreciated.

Infrastructure assets are defined as long-lived economic resources that are normally stationary in nature, utilized primarily by the general public as compared to State employees, cost at least \$50,000 and provide future economic benefit for at least 3 years. Normally, infrastructure assets are much greater in value, have a longer economic life, and can be preserved for a greater number of years than most capital assets.

Capital assets are depreciated over their useful lives using the straight-line mid-month depreciation method. Useful lives for buildings are 20 to 50 years, equipment is 3 to 24 years and infrastructure assets are 6 to 80 years. Additional disclosures related to capital assets and assets acquired through capital leases are found in Notes 4 and 7, respectively.

Capital assets in the proprietary funds are capitalized at cost when acquired. Depreciation is calculated and recorded using the straight-line method with estimated useful lives being the same as those for the governmental capital assets.

When a capital asset is disposed of, its cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. Significant renewals and improvements that increase the life expectancy are capitalized and deductions are made for retirements resulting from the renewals or improvements.

DEFERRED REVENUE

Revenues in the government-wide financial statements and the proprietary fund financial statements are deferred if cash has been received prior to being earned. In governmental fund statements deferred revenues are recognized when revenues are unearned or unavailable.

PAYABLES

The accounts payable balances contained in the financial statements consist of operating liabilities that were incurred and payment was due prior to year-end (usually June 30) and where payment was actually made subsequent to year-end. When paying its liabilities, it is the policy of the State to apply restricted resources first to situations where either restricted or unrestricted net assets may be used.

The "payable for investments purchased" balance for the Pension Trust Funds represents amounts due for securities purchased prior to June 30, 2006, which were paid subsequent to June 30, 2006.

ACCRUED LIABILITIES

Accrued liabilities consist of employee wages and related fringe benefit accruals earned by employees as of June 30, 2006. Retainage payable consists of portions of progress payment amounts due to contractors that have been withheld and which will be paid by the State to the contractors upon final completion and acceptance of the contracted item or service.

TAX REFUNDS

Tax refunds primarily represent amounts owed by the State to taxpayers because of overpayment of their 2005 calendar year and first and second quarter 2006 calendar year personal income tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount reported as tax refunds payable at June 30, 2006 in the governmental funds statements is comprised of tax refunds for filed tax returns due and payable at June 30, 2006. The amount reported as tax refunds payable at June 30, 2006 in the government-wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar quarters of year 2006 tax liability as well as overpayments for calendar year 2005 and prior years' tax liabilities that have not been paid out as of June 30, 2006.

ENCUMBRANCES

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. When the terms of the purchase order or contract have been fulfilled and payment to the contracting party is due, the encumbrance is liquidated and the liability and expenditure are recorded. Un-liquidated encumbrances remaining at fiscal year-end are reported in the Reserved for Encumbrances account as a component of fund equity for the governmental fund types.

FUND BALANCES

Fund balances for governmental funds are either reserved or unreserved. Reserved fund balances reflect either (1) assets which, by their nature, are not available for appropriation; (2) funds legally separated for a specific use such as "reserved for encumbrances;" or (3) funds segregated by legal restrictions.

Certain other reservations of the Governmental Funds' fund balances are described below.

Budget Stabilization Reserve – These reserves are established in the General, Transportation, and Education funds. They were created to reduce the effects of annual variations in State revenues by reserving certain surpluses of revenue. See Note 10 for a more complete disclosure of these reserves as it pertains to the current fiscal year.

Reserve For Debt Service – During fiscal year 1993, the State initiated a lawsuit to recover costs associated with asbestos removal. A settlement agreement between the contractor and the State was reached which resulted in net proceeds of \$1,734,543 being credited to and reserved in the General Fund to meet future debt obligations associated with issuance of bonds relating to asbestos removal. The reserved amount is reduced annually through fiscal year 2009 in proportion to the repayment schedule of the bonds issued to refinance the asbestos removal. The remaining reserved balance at June 30, 2006 is \$20,679. The reserve for debt service also includes the premium on the sale of bonds for general obligation bonds sold during the fiscal year. This portion of the reserve will be appropriated in the following fiscal year to be used on the first payment of principal or interest due on the bonds.

Reserve For Human Caseload Management – The General Fund reserve for human caseload management, established pursuant to 32 V.S.A. Section 308b(a) was created to be available for appropriation to meet caseload-related needs at the Agency of Human Services. The Secretary of Administration may transfer to this reserve any general fund unexpended appropriations directly attributable to Aid To Needy Families With Children (ANFC) caseload reductions and the effective management of related federal receipts.

COMPENSATED ABSENCES

Compensated absences include accumulated unpaid vacation, compensatory time, and personal leave credits. Classified State employees may accrue vacation leave based on the number of years employed up to a maximum rate of 24 days annually and may not accumulate more than a maximum of 45 days (360 hours) at any one time. This liability is expected to be liquidated in future periods as either salary payments or cash

payments upon termination of employment. Compensatory time and personal leave time accumulates as earned by the employees but must be taken within an accrual year or forfeited.

Liabilities for compensated absences are recorded in the fund where the employees are assigned. The amounts are calculated based on an employee's pay rate in effect on June 30, 2006. Additional information including changes in balances may be found in Note 16 – Changes in Long-term Liabilities.

Employees earn sick leave credits based on the number of years employed with a maximum accrual rate of 21 days per fiscal year. Sick leave may only be liquidated if and when sickness or injury is incurred. Additionally, if employment is terminated, any sick leave that the individual may have accrued is forfeited without any payout; therefore, it is not an accruable liability to the State. There is no limit on the amount of sick leave an employee may accumulate.

BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS

In the government-wide financial statements, bond discounts/premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond discounts, premiums and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issued are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

INTERFUND TRANSACTIONS

Interfund Loans – Short-term loans between funds outstanding at year-end for such things as cash overdrafts are recorded as Interfund Receivables/Payables. Advances To/From Other Funds represent long-term interfund loans receivable and payable.

Reimbursements – Reimbursements result when one fund makes an expenditure for a second fund when that expenditure or expense is properly applicable to the second fund. Reimbursement transactions reduce expenditures in the reimbursed fund and increase expenditures/expenses in the reimbursing fund.

Quasi-External Transactions – These transactions occur between two government funds that would be accounted for as revenue and expenditures if they occurred between a government entity and a private sector entity.

Transfers – These transfers encompass all types of transfers, except for the residual equity transfers, and are primarily routine transfers of appropriation resources between funds. Transfers are not revenue, expenditures, or expenses, and are classified as "Other Financing Sources (Uses)" in the operating statements of the governmental funds and in a separate subsection before net income in the proprietary funds.

PREPAID EXPENSES

In governmental funds, all purchases are recorded as expenditures when paid. In the proprietary and fiduciary funds, certain payments reflect costs applicable to future accounting periods and as such, are recorded as prepaid expenses. These prepaid items will be expensed as they are liquidated.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, that affect disclosure of contingent assets and liabilities as of the date of the financial

statements, and that affect the reported amounts of revenues and expenses for the reporting period. Actual results could differ from these estimates.

Note 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Primary Government

Deposits and investments for the primary government are governed by State statutes. When depositing public monies, the State Treasurer must act in accordance with 32 V.S.A. 431. Although the statute provides requirements for the collateralization of deposits, it does not establish limits. These limits are set by published formal guidelines issued by the State Treasurer. The State has an investment policy with an overriding goal of providing optimum coverage of risk exposure and maintaining liquidity necessary for future cash needs while maximizing the return on investments. State statute governs the investment of the state's non-pension funds' operating and restricted cash. When investing public monies, the State Treasurer must act in accordance with 32 V.S.A. 433. Types of investments allowed include obligations of the United States, its agencies and instrumentalities, and any repurchase agreements whose underlying collateral consists of such obligations; certificates of deposit issued by banks and savings and loan associations approved by the State Treasurer; prime bankers' acceptances; prime commercial paper; tax exempt securities; and domestic money market funds. In addition, the State Treasurer's Office issues additional formal guidance that is reviewed periodically, to assure that the three investment objectives -- safety, liquidity, and yield -- are met. The statutory guidelines for certain trust funds are contained in 32 V.S.A. 434, referred collectively as the Trust Investment Account. The State Treasurer may invest funds in accordance with the standard of care established by the prudent investor rule and apply the same investment objectives and policies adopted by the Vermont State Employees' Retirement System, where appropriate, to the investment of funds in the trust investment account.

The State has three defined benefit plans, two defined contribution plans, and a single deposit investment account, which comprise the Pension Trust Funds. By statute, the assets of the three defined benefit plans (State Employees, State Teachers, and Municipal Employees) are invested on behalf of each System's trustees through the Vermont Pension Investment Committee (VPIC), which was created by the Vermont Legislature effective July 1, 2005. The majority of these assets have been pooled for investment purposes. As of June 30, 2006, real estate, venture capital, and other alternative investments have not been pooled.

Each of the systems has equity in pooled investment vehicles based on funds contributed and earnings allocated. Earnings in each pooled investment are allocated based on the month-end balances of each of the respective systems. Individual investment securities are not specifically identified to the respective systems. For financial statement presentation, the pooled assets, liabilities, revenues, and expenses have been allocated to and presented in each respective system in the basic financial statements.

Each defined benefit plan has its own asset allocation as determined by the VPIC and deemed adopted by each system's board in the absence of board action to the contrary. As of May 31, 2006, the VPIC adopted a set of investment policies and guidelines common to all three defined benefit plans. These are used by VPIC with the objective of maximizing returns within acceptable risk parameters.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a depository financial institution failure, the government will not be able to recover deposits deposited in the failed institution or will not be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository (FDIC) insurance and are uncollateralized or collateralized with securities held by the pledging financial institution or by the pledging financial institution's trust department or agent but not in the depositor – government's name. Although not statutorily required, the State Treasurer requires the State's cash deposits to be collateralized with either United States Treasury securities or Vermont Municipal securities or a combination of both. Certificates of deposit are collateralized, in whole or in part, on the basis of agreements with the bank, a protocol requiring periodic due diligence and review of bank capitalization. The deposits in banks in excess of the FDIC amounts and collateral agreements are uninsured and uncollateralized. The

deposits for the primary government (including certificates of deposit) at June 30, 2006, were \$93.4 million. Of these, \$8.4 million was exposed to custodial credit risk as uninsured and uncollateralized. In addition, there are pension related cash equivalents of \$115.7 million not classified as short-term investments in the investment disclosures below. These are not collateralized and are accounted for in the investment manager accounts held at custodial banks.

Investments

Investments are stated at market value in the case of marketable securities and at estimated fair value for certain nonmarketable securities. Money market and other short-term investments are reported at market value when published market prices and quotations are available, or at amortized cost, which approximates fair value. Real estate (including timber investments) is carried at the net asset value of each retirement system's real estate fund investment(s), which net asset value is further based on the fair market value of the real properties. Properties' fair market values in each of the retirement systems' fund investments are established quarterly by real estate fund manager appraisals and are validated at least yearly by third-party property appraisals. Nonmarketable securities include alternative investments such as private equity and venture capital, which are valued using current estimates of fair value obtained from the investment manager in the absence of readily determinable public market values. Such valuations generally consider variables such as the high, medium, and low values for portfolio investments; the investments' exit timetables, and the status of any proceedings leading to a liquidity event; the financial performance of investments, including comparison of comparable companies' earning multiples; cash flow analysis; and recent sales prices of investments. Management at the State Treasurer's Office is responsible for the fair measurements of investments reported in the financial statements. The State Treasurer's Office has implemented policies and procedures to assess the reasonableness of the fair values provided; the Office believes that reported fair values at the balance sheet date are reasonable.

Cash and cash equivalents on the financial statements include \$272,166,606 from pension trust funds and \$24,010,954 of bond funds which are classified as investments and are included in the primary government's investment schedule.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The primary government's investments at June 30, 2006 are presented on the following page.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the monetary magnitude of the State's investment in a single issuer should the issuer fail. While State statute does not establish ceilings, formal investment guidelines limit the amount invested in a single issue, generally no more than 10% in non-pension funds. Formal guidelines for the State's pension funds state that no more than 5% of the market value of a portfolio's domestic fixed income assets may be invested in the debt securities of any one issuer with the exception that there will be no limitations on the amount invested in the obligations of the U.S. Government and Federal Agencies. As of June 30, 2006, no issuer exceeded 5%.

Primary Government Investments*(Expressed in Thousands)*

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 to <6</u>	<u>6 to 10</u>	<u>More Than 10</u>
US Agencies/Treasuries	\$ 812,462	\$ 389,325	\$ 77,806	\$ 15,741	\$ 329,590
Corporate Debt	377,083	15,441	184,818	86,413	90,411
Money Market Mutual Fund	48,359	48,359	-	-	-
Commercial Paper	146,623	146,623	-	-	-
Municipals	2,099	-	-	-	2,099
Asset Backed Securities	73,268	1,033	3,162	4,924	64,148
Mortgage Backed Securities	117,750	-	283	617	116,850
Sovereign Debt	78,867	8,582	36,960	17,034	16,291
Other	5,954	274	4,744	628	308
Total	1,662,465	\$ 609,636	\$307,773	\$ 125,357	\$ 619,698

Other Investments

Equity Mutual Funds	298,708
Equity Securities	1,238,333
US Unemployment Trust Pool	202,518
Other Mutual Funds	45,784
Real Estate/Venture Capital	232,803
Other	(18)
Total	<u>\$3,680,593</u>

Credit Risk of Debt Investments

Credit risk is the possibility that the issuer or other counterparty to an investment may not be able to fulfill their obligations. In non-pension funds this risk has been mitigated by implementing statutory guidelines on credit quality and further restricted by formal investment guidelines. Detailed pension guidelines by asset class and supplemental requirements by investment manager are used to set risk parameters. The primary government's rated debt investments as of June 30, 2006 were rated by Moody's, or other equivalent nationally recognized statistical rating organization. The credit risk associated with the State's debt securities, money market funds, bond mutual funds, and other pools of fixed income securities are presented as follows using the Moody's rating scale.

Primary Government Rated Debt Investments
(expressed in Thousands)

<u>Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>		
		<u>Aaa</u>	<u>Aa</u>	<u>A</u>
US Agencies/Treasuries	\$ 812,462	\$ 383,025	\$ -	\$ -
Corporate Debt	377,083	13,084	25,824	48,609
Money Market Mutual Fund	48,359	48,259	-	-
Commercial Paper	146,623	-	-	-
Municipal Debt	2,099	1,029	682	161
Asset Backed Securities	73,268	56,813	-	694
Collateralized Mortgage Obligations	117,750	82,476	1,054	1,142
Sovereign Debt	78,867	52,612	-	6,972
Other	5,954	4,709	380	-

<u>Debt Investments</u>	<u>Quality Ratings</u>				<u>Short Term A1</u>
	<u>Baa</u>	<u>Ba</u>	<u>B and below</u>	<u>Unrated</u>	
US Agencies/Treasuries	\$ -	\$ -	\$ -	\$ 429,437	\$ -
Corporate Debt	121,145	58,939	89,251	20,231	-
Money Market Mutual Fund	-	-	-	100	-
Commercial Paper	-	-	-	-	146,623
Municipal Debt	227	-	-	-	-
Asset Backed Securities	298	-	740	14,723	-
Collateralized Mortgage Obligations	365	-	-	32,713	-
Sovereign Debt	-	-	-	19,283	-
Other	-	-	-	865	-

Foreign Currency Risk

Foreign currency risk is the extent to which changes in exchange rates will affect the fair value of an investment (or a deposit). The value in US dollars by foreign currency denomination and by type of investment is as follows.

Foreign Currency Risk - International Securities at Fair Value

<u>Currency</u>	<u>Total</u>	<u>Short Term</u>	<u>Debt⁽¹⁾</u>	<u>Equity</u>
Australian Dollar	\$ 37,329,441	\$ 53	\$ 10,686,650	\$ 26,642,738
Brazilian Real	1,722,393	-	1,722,393	-
Canadian Dollar	8,593,609	203	6,204,746	2,388,660
Danish Krone	261,722	107	-	261,615
Euro Currency	196,925,727	1,249,881	38,872,958	156,802,888
Hong Kong Dollar	10,746,160	234,399	-	10,511,761
Indonesian Rupiah	1,411,473	-	1,411,473	-
Japanese Yen	93,897,444	895,660	23,906,243	69,095,541
Mexican Peso	3,267,213	120,033	3,147,180	-
New Zealand Dollar	4,208,030	284	2,177,522	2,030,224
Norwegian Krone	108,236	608	-	107,628
Polish Zloty	7,970,240	208,717	7,761,523	-
Pound Sterling	89,675,508	783,389	2,337,564	86,554,555
Singapore Dollar	8,578,136	2,233	4,536,823	4,039,080
South African Rand	2,308,644	-	224,979	2,083,665
Swedish Krona	7,138,156	530	4,557,511	2,580,115
Swiss Franc	10,992,691	6,982	-	10,985,709
Thailand Baht	938,964	-	938,964	-
	<u>\$ 486,073,787</u>	<u>\$ 3,503,079</u>	<u>\$ 108,486,529</u>	<u>\$ 374,084,179</u>

⁽¹⁾ Corporate and Sovereign

Non-pension funds invested under the authority of 32 V.S.A. Section 433 are restricted, through statute and formal guidelines, to specific money market instruments and money market funds investing in domestic instruments. Most foreign currency exposure is in the pension trust fund portfolios, totaling \$485,515,562. In the Trust Investment Account portfolio total exposure is \$558,225, comprised of Canadian and Singapore currency for equity securities.

Formal investment policy guidelines adopted by the VPIC state that international equity managers may enter into forward exchange contracts on currency provided that use of such contracts is designed to dampen portfolio volatility rather than leverage portfolio risk exposure. Opportunistic currency positioning may be utilized to hedge and cross-hedge the portfolio's currency risk exposure or in the settlement of securities transactions. The managers may vary the total portfolio exposure to currency from fully unhedged to fully hedged. The global fixed income managers are permitted to hedge all, some or none of the portfolio's currency exposure. They are permitted to cross hedge currency positions, but may not be net short any currency, or long more than 100% of the portfolio. VPIC has funds allocated to a global asset manager in the form of shares of a commingled trust. The manager for this trust may enter into long and/or short positions in currencies of the countries represented in established indices. The strategy is permitted to cross-hedge currency exposure and will actively manage its currency exposure. This active management may go beyond fully-hedged or unhedged currency exposure, and is provided for by a specific exemption to the VPIC general guidelines.

Securities Lending Transactions

State statutes and boards of trustees' policies permit the Office of the Vermont State Treasurer to use investments of the three defined benefit pension plans to enter into securities lending transactions/loans of securities to broker dealers and other entities for collateral, with a simultaneous agreement to return the collateral for the same securities in the future. Pursuant to a Securities Lending Authorization Agreement, State

Street Bank and Trust Company was authorized to act as agent in lending securities to broker-dealers and banks.

During the fiscal year, State Street lent, on behalf of Vermont, certain securities held by State Street as custodian and received United States and foreign currency cash, and securities issued or guaranteed by the United States government. State Street did not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers were required to deliver collateral for each loan equal to not less than one hundred two percent (102%) of the market value of the loaned security in order to provide excess coverage for possible changes in loaned security market value.

The State did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the Fiscal year. There were no losses during the fiscal year resulting from a default of the borrowers or State Street.

During the fiscal year, the State and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of June 30, 2006, such investment pool had a weighted average maturity of 50 days and an average expected maturity of 191 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2006, Vermont had no credit risk exposure to borrowers. The collateral held and the market values of securities on loan for Vermont as of June 30, 2006, were \$350,799,194 and \$345,718,911 respectively. Below are the statutory references that allow the pension plans to participate in the securities lending program.

Statute Reference Retirement Plan

3 V.S.A. 471(m) Vermont State Employees' Retirement Fund

16 V.S.A. 1942(q) Vermont Teachers' Retirement Fund

24 V.S.A. 5062(o) Vermont Municipal Employees' Retirement Fund

Derivative Financial Instruments

The investment managers for the Vermont Pension Investment Committee (VPIC) invest in derivative financial investments as authorized by the VPIC policy. Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed-upon benchmark. At June 30, 2006, VPIC investments had four types of derivative financial instruments: futures, currency forwards, options, and swaps. All of the derivatives reported at June 30, 2006 are at fair market value. The futures and options are traded on the exchanges and are marked-to-market daily using the closing settlement price on that day. Interest rate swaps, credit default swaps, and currency options are traded over the counter and are based on mid prices that brokers provide daily. Swaptions are traded over the counter and are priced by the investment manager both internally and by using Bloomberg as a pricing source. Currency forwards are traded over the counter, and the investment manager uses Reuters and Bloomberg as pricing sources.

Futures

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specified price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the VPIC's credit risk. The net change in the futures contracts value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included with trading account securities gains (losses) in the Statement of Changes in Net Assets. At June 30, 2006, the VPIC's investments had the following futures balances:

	Value Covered by Contract
Long – equity futures	\$ (554,163)
Long – debt securities futures	94,958
Short – debt securities futures	(88,786)

Foreign Currency Forwards

Currency forwards represent forward foreign exchange contracts that are entered into in order to hedge the exposure to changes in foreign currency exchange rate on the foreign currency dominated portfolio holdings. A forward foreign exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net realized gains or losses on foreign currency related transactions. At June 30, 2006, the VPIC's investments included currency forwards balances of \$659,629 for pending foreign exchange purchases and \$(1,056,696) for pending foreign exchange sales.

Options

Options represent or give buyers the right, but not the obligation, to buy or sell an asset at a preset price over a specified period. The option's price is usually a small percentage of the underlying asset's value. As a writer of financial options, the VPIC receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, the VPIC pays a premium at the outset of the agreement, and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. At June 30, 2006, the VPIC investments had the following option balances:

Cash and cash equivalent purchased call options	\$	1,168,238
Cash and cash equivalent purchased put options		325,504
Fixed income written call options		(979,340)
Fixed income written put options		(531,946)

Swaps

Swaps represent an agreement between two or more parties to exchange sequences of cash flows over a period in the future. At the end of the year, the VPIC had three different types of swap arrangements – interest rate swaps, currency swaps, and credit default swaps. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty who, in turn, agrees to make return interest payments that float with some reference rate. The interest rate swaps allowed the VPIC to effectively convert most of their long-term variable interest rate credit facility loans into fixed interest rate loans. A currency swap is a foreign exchange agreement between two parties to exchange a given amount of one currency for another and, after a specified period of time, to give back the original amounts swapped. The credit default swaps protect the rental cash flows on one of the VPIC's real estate investments in case the major tenant defaults on its lease contract. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Net Assets. The VPIC's investments at June 30, 2006, had the swap market value balances as shown in the schedule on the following page.

Asset-Backed securities

The Pension systems hold mortgage-backed securities including collateralized mortgage obligations (CMOs) at fair value. Mortgage-backed securities represent a direct interest in a pool of mortgage loans. CMOs are bonds that are collateralized by whole loan mortgages, mortgages pass-through securities, or stripped mortgage-backed securities. Income is derived from payments and pre-payments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment tranches in accordance with the payment order established for the CMO instrument. Cash flows associated with these tranches may demonstrate varying degrees of sensitivity to interest rate fluctuations. A reduction in interest rates may cause some of the tranches to experience a reduction in fair value as prepayments reduce the interest payments, causing a decline in total cash flows. In a rising interest rate environment, an increase in interest payment and cash flows may cause an increase in fair value.

Risk is minimized through the purchase of high quality instruments with limited default or prepayment risk. Agency fixed and floating rate pass-throughs, U.S. Treasury securities and cash equivalents can be held without limitation. Securities designed to provide more precisely targeted maturities (Sequential Collateralized Mortgage Obligations) and those that create tranches, or Planned Amortization Classes (PAC I and PAC II), with cash flows that are protected from prepayment changes within certain limits, may also be purchased without limitation.

Policy restrictions and portfolio percentage limitations are established for the purchase of more interest rate sensitive instruments and certain interest rate and price stress tests are required.

Asset-backed securities are collateralized by a loan, lease, or receivable other than real estate. Payments are collected by a servicer through a "pass-through" arrangement. As monthly payments of principal and interest are made, the pass-through security holder is entitled to a pro rata portion of the payments received. Risk of prepayment varies with the underlying assets. Risk is minimized through the purchase of high quality instruments with limited default or prepayment risk.

SWAPS	Outstanding Notational Amount (Base Used to Calculate Interest)	Interest Rate	Maturity Date	Fair Value
Interest Rate Swaps				
Merrill Lynch	\$4,200,000	6.25%/3 mo. LIBOR	6/15/2015	\$ 9,708
Morgan Stanley	23,500,500	4%/6 mo. EURIBOR	12/15/2011	202,951
Morgan Stanley	13,700,000	5.75%/6 mo. LIBOR	12/15/2014	276,038
Barclays Capital	9,800,800	4%/6 mo EURIBOR	12/15/2011	84,635
Deutsche Bank	7,600,000	4%/6 mo EURIBOR	12/15/2011	65,635
Barclays Capital	4,900,000	4%/6 mo. LIBOR	12/15/2014	120,307
Goldman Sachs	25,543,455	1.9%/6mo. LIBOR JPY	12/20/2013	(154,954)
Goldman Sachs	4,286,402	1.41%/6 mo. LIBOR JPY	12/15/2014	172,106
Morgan Stanley	9,462,008	6%/6 mo. LIBOR Euro	6/18/2034	996,984
Barclays Capital	554,865	5%/6 mo. LIBOR GBP	9/15/2010	(3,562)
Barclays Capital	600,000	5%/3 mo. LIBOR	12/20/2013	23,326
Goldman Sachs	3,000,000	5%/3 mo. LIBOR	6/18/2034	(335,340)
Barclays Capital	24,600,000	5%/6 mo. LIBOR	12/20/2011	(683,231)
Barclays Capital	18,400,000	5%/3 mo. LIBOR	12/20/2016	1,007,860
Morgan Stanley	8,300,000	5%/3 mo. LIBOR	12/20/2016	454,633
Deutsche Bank	10,100,000	5%/6 mo. LIBOR	12/20/2011	(280,513)
Deutsche Bank	300,000	5%/6 mo. LIBOR	6/21/2021	(23,577)
Total Interest Rate Swaps:				\$ 1,933,006
Currency Swaps				
Goldman Sachs	13,000,000	9.17% EUROSWAP	9/25/2006	\$ 6,921
JP Morgan	10,900,000	8.87% JPY	6/21/2007	4,333
Total Currency Swaps				\$ 11,254
Credit Default Swaps				
Citibank	1,200,000	0.29%	6/20/2012	\$ (1,993)
Goldman Sachs	1,900,000	0.65%	6/20/2015	(675)
Citibank	1,700,000	0.44%	3/20/2011	7,894
Goldman Sachs	1,200,000	0.70%	12/20/2015	(5,539)
Lehman	4,500,000	0.65%	6/20/2015	(1,600)
Goldman Sachs	2,600,000	0.18%	9/20/2008	5,454
Goldman Sachs	2,100,000	0.65%	6/20/2015	(747)
Citibank	1,000,000	0.75%	3/1/2008	(48)
UPS Securities	200,000	3.55%	6/20/2011	6,490
Deutsche Bank	400,000	0.40%	6/20/2011	(125)
Morgan Stanley	900,000	0.65%	6/20/2010	(320)
UPS Securities	500,000	4.81%	3/20/2011	38,631
Citibank	1,400,000	3.14%	6/20/2007	(14,978)
Merrill Lynch	1,700,000	0.73%	6/20/2009	4,884
JP Morgan	1,600,000	0.40%	6/20/2007	(298)
Deutsche Bank	1,300,000	1.20%	6/20/2016	(37,679)
Total Credit Default Swaps				\$ (649)

B. Component Units

Each component unit follows deposit and investment policies as determined by their board of directors. In some component units, underlying bond resolutions, letters of credit and bond insurance providers may require specific criteria to be followed. These policies may include collateralization requirements, allowable investment types, allowable national rating agency quality ratings, and concentrations limits by investment type or issuer. The major objective of these policies is to minimize risk along with maximizing gain. In the case of some component units, underlying bond resolutions, letters of credit and bond insurance providers may require specific criteria be followed. A short description of each component unit, as well as contact addresses, can be found in Note 1 section A to these financial statements. Copies of their financial reports or any other information may be obtained by contacting them directly at the addresses contained in Note 1, section A to this report.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, all or a portion of an entity's deposits may not be recovered. The State's component units' bank balances at June 30, 2006 were \$249.7 million. Of this total, \$53.5 million was either insured or collateralized, while \$196.2 million was uninsured and uncollateralized.

Investments

Generally, the State's component units follow investing policies as determined by their board of directors. In some cases, underlying bond resolutions, letter of credit, and bond insurance providers have provided criteria to be followed. The University of Vermont and State Agricultural College (UVM) follows its "Cash Policy" which provides parameters for the investing of its operating funds. UVM endowment funds are invested in accordance with its Board of Trustees' formal investment policy. The State's component units' investments at June 30, 2006 are presented in the following schedule.

Component Units Investments (expressed in Thousands)							
<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>				<u>More than 20</u>	<u>Maturity Not Provided</u>
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>11 to 20</u>		
<u>Debt Investments</u>							
U.S Treasuries	\$ 56,732	\$ 14,785	\$ 162	\$ -	\$ -	\$ 30,814	\$ 10,971
Agencies	23,406	1,315	21,748	-	-	-	343
Other Gov't Bonds & Notes	216	-	-	-	-	-	216
Industry Bonds	21,319	-	219	14	938	-	20,149
Asset/Mortgage Backed							
Securities	3,145	-	2,122	724	-	299	-
Mutual Funds	179,209	-	14,388	22,762	-	-	142,059
	<u>284,028</u>	<u>\$ 16,101</u>	<u>\$ 38,639</u>	<u>\$ 23,500</u>	<u>\$ 938</u>	<u>\$ 31,113</u>	<u>\$ 173,737</u>
<u>Other Investments</u>							
Certificate of Deposit	8,013						
Money Market	260						
Common Stock	74,569						
Partnerships	7,995						
Real Estate	480						
Insurance	47						
Leases	307						
Hedge Funds	54,105						
Held By Bond Trustee	5,381						
Other	975						
Deposits with Trustees	99,552						
Total	<u>\$ 535,712</u>						

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Each of the State's component units manages its interest rate risk in accordance with its individual policy.

Credit Risk of Debt Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State's component units' debt investments at June 30, 2006 were rated by Standard and Poor's or a comparable national rating organization. A summary of the component units' ratings is presented in the following schedule.

Component Unit Rated Debt Investments
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings			
		AAA	AA/AA+	AA-	A+
U.S Treasuries	\$ 56,732	\$ 56,732	\$ -	\$ -	\$ -
Agencies	23,406	23,406	-	-	-
Other Gov't Bonds & Notes	216	-	-	-	-
Corporate Bonds	21,319	46	355	389	1,133
Asset/Mortgage Backed					
Securities	3,145	1,900	139	-	418
Mutual Funds	179,209	24,389	2,577	-	-

Debt Investments	Quality Ratings			
	A	A-	below A-	Unrated
U.S Treasuries	\$ -	\$ -	\$ -	\$ -
Agencies	-	-	-	-
Other Gov't Bonds & Notes	-	-	-	216
Corporate Bonds	211	305	1,125	17,754
Asset/Mortgage Backed				
Securities	-	-	217	471
Mutual Funds	3,608	-	1,138	147,497

Custodial Credit Risk

Custodial credit risk for investments is defined as the risk that, in the event of a failure of the counterparty, the entity will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. This type of risk is managed by each entity.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer.

Note 3: INTERFUND BALANCES**A. Due From/To Other Funds**

Due from/to other funds represents amounts owed to one State fund by another, for goods sold, services received or reimbursement of costs. The balances of due from/to other funds at June 30, 2006, are as follows.

Due From Other Funds	Due To Other Funds				
	Governmental Funds				
	General Fund	Transportation Fund	Education Fund	Special Fund	Federal Revenue Fund
General Fund	\$ -	\$ 10,942	\$ -	\$ 15,958	\$ 26,109
Transportation Fund	12,761	-	-	-	365,058
Special Fund	13,567	38,458	-	-	380,549
Federal Revenue Fund	18,113	-	-	64	-
Global Commitment Fund	12,856,753	-	-	20,714,706	53,564,362
Non-major Governmental Funds	-	-	-	5,873	-
Vermont Lottery Commission	-	-	11,623	-	-
Non-major Enterprise Funds	-	-	-	-	-
Fiduciary Funds	26,117	-	-	93	5,445
Total	\$ 12,927,311	\$ 49,400	\$ 11,623	\$ 20,736,694	\$54,341,523

continues below

Due From Other Funds	Governmental Funds	Enterprise Funds			Total
	Non-major Governmental Funds	Unemployment Compensation Trust Fund	Liquor Control Fund	Fiduciary Funds	
General Fund	\$ -	\$ -	\$ 255,528	\$ 91,007	\$ 399,544
Transportation Fund	-	-	-	17,201	395,020
Special Fund	242	-	-	477,721	910,537
Federal Revenue Fund	-	-	-	-	18,177
Global Commitment Fund	-	-	-	-	87,135,821
Non-major Governmental Funds	-	-	-	-	5,873
Vermont Lottery Commission	-	-	-	-	11,623
Non-major Enterprise Funds	-	11,375	-	-	11,375
Fiduciary Funds	-	-	-	-	31,655
Total	\$ 242	\$ 11,375	\$ 255,528	\$ 585,929	\$88,919,625

B. Advances To/From Other Funds

The General Fund has made cash advances to certain proprietary funds for imprest petty cash disbursement needs. The General Fund advances to other funds at June 30, 2006, are summarized below.

Proprietary Funds	
Vermont Lottery Fund	\$ 300,000
Liquor Control Fund	5,700
Non-major Proprietary Funds	2,900
Internal Service Funds	15,100
Total	\$ 323,700

C. Interfund Receivables/Payables

Interfund receivables/payables represent amounts owed to the General Fund by the following funds at June 30, 2006, to eliminate negative cash balances in the State Treasurer's pooled cash.

Proprietary Funds	
Non-major Proprietary Funds	\$ 821,385
Internal Service Funds	30,470,438
Fiduciary Funds	
Agency Funds	171,184
Total	\$ 31,463,007

D. Inter - Primary Government/Component Unit Balances**Due from Component Units/Due to Primary Government**

Due from component units consist of the amounts owed to the primary government for programs administered by component units in accordance with memoranda of understanding with State departments and for the elimination of negative balances in the State Treasurer's pooled cash. At June 30, 2006, these account balances are as follows:

	Due to Primary Government		
	Vermont Housing & Conservation Trust Fund	Vermont Economic Development Authority	Total
Due from Component Units			
General Fund	\$ 2,710,982	\$ -	\$ 2,710,982
Special Fund	-	51,830	51,830
Total	\$ 2,710,982	\$ 51,830	\$ 2,762,812

E. Interfund Transfers

Transfers between funds occur when one fund collects revenues and transfers the assets to another for expenditure or when one fund provides working capital to another fund. All transfers are legally authorized by the Legislature through either statute or Appropriation Acts. Interfund transfers for the fiscal year ending June 30, 2006, are as follows.

Transfers In	Transfers Out				
	Governmental Funds				
	General Fund	Transportation Fund	Education Fund	Special Fund	Federal Revenue Fund
General Fund	\$ -	\$ -	\$ -	\$ 7,783,985	\$ -
Transportation Fund	10,018,030	-	-	300,367	-
Education Fund	259,300,000	-	-	7,292,144	-
Special Fund	105,114,989	2,128,219	-	-	19,869,241
Federal Revenue Fund	-	-	-	1,238,314	-
Global Commitment Fund	117,535,409	-	-	143,728,946	395,696,491
Non-major Governmental Funds	5,223,450	406,792	932,000	331,764	-
Non-major Enterprise Funds	-	-	-	-	-
Internal Service Funds	2,000,000	5,848,503	-	-	-
Total	\$ 499,191,878	\$ 8,383,514	\$ 932,000	\$ 160,675,520	\$ 415,565,732

continues below

Transfers In	Transfers Out				
	Governmental Funds		Enterprise Funds		
	Global Commitment Fund	Non-major Governmental Funds	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
General Fund	\$ -	\$ -	\$ -	\$ 263,305	\$ -
Transportation Fund	-	-	-	-	-
Education Fund	-	-	-	-	22,883,768
Special Fund	34,513,319	285,000	-	-	130,000
Federal Revenue Fund	11,371,948	2,969,886	-	-	-
Global Commitment Fund	-	-	-	-	-
Non-major Governmental Funds	-	-	-	-	-
Non-major Enterprise Funds	-	-	328,238	-	-
Internal Service Funds	-	-	-	-	-
Total	\$ 45,885,267	\$ 3,254,886	\$ 328,238	\$ 263,305	\$ 23,013,768

continues below

Transfers In	Transfers Out			
	Enterprise Funds		Fiduciary Funds	Total
	Non-major Enterprise Funds	Internal Service Funds		
General Fund	\$ -	\$ -	\$ 2,252,762	\$ 10,300,052
Transportation Fund	-	853,447	-	11,171,844
Education Fund	-	-	-	289,475,912
Special Fund	271,056	2,383,569	-	164,695,393
Federal Revenue Fund	-	-	-	15,580,148
Global Commitment Fund	-	-	-	656,960,846
Non-major Governmental Funds	-	-	-	6,894,006
Non-major Enterprise Funds	-	-	-	328,238
Internal Service Funds	-	-	-	7,848,503
Total	\$ 271,056	\$ 3,237,016	\$ 2,252,762	\$1,163,254,942

The Education Fund received transfers from the General Fund and the Vermont Lottery Commission to support the general State grant for local education and transfers from the Special Fund for local school reimbursement of medicaid eligible costs.

The Special Fund received transfers from the General Fund for the State funding to the Vermont Health Access program, and from the Federal Revenue Fund for the low income home energy assistance program and education medicaid reimbursements.

The Global Commitment Fund received transfers from the General, Special and Federal Revenue Funds for medicaid related services provided under the Vermont Global Commitment to Health medicaid waiver.

Note 4: CAPITAL ASSETS

Capital Assets activities for the fiscal year ended June 30, 2006 were as follows:

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclas-sifications	Ending Balance
Capital assets, not being depreciated:					
Land and land improvements	\$ 68,611,339	\$ 2,530,543	\$ -	\$ -	\$ 71,141,882
Construction in process	445,486,411	118,781,094	(226,257,483)	(20,678,389)	317,331,633
Works of Art	111,521	-	-	-	111,521
Total capital assets, not being depreciated	<u>514,209,271</u>	<u>121,311,637</u>	<u>(226,257,483)</u>	<u>(20,678,389)</u>	<u>388,585,036</u>
Capital assets, being depreciated:					
Buildings and improvements	308,901,428	24,078,622	(20,227)	2,973,834	335,933,657
Machinery and equipment	125,909,036	12,382,659	(8,145,577)	226,046	130,372,164
Infrastructure	1,136,348,466	203,707,525	(25,020,195)	(2,036,213)	1,312,999,583
Total capital assets, being depreciated	<u>1,571,158,930</u>	<u>240,168,806</u>	<u>(33,185,999)</u>	<u>1,163,667</u>	<u>1,779,305,404</u>
Less accumulated depreciation for:					
Buildings and improvements	(125,577,673)	(9,280,275)	20,227	48,132	(134,789,589)
Machinery and equipment	(74,014,193)	(16,084,654)	7,083,476	(42,402)	(83,057,773)
Infrastructure	(675,977,406)	(56,351,692)	25,020,195	87,671	(707,221,232)
Total accumulated depreciation	<u>(875,569,272)</u>	<u>(81,716,621)</u>	<u>32,123,898</u>	<u>93,401</u>	<u>(925,068,594)</u>
Total capital assets, being depreciated, net	<u>695,589,658</u>	<u>158,452,185</u>	<u>(1,062,101)</u>	<u>1,257,068</u>	<u>854,236,810</u>
Governmental activities capital assets, net	<u>\$ 1,209,798,929</u>	<u>\$ 279,763,822</u>	<u>\$ (227,319,584)</u>	<u>\$ (19,421,321)</u>	<u>\$ 1,242,821,846</u>

The adjustments above are primarily construction work performed by the Agency of Transportation on infrastructure assets owned and capitalized by municipalities.

Business-type Activities	Beginning Balance	Additions	Deletions	Adjustments and Reclas-sifications	Ending Balance
Capital assets, being depreciated:					
Buildings and improvements	\$ 36,500	\$ 7,000	\$ (7,625)	\$ 50,260	\$ 86,135
Machinery and equipment	1,169,989	38,925	(66,971)	(50,260)	1,091,683
Total capital assets, being depreciated	<u>1,206,489</u>	<u>45,925</u>	<u>(74,596)</u>	<u>0</u>	<u>1,177,818</u>
Less accumulated depreciation for:					
Buildings and improvements	(28,324)	(9,035)	7,580	(10,955)	(40,734)
Machinery and equipment	(694,531)	(148,536)	66,969	10,955	(765,143)
Total accumulated depreciation	<u>(722,855)</u>	<u>(157,571)</u>	<u>74,549</u>	<u>0</u>	<u>(805,877)</u>
Total capital assets, being depreciated, net	<u>483,634</u>	<u>(111,646)</u>	<u>(47)</u>	<u>0</u>	<u>371,941</u>
Business-type activities capital assets, net	<u>\$ 483,634</u>	<u>\$ (111,646)</u>	<u>\$ (47)</u>	<u>\$ 0</u>	<u>\$ 371,941</u>

Current period depreciation expense was charged to functions of the Primary Government as follows:

Governmental Activities:

General Government	\$ 12,363,442
Protection to Persons and Property	3,215,499
Human Services	702,585
Employment & Training	105,497
General Education	44,155
Natural Resources	1,802,527
Commerce and Community Development	36,471
Transportation	56,818,879
Depreciation on Capital Assets held by the Internal Service Funds	6,627,566
Total	<u>\$ 81,716,621</u>

Business-type Activities:

Liquor Control	\$ 117,751
Lottery Commission	37,449
Federal Surplus Property	2,000
Vermont Life	371
Total	<u>\$ 157,571</u>

Discretely Presented Component Units

	Beginning Balance	Additions	Deletions	Adjustments and Reclas- sifications	Ending Balance
Capital assets, not being depreciated:					
Land and land improvements	\$ 25,268,712	\$ 1,324,261	\$ -	\$ 140,055	\$ 26,733,028
Construction in process	76,131,969	36,463,922	(13,314,157)	(20,466,155)	78,815,579
Total capital assets, not being depreciated	<u>101,400,681</u>	<u>37,788,183</u>	<u>(13,314,157)</u>	<u>(20,326,100)</u>	<u>105,548,607</u>
Capital assets, being depreciated:					
Buildings and improvements	475,000,025	94,801,611	(2,192,282)	9,337,818	576,947,172
Machinery and equipment	116,585,887	24,868,968	(7,524,266)	(166,899)	133,763,690
Infrastructure	17,824,681	129,262	-	1,562,948	19,516,891
Total capital assets, being depreciated	<u>609,410,593</u>	<u>119,799,841</u>	<u>(9,716,548)</u>	<u>10,733,867</u>	<u>730,227,753</u>
Less accumulated depreciation	<u>(293,808,566)</u>	<u>(23,654,518)</u>	<u>8,840,808</u>	<u>321</u>	<u>(308,621,955)</u>
Total capital assets, being depreciated, net	<u>315,602,027</u>	<u>96,145,323</u>	<u>(875,740)</u>	<u>10,734,188</u>	<u>421,605,798</u>
Component unit capital assets, net	<u>\$ 417,002,708</u>	<u>\$ 133,933,506</u>	<u>\$ (14,189,897)</u>	<u>\$ (9,591,912)</u>	<u>\$ 527,154,405</u>

Note 5: RETIREMENT PLANS AND OTHER POST EMPLOYMENT BENEFITS**A. Retirement Plan Descriptions****Defined Benefit Retirement Plans**

In accordance with State statutes, the State Treasurer and the individual retirement systems' Board of Trustees administer the State's three defined benefit pension plans and two defined contribution plans. These systems are considered part of the State's reporting entity and are included in the accompanying financial statements as pension trust funds in the fiduciary fund type. There are no separate stand-alone financial statements issued for these plans.

The Vermont State Retirement System (VSRS) (3 V.S.A. Chapter 16) is a single-employer public employee defined benefit retirement system which covers substantially all general State employees and State Police,

except employees hired in a temporary capacity. Membership in the system is a condition of employment. The membership consists of:

- general employees who did not join the non-contributory system on July 1, 1981 (Group A), with a contribution rate of 5.1% of payroll (contributions cease upon attainment of 25 years of creditable service);
- State police, law enforcement positions, and airport firefighters hired after July 1, 2000 (Group C), with a contribution rate of 6.28% of payroll;
- judges (Group D), with a contribution rate of 5.1% of payroll;
- terminated vested members of the non-contributory system (Group E); and
- all other general employees (Group F), with a contribution rate of 3.35% of payroll.

The State Teachers' Retirement System (STRS) (16 V.S.A. Chapter 55) is a cost-sharing, multiple-employer public employee retirement system. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State that are controlled by the State board of education. Membership in the system for those covered classes is a condition of employment. The membership is made up of:

- general teachers who did not join the non-contributory system on July 1, 1981 (Group A), with a contribution rate of 5.5% of payroll (contributions cease upon attainment of 25 years of creditable service);
- terminated vested members of the non-contributory system (Group B); and
- all other general teachers (Group C), with a contribution rate of 3.54% of covered payroll.

The State appropriates funding for pension costs associated with the above two plans. In fiscal years prior to 1982, both systems were solely contributory. Under legislation effective July 1, 1981, Vermont State employees and State teachers could elect to transfer their current memberships from a contributory to a non-contributory membership class (see Note 5 E. Single Deposit Investment Account). However, in 1990, the Legislature again made both systems contributory effective July 1, 1990, for the STRS and January 1, 1991, for the VSRS. The State's contribution to each system is based on percentage rates of each member's annual earnable compensation. These rates include a "normal contribution" rate and an "accrued liability contribution" rate and are calculated based upon the liabilities of each system as determined by actuarial valuations.

The actuarial method for both the STRS and the VSRS plans is set by State statute. Through fiscal year 2005, the method used was entry age normal (EAN) with frozen initial liability (FIL). The Legislature has enacted a statute change revising the method to entry age normal without FIL for the actuarial valuation for the year ending June 30, 2006, which effectively restated the starting balance.

Under the previous method, set by State statute, the unfunded liability was frozen at 1988 levels. Any impact of underfunding subsequent to the "freezing" of the liability in 1988 falls to normal cost instead of being added to the unfunded liability as in more conventional funding methods. If funding levels approximate the actuarially required contribution (ARC), as in the case of the funding of VSRS, the effect of changing from EAN-FIL to EAN is attributable to variances between the actuarial assumptions and experience.

In the case of STRS, where there has been substantial underfunding of the ARC, the EAN-FIL method has had the effect of creating an improving funding ratio although the total required contribution (sum of the amortized unfunded actuarial accrued liability and normal) rapidly escalates. The unfunded actuarial accrued liability is amortized in a deterministic manner under the FIL method, making it easy for the ratio to rise from one year to the next even in the presence of substantial underfunding. The shift to the EAN method therefore has had the

effect of increasing the actuarially unfunded liability and reducing the normal contribution.

Two additional material changes impact the STRS valuation completed for June 30, 2006. The actuarial assumed rate of return for investments was raised by 0.25 basis points. This reflects the beneficial effects of the Vermont Pension Investment Committee's unified pension fund investment process and was recommended by the Commission on Funding the Vermont State Teachers' Retirement System and subsequently adopted by the STRS Board of Trustees. The Commission was created by the Legislature to make recommendations for funding an adequate, sustainable, and actuarially sound retirement benefit plan. In addition to the recommendation to remove the FIL portion of the method and to revise the rate of return assumption, the Commission also recommended, and the Legislature adopted, a change in the amortization of the unfunded liability. The 30-year period for amortization of the unfunded actuarial accrued liability has been restarted effective 7/1/06 for STRS.

The actuary has estimated the change in the unfunded actuarial accrued liability between June 30, 2005, and June 30, 2006, as follows:

	<u>STRS</u>	<u>VSRS</u>
Unfunded actuarial accrued liability, 6/30/2005 (prior to method change).....	\$ 138,143,845	\$ 25,888,547
Actuarial method change*.....	176,941,130	(4,167,166)
Unfunded actuarial accrued liability, 6/30/2005 (after method change).....	315,084,975	21,721,381
Normal cost.....	41,090,372	31,935,797
Contribution.....	(46,971,804)	(52,599,434)
Interest on unfunded liability, normal cost and contribution.....	23,555,571	2,229,073
Actuarial gains and losses/experience.....	(17,279,917)	1,921,617
Assumption change.....	(56,370,762)	-
VSERS software and programming changes.....	-	3,835,570
Unfunded actuarial accrued liability, 6/30/2006.....	<u>\$ 259,108,435</u>	<u>\$ 9,044,004</u>

* In STRS, includes software changes for conversion of actuarial software.

The actuarial firm retained by the State has also completed an upgrade to new valuation software. As a result, certain variances were noted, although they are well within generally accepted actuarial tolerance. In addition, several coding changes were made to reflect increased refinement of liabilities for level income option retirees. This variance was included with the actuarial gains and losses/experience classification above.

The Vermont Municipal Employees' Retirement System (MERS) (24 V.S.A., Chapter 125) is a cost-sharing, multiple-employer public employees' retirement system that is administered by the State Treasurer and its Board of Trustees. It is designed for school districts and other municipal employees that work on a regular basis and also includes employees of museums and libraries if at least half of that institution's operating expenses are met by municipal funds. An employee of any employer that becomes affiliated with the system may join at that time or at any time thereafter. Any employee hired subsequent to the effective participation date of their employer is required to join the system upon the completion of three years of continuous service.

Prior to July 1, 1987, the State was statutorily responsible for contributions to the MERS' pension accumulation fund. Effective July 1, 1987, and thereafter, all payments to the system's pension accumulation fund are supported entirely by employer (municipal) and employee contributions. Employers make quarterly payments into the pension accumulation fund. These payments are percentages of annual earnable compensation for

each membership group and consist of a "normal" and an "accrued liability" portion. The percentage rates of such contributions are fixed on the basis of the liabilities of the system pursuant to actuarial valuations.

Defined Contribution Retirement Plans

In accordance with Title 3 of the Vermont Statutes Annotated, Chapter 16A, the State established an optional defined contribution plan for exempt state employees effective January 1, 1999. The Vermont State Defined Contribution Plan is reported in the Pension Trust Funds.

The actuarial calculations were performed on a cost-neutral basis so that the accrued balances and liabilities were equivalent. Approximately 375 exempt employees representing 45% of the eligible employees elected to transfer to the defined contribution plan. Assets totaling \$21 million were transferred from the defined benefit plan to the defined contribution plan on January 4, 1999, as a result of the election. As the attendant decrease in liabilities in the defined benefit plan was equal to \$21 million, there was no material effect on the financial health of the defined benefit system resulting from the transfer. Exempt employees hired after January 1, 1999, have a one-time opportunity to elect either the defined benefit or defined contribution plan.

Employees are required to contribute at the rate of 2.85%. The State is required to contribute to each employee's account at the rate of 7% of the employee's compensation for each payroll period. An employee becomes vested in the plan after completion of 23 months of creditable service as a State employee. For the fiscal year ended June 30, 2006, plan member contributions were \$623,988 and State employer contributions were \$1,793,339, while members transferred \$185,320 into the defined contribution plan from other pension plans and non-state systems. As of June 30, 2006, the Vermont State Defined Contribution Plan's net assets totaled \$35,643,945, and there were 592 participants.

The Legislature granted authority (24 V.S.A. 5070) to the Vermont Municipal Employees' Retirement System's Board of Trustees to establish a defined contribution plan that could be offered in lieu of the defined benefit plans currently available under the Municipal Retirement System. The board implemented a defined contribution plan that became available to new members effective July 1, 2000. The defined contribution plan was offered by municipal employers to one or more groups of their eligible employees. Once offered by the employer, each eligible employee was required to make an election to participate. Employees participating in one of the municipal defined benefit plans who elected to participate in the defined contribution plan had the July 1, 2001, actuarial value of their accrued defined benefit plan transferred to the defined contribution plan. Employers that did not offer the defined contribution plan to their employees as of December 31, 1999, will have an opportunity to do so no later than December 31 of any subsequent year with the transfer effective July 1 of the following year.

Participating municipal employees and their employers are required to contribute at the rate of 5%. Employees become vested in the plan after 12 months of service. For fiscal year ending June 30, 2006, plan participants and the municipalities each contributed \$510,412 and \$510,349 respectively, while members transferred \$234,566 into the defined contribution plan from other pension plans and non-state systems. As of June 30, 2006, the Municipal Employees' Defined Contribution Plan's net assets totaled \$10,344,220, and there were 527 participants.

Copies of each individual defined benefit retirement plan's annual actuarial valuation report, information describing each defined benefit plan's provisions including vesting requirements, benefits provided, post retirement adjustments, etc., and information relating to the two defined contribution plans are available for inspection at the Retirement Division, Office of the State Treasurer, 109 State Street, Montpelier, Vermont 05609-6901.

B. Plan Membership

At June 30, 2006, VSRS, STRS, and MERS membership consisted of:

	<u>VSRS</u>	<u>STRS</u>	<u>MERS</u>
Active employees:			
Vested	5,652	8,020	3,037
Non-vested	2,636	2,676	2,912
Total active employees	<u>8,288</u>	<u>10,696</u>	<u>5,949</u>
Retirees and beneficiaries of deceased retirees			
currently receiving benefits	4,173	4,879	1,241
Terminated employees entitled to benefits			
but not yet receiving them (vested)	805	759	418
Inactive members	1,111	2,777	2,075
Total participants	<u>14,377</u>	<u>19,111</u>	<u>9,683</u>

C. Schedule of Employer Contributions

Below are listed the various actuarial methods and significant assumptions used to determine the annual required contributions.

	<u>VSRS</u>	<u>STRS</u>	<u>MERS</u>
Valuation date	06/30/06	06/30/06	07/01/06
Actuarial cost method (1)	Entry Age Normal	Entry Age Normal	Projected benefit cost method
Amortization method	Level percentage of payroll	Level percentage of payroll	Level percentage of payroll
Remaining amortization period (2)	12 years	30 years	12 years
Asset valuation method	Preliminary Asset Value plus 20% difference between market and preliminary asset value	Preliminary Asset Value plus 20% difference between market and preliminary asset value	Actuarial value of assets using a five year smoothing technique
<u>Actuarial assumptions</u>			
Investment rate of return (3)	8.0%	8.25%	8.0%
Projected salary increases	4.50%-7.79%	4.41%-10.68%	5.6%
Cost-of-living adjustments	1.5%-3.0%	1.5%-3.0%	1.5%-1.8%
<u>Post Retirement Adjustments</u>			
Allowances in payment for at least one year adjusted for cost of living based on CPI but not in excess of percentage indicated	Groups A, C & D - 5%	Group A - 5%	N/A
Allowances in payment for at least one year adjusted for cost of living based on one-half of CPI but not in excess of percentage indicated	Group F - 5%	Group C - 5%	Group A - 2% Groups B, C & D - 3%

(1) Beginning with 6/30/06, the actuarial cost method was changed to the Entry Age Normal method for VSRS and STRS.

(2) The 30-year period for amortization of the unfunded actuarial accrued liability has been restarted effective 7/1/06 for STRS.

(3) Beginning with 6/30/06, the funding interest rate has been raised from 8.00% per year to 8.25% per year for STRS.

Schedule Of Employer Contributions

Year Ended 6/30	Annual Required Contribution	Percentage Contributed	NPO Balance
<u>VSRS</u>			
2004	\$ 29,023,431	91.81%	\$40,556,248
2005	36,019,056	101.32%	39,639,437
2006	38,214,704	97.58%	40,555,260
<u>STRS</u>			
2004	41,658,946	58.68%	110,965,452
2005	47,714,318	51.23%	133,282,049
2006	56,627,046	44.06%	164,319,830
<u>MERS</u>			
2004	6,616,630	100.00%	-
2005	7,359,628	100.00%	-
2006	7,839,769	100.00%	-

D. State of Vermont's Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation (NPO) to the Vermont State Retirement System and the State Teachers' Retirement System at June 30, 2006 were as follows:

	<u>VSRS</u>	<u>STRS</u>
Annual Required Contribution (ARC)	\$38,214,704	\$56,627,046
Interest on NPO	3,171,155	10,662,467
Adjustment to ARC	<u>(3,603,585)</u>	<u>(11,805,450)</u>
Annual Pension Cost (APC)	37,782,274	55,484,063
Employer Contribution Made	<u>(36,866,451)</u>	<u>(24,446,282)</u>
Increase (Decrease) in NPO	915,823	31,037,781
NPO - Beginning of Year	<u>39,639,437</u>	<u>133,282,049</u>
NPO - End of Year	<u>\$40,555,260</u>	<u>\$164,319,830</u>
Percentage of APC contributed	97.58%	44.06%

E. Single Deposit Investment Account

Public Act 41 of the 1981 Session authorized a new Group B non-contributory plan within the State Teachers Retirement System (STRS) and a new Group E non-contributory plan within the Vermont State Retirement System (VSRS). The Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan reported in the Pension Trust Funds, was also established according to the provisions of this Act.

The STRS's members in the Group A contributory plan could elect to either remain in the Group A plan or transfer to the new Group B non-contributory plan. Group A members electing to transfer to the Group B plan had their choice between the following three options:

- 1) have both their accumulated employee contributions and accumulated interest returned to them; or
- 2) have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- 3) have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

The VSRS's members in the Group A contributory plan could elect to either remain in the Group A plan or transfer to the new Group E non-contributory plan. Group A members electing to transfer to the Group E plan had their choice between the following three options:

- 1) have both their accumulated employee contributions and accumulated interest returned to them; or
- 2) have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- 3) have both their accumulated employee contributions and accumulated interest invested by the retirement board in the SDIA.

No additional contributions could be made to the SDIA beyond those described above. The SDIA funds are not available to the members until they retire or terminate employment. At June 30, 2006, there were 1,413 STRS members and, 1,088 VSRS members, with net assets of \$93.6 million in the Single Deposit Investment Account.

F. Other Post Employment Benefits

The State offers post employment medical insurance, dental insurance, and life insurance benefits in addition to providing pension benefits.

Medical Insurance

Employees retiring directly from active State service for any reason (disability, early, or normal) including the State Police, may carry whatever coverage is in effect at that time into retirement for themselves and their dependents. Currently, 3,122 retirees are enrolled in the medical plan in the single, spouse, and family plan options. The retirees contributed \$3.47 million in premiums and incurred \$19.5 million in claims expense. During the lifetime of the retiree, 20% of the cost of the premium will be paid by the retiree and 80% paid by the State through the Pension Plan (\$12.8 million in fiscal year 2006). If the retiree chooses the joint and survivor pension option, and predeceases his or her spouse, the medical benefits also continue for the spouse, along with the pension. However, generally the surviving spouse must pay 100% of the cost of the premium. If an employee does not retire directly from State service, they are not eligible to participate in the State's medical insurance plan. Likewise, if the insurance is terminated at any time after retirement, coverage will not be able to be obtained again at a later date.

In addition, once a retiree becomes eligible for Medicare coverage (at age 65), it is mandatory that they enroll in both Medicare Part A and Part B as soon as possible. Medicare thus becomes the primary insurer with the State plan becoming secondary. The retiree's State insurance premium costs will then decrease in recognition of this change.

Dental Insurance

Dental insurance is not normally continued after retirement, but a retiree may maintain coverage for up to eighteen months

by paying 102% of the premium and making arrangements through the Department of Human Resources.

Life Insurance

In the case of life insurance, if a state employee retires or terminates due to disability prior to age 60, and if proper documentation is approved by the life insurance company, full life insurance coverage will continue at the State's expense up to age 65. When the retiree reaches the age of 65 and if they have a total of 20 years or more of active and retired (while receiving disability) service, life insurance coverage will automatically change to \$5,000 with 100% of the premium being paid by the State. In addition, a retiree may convert their insurance coverage in effect at their time of retirement to an individual policy within 30 days of their retirement date without a physical exam.

Medicare Part D - Prescription Drug Subsidy

Under the Medicare, Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), employer sponsors of retiree prescription drug plans can apply for a 28% subsidy for the qualified prescription drug costs of their retirees. To be eligible for the subsidy, the employer coverage must be actuarially equivalent to the new Medicare Part D coverage and the employer must provide notices of creditable prescription drug coverage to individuals entitled to Medicare Part D.

The State Teachers' Retirement System Board of Trustees agreed that they would continue to offer the same prescription drug coverage program during 2006 that has been available to active and retired teachers for the past several years. The Retirement Division has received an attestation from the actuarial firm of Buck Consultants that the prescription drug program offered to retired teachers is equivalent, and in fact, better than the drug program offered through Medicare Part D.

The FY 2006 subsidy is calculated based on the assumption that all of the retired teachers currently carrying the prescription drug coverage will continue to do so, and as a result will not sign up for Medicare Part D. In essence, the subsidy is a rebate to plan sponsors to encourage them to continue to offer prescription drug coverage. As of June 30, 2006, \$539,224 was accrued as subsidies that will be received by the STRS dating from January, 2006.

Most public sector retirement plans that offer prescription coverage to their retired population are electing to continue their coverage for at least 2006. By treating 2006 as a "transition year", systems will have time to analyze ways to control adverse selection in the future. Systems will also be able to evaluate the results of the first year of the Medicare Part D Program and its impact on the post-age 65 health care benefits marketplace and prescription drug pricing. The Vermont Teachers' Retirement Board of Trustees will need to determine in future years whether it is in their best interest to continue to offer the same prescription drug program, or whether it should be modified or discontinued. If the determination is to continue to offer the same coverage, the estimated annual subsidy will fluctuate depending on the number of retirees and covered dependents that actually sign up for the Medicare Part D Program. If it is determined that the prescription coverage should either be modified or discontinued, then the savings will be realized by a decrease in medical premiums.

Note 6: RESTRICTED NET ASSETS – Discretely Presented Component Units

Restricted net assets are those portions of total net assets that are not appropriable for expenditure or that are legally segregated for a specific future use. Net assets restricted at June 30, 2006 are as follows.

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Non-major component units
Restricted for:				
Restricted - expendable	\$ 1,066,000	\$ 239,966,000	\$ 3,014,455	\$ 15,761,404
Restricted - nonexpendable	1,498,000	66,190,000	10,805,685	-
Grants and scholarships	811,000	-	-	-
Bond resolution	66,576,000	-	-	-
Project commitments	-	-	-	14,799,579
Loans receivable ⁽¹⁾	-	-	-	96,140,975
Total Component Units				
- Restricted Net Assets	<u>\$ 69,951,000</u>	<u>\$ 306,156,000</u>	<u>\$ 13,820,140</u>	<u>\$ 126,701,958</u>

⁽¹⁾ Loans receivable for the Vermont Housing & Conservation Board include federally restricted funds.

Note 7: LEASE COMMITMENTS**A. Operating Leases**

The State is committed under various operating leases covering real property (land and buildings) and equipment. Although lease terms vary, certain leases continue subject to appropriation by the General Assembly. If continuation is reasonably assured, leases requiring appropriation by the General Assembly are considered non-cancelable leases for financial reporting purposes. It should also be noted that the State is currently negotiating a small number of operating leases on which rent is being paid on a month-by-month basis and for which there is no signed agreement. These leases have not been included in the following table.

The following is a summary of the estimated future minimum rental commitments under operating leases for real property and equipment at June 30, 2006:

Fiscal Year	Primary Government			Component Units		Reporting Entity Total
	Non- Cancelable Leases	Cancelable Leases	Total	Vermont State Colleges	Non-major Component Units	
2007	\$ 6,857,613	\$ 8,188	\$ 6,865,801	\$ 1,756,748	\$ 238,588	\$ 8,861,137
2008	6,042,818	6,923	6,049,741	1,235,698	186,615	7,472,054
2009	4,964,264	4,914	4,969,178	597,737	42,496	5,609,411
2010	3,940,632	3,926	3,944,558	280,835	-	4,225,393
2011	3,034,654	3,218	3,037,872	398,094	-	3,435,966
2012 to 2016	5,937,571	1,376	5,938,947	-	-	5,938,947
Totals	<u>\$30,777,552</u>	<u>\$ 28,545</u>	<u>\$ 30,806,097</u>	<u>\$ 4,269,112</u>	<u>\$ 467,699</u>	<u>\$ 35,542,908</u>

B. Capital Leases

The future minimum lease obligation and the net present value of the minimum lease payments at June 30, 2006 are as follows:

<u>Fiscal Year</u>	<u>Primary Government</u>	<u>Vermont State Colleges</u>	<u>Total Reporting Entity</u>
2007	\$ 359,656	\$ 118,282	\$ 477,938
2008	190,543	91,878	282,421
2009	166,933	60,005	226,938
2010	124,580	23,055	147,635
2011	4,072	15,505	19,577
2012 - 2013	-	17,315	17,315
Total minimum lease payments	<u>845,784</u>	<u>326,040</u>	<u>1,171,824</u>
Less: interest	<u>(104,948)</u>	<u>(45,219)</u>	<u>(150,167)</u>
Present value of minimum lease payments	<u>\$ 740,836</u>	<u>\$ 280,821</u>	<u>\$ 1,021,657</u>

Note 8: GENERAL OBLIGATION BONDS PAYABLE

General obligation bonds payable have been authorized and issued primarily to provide funds for acquisition and construction of capital facilities for higher education, public and mental health, correctional facilities, environmental conservation purposes, maintenance and construction of highways and assistance to municipalities for construction of water and sewage systems and local schools. Also, bonds have been authorized and issued to refund outstanding general obligation bonds.

Once authorized by the Legislature, the State Treasurer, with the approval of the Governor, may issue general obligation bonds. Except for zero coupon capital appreciation bonds, the bonds are to be payable in substantially equal or diminishing amounts, the first such payment to be payable not later than five years after the date of the bonds, and the last such payment to be made no later than twenty years after the date of the bonds.

Changes in bonds principal payable during fiscal year 2006 are summarized as follows:

Changes in bond and note principal payable during fiscal year 2006 are summarized as follows:

		<u>General Obligation Bonds</u>
Balance, July 1, 2005		\$ 463,390,739
Additions:		
Issuances	45,000,000	
Accretions	2,445,078	
Total	<u>47,445,078</u>	47,445,078
Deductions:		
Redemptions	49,562,000	
Total	<u>(49,562,000)</u>	(49,562,000)
Balance, June 30, 2006		<u>\$ 461,273,817</u>

During fiscal years 1991, 1992, and 1994, the State issued zero coupon capital appreciation bonds. Zero coupon capital appreciation bonds are bonds issued at a discount to their face value. Instead of interest being paid on a periodic (i.e. semi-annual) basis, an increase in the principal due (accrued amount) is recognized on a regular basis. The total accrued amount at maturity will be the face value of the bonds.

On December 1, 1993, the State issued capital appreciation bonds with a maturity value of \$32,625,000 maturing on August 1 in the years 1999 through 2013. Proceeds from these bonds totaled \$17,987,640, and have an accrued value of \$12,454,585 at June 30, 2006.

On October 30, 1991, capital appreciation bonds with a maturity value of \$20,575,000 were issued. These bonds mature on October 15 in the years 1996 through 2011. Proceeds from these bonds totaled \$9,999,837, and have an accrued value of \$6,390,025 at June 30, 2006.

During fiscal year 1991, capital appreciation bonds were issued with a maturity value of \$48,935,000, and are scheduled to mature on December 1 in the years 1995 through 2010. Proceeds from these bonds totaled \$19,310,002, and have an accrued value of \$17,369,208 at June 30, 2006.

Future general obligation debt service requirements at June 30, 2006 are as follows:

Future general obligation debt service requirements at June 30, 2006 are as follows:

Fiscal Year	Current Interest Bonds		Capital Appreciation	Total
	Principal	Interest	Bonds	
2007	\$ 43,145,000	\$ 18,490,819	\$ 7,495,000	\$ 69,130,819
2008	41,655,000	16,543,094	7,500,000	65,698,094
2009	41,145,000	14,748,212	7,495,000	63,388,212
2010	38,525,000	12,999,511	7,145,000	58,669,511
2011	34,675,000	11,322,774	7,140,000	53,137,774
2012-2016	135,385,000	35,487,916	6,785,000	177,657,916
2017-2021	64,760,000	13,262,149	-	78,022,149
2022-2026	25,770,000	2,545,070	-	28,315,070
Totals	<u>\$ 425,060,000</u>	<u>\$125,399,544</u>	<u>\$ 43,560,000</u>	<u>\$ 594,019,544</u>

At June 30, 2006, there remains \$45,000,868 of authorized but unissued general obligation bonds.

See following page for a schedule of general obligation bonds outstanding at June 30, 2006.

Note 9: PRIOR YEARS' BOND REFUNDINGS

During fiscal years 2004 and 2005, the State of Vermont defeased "in-substance" certain general obligation bonds by issuing new bonds and by placing the proceeds of these new bonds in irrevocable trusts. These trust assets are utilized to make all debt service payments on the defeased bonds. Accordingly, these trust assets and the liability for the defeased bonds are not included in the State's financial statements. As of June 30, 2006, \$60,970,000 of the fiscal year 2004 defeased bonds remain outstanding, and \$20,895,000 of the fiscal year 2005 defeased bonds remain outstanding.

General Obligation Bonds outstanding at June 30, 2006 are comprised of the following issues:

Date Issued	Date Series Matures	Interest Rates %	Amount of Original Issue	Maturity Value of Capital Appreciation Bonds	Maturity Value Sources of Payments			Maturity Value of Bonds Outstanding Total
					General Fund	Transportation Fund	Special Fund	
General Obligation Current Interest Bonds:								
8/1/1992	8/1/2008	3.0 to 5.75	\$ 71,280,000		\$ 7,355,000	\$ 45,000	\$ -	\$ 7,400,000
12/1/1995	1/15/2015	4.875 to 5.125	60,000,000		3,160,000	-	-	3,160,000
11/20/1996	1/15/2016	5.0 to 5.125	38,000,000		4,000,000	-	-	4,000,000
12/12/1996	1/15/2016	3.7 to 5.6	15,000,000		1,580,000	-	-	1,580,000
10/29/1997	1/15/2017	4.5 to 5.0	28,500,000		4,203,711	296,289	-	4,500,000
12/3/1997	1/15/2017	3.9 to 5.2	14,990,000		2,370,000	-	-	2,370,000
3/15/1998	1/15/2014	4.25 to 5.0	64,575,000		29,592,951	597,049	6,915,000	37,105,000
5/1/1998	1/15/2017	4.5 to 5.0	7,755,000		-	-	1,205,000	1,205,000
11/23/1998	1/15/2018	4.5 to 4.75	26,630,000		5,463,312	136,688	-	5,600,000
11/1/1999	2/1/2019	4.5 to 6.5	32,000,000		6,740,000	-	-	6,740,000
12/16/1999	2/1/2010	4.55 to 5.05	5,000,000		2,000,000	-	-	2,000,000
11/14/2001	8/1/2020	3.25 to 4.75	46,000,000		31,890,000	-	-	31,890,000
12/27/2001	8/1/2011	4.0 to 4.375	5,000,000		3,000,000	-	-	3,000,000
12/11/2002	8/1/2019	3.0 to 5.0	30,800,000		22,495,000	-	-	22,495,000
12/17/2002	8/1/2013	2.0 to 5.0	31,555,000		29,494,000	1,596,000	-	31,090,000
2/4/2003	8/1/2007	2.0 to 2.2	5,000,000		2,000,000	-	-	2,000,000
2/11/2004	2/1/2018	1.1 to 5.0	134,457,000		108,357,431	5,307,569	3,005,000	116,670,000
3/10/2004	3/1/2023	2.0 to 5.0	42,200,000		35,066,351	2,683,649	-	37,750,000
3/2/2005	3/1/2025	3.0 to 4.0	26,000,000		25,450,000	-	-	25,450,000
4/13/2005	3/1/2015	2.4 to 4.0	15,000,000		12,600,000	900,000	-	13,500,000
6/7/2005	3/1/2020	2.65 to 5.0	20,805,000		19,109,087	565,913	880,000	20,555,000
11/22/2005	7/15/2026	3.5 to 5.0	30,000,000		30,000,000	-	-	30,000,000
12/13/2005	7/15/2016	3.1 to 4.0	15,000,000		15,000,000	-	-	15,000,000
Total General Obligation Current Interest Bonds					400,926,843	12,128,157	12,005,000	425,060,000
General Obligation Capital Appreciation Bonds:								
12/13/90	12/01/10	N/A	19,310,002	48,935,000	20,550,000	-	-	20,550,000
10/30/91	10/15/11	N/A	9,999,837	20,575,000	7,710,000	-	-	7,710,000
12/01/93	08/01/13	N/A	17,987,640	32,625,000	15,300,000	-	-	15,300,000
Total Maturity Value					43,560,000	-	-	43,560,000
Less: Unaccreted Interest					7,346,182	-	-	7,346,182
Total General Obligation Capital Appreciation Bonds					36,213,818	-	-	36,213,818
Total General Obligation Bonds					\$ 437,140,661	\$ 12,128,157	\$ 12,005,000	\$ 461,273,818

Note 10: BUDGET STABILIZATION RESERVES

The 1993 Legislature amended action taken by the 1987 Legislature by repealing legislation creating the Budget Stabilization Trust Fund and created separate Budget Stabilization Reserves within both the General Fund and Transportation Fund. The Education Fund Budget Stabilization Reserve was created by the 1999 Legislature. These reserves were created to reduce the effects of annual variations in State revenues upon these funds by reserving certain surpluses of revenues.

The reserves balances will consist of any unreserved undesignated surplus at the close of the fiscal year, provided the balance in each fund's Budget Stabilization Reserve shall not exceed an amount equal to five percent of its appropriations for the prior fiscal year plus any additional amounts as may be authorized by the Vermont Legislature. Use of the reserve is limited to offsetting the respective fund's deficit at the close of a fiscal year. Pursuant to action taken by the Legislature, the Transportation Fund's Budget Stabilization Reserve at June 30, 2006 was \$11,043,987, the General Fund's Budget Stabilization Reserve was \$51,807,658 at June 30, 2006, and the Education Fund's Budget Stabilization Reserve at June 30, 2006 was \$24,324,432.

Note 11: CONTINGENT AND LIMITED LIABILITIES**A. Contingent Liabilities****Vermont Economic Development Authority:**

In 1974, the General Assembly created the Vermont Industrial Development Authority, renamed it the Vermont Economic Development Authority (VEDA or the Authority) in 1993; and transferred the functions and the responsibilities of the Vermont Industrial Building Authority, Industrial Park Authority, and the Vermont Industrial Aid Board to it. Each of these original entities was relegated to a particular segment of industrial development. The Authority was established as a body corporate and politic and a public instrumentality of the State. It is governed by a twelve member board which consists of the Secretary of Commerce & Community Development, the State Treasurer, the Secretary of Agriculture, Food and Markets, and nine public members appointed by the Governor with the advice and consent of the Senate.

The Authority has the power to insure up to \$15 million of loans made by financial institutions for the purchase of land and construction of industrial building facilities in the State; to finance the purchase of machinery and equipment; and to provide working capital. The refinancing of existing loans is also possible under the act that created the Authority. As of June 30, 2006, the Authority had mortgage insurance contracts totaling \$9,048,694. The full faith and credit of the State is pledged to support these activities of the Authority.

The Authority is authorized to reimburse lenders participating in the Vermont Financial Access Program for losses incurred on loans that the lenders register with the Authority. The full faith and credit of the State is pledged in an amount equal to the reserve premium payment deposited by the participating lenders for each registered loan, with the aggregate amount of credit that may be pledged not to exceed \$2 million at any one time. The State's contingent liability at June 30, 2006 was \$917,216. The State's net cash contribution since inception is \$387,494.

Federal Grants:

The State receives federal grants that are subject to audit and review by federal grantor agencies. This could result in expenditures being disallowed under the terms of the grants. However, it is believed that required reimbursements resulting therefrom would not be material.

B. Limited Liabilities**Vermont Economic Development Authority:**

The State has a limited liability for the Vermont Economic Development Authority. The Authority may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 219. Annually, the Authority must

report to the State the amount necessary to bring the reserve balances up to the minimum required by statute. This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve and it is not anticipated that any appropriation will have to be made.

Vermont Municipal Bond Bank:

The State has a limited liability for the Vermont Municipal Bond Bank (Bank). The Bank is required to maintain debt service reserve funds. Title 24, V.S.A. Section 4675 requires the State to provide annual appropriations to restore the reserve funds to the required minimum balance, if necessary. It has never been necessary for the State to appropriate money to the reserve fund and it is not anticipated that it will need to make an appropriation in the future.

Vermont Housing Finance Agency:

The State has a limited liability for the Vermont Housing Finance Agency (Agency). The Agency may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 632. Annually, the Agency must report to the State the amount necessary to bring reserve fund balances up to the minimum required by statute. This sum so certified may be appropriated by the State. It has not been necessary for the State to appropriate money to maintain the reserve fund and it is not anticipated that any appropriation will have to be made.

Note 12: LITIGATION

The State, its agencies, officials and employees are defendants in numerous lawsuits involving funding for social welfare programs, civil rights actions, public education funding, breach of contract and negligence. The Attorney General is unable to predict the ultimate outcome of the majority of these suits, some of which seek recovery of monetary damages of unspecified amounts. However, based on information provided by the Attorney General, any ultimate liability to the State resulting from these lawsuits that is not covered by various insurance policies, would not materially affect the State's overall financial condition.

Note 13: JOINT VENTURE

The State of Vermont has entered into a Tri-State Lotto Compact with the States of New Hampshire and Maine for the purpose of operating a tri-state lottery. This lottery does not replace Vermont's individual lottery games but is run in addition to the existing games. The Compact provided for the creation of a Tri-State Lottery Commission which is an interstate body, both corporate and politic, serving as a common agency of the party states and representing them both collectively and individually in the exercise of its powers and duties. The commission is composed of one member from each of the party states. Each state's lottery commission appoints one of its members to this position. The three-member commission annually elects a chairperson from among its members. The commission is empowered to operate and administer Tri-State Lotto and to promulgate rules and regulations governing the establishment and operation of the lotto. Tri-State Lotto tickets are sold in each of the party states and processed in a central location as determined by the commission. Fifty percent of the gross sales from each state are aggregated in a common prize pool, and operating costs are charged proportionally to each of the party states. The remaining revenues generated within each state remain in that particular state.

At June 24, 2006, the commission had total assets of \$152,638,621, and total liabilities of \$139,712,256, decreases of \$29.23 million and \$18.25 million respectively compared to June 25, 2005. For the fiscal year ended June 24, 2006, the commission had operating revenues of \$65,275,868, an increase of \$380,716; interest income of \$517,715, an increase of \$292,244; commissions, fees, and bonus expenses of \$8,126,372, an increase of \$260,601; prize awards of \$32,692,069 an increase of \$399,791; and other operating expenses of \$3,935,040, an increase of \$346,658; all increases as compared to the fiscal year ended June 25, 2005.

During fiscal year 2006, the commission made operating transfers to member states of \$21,040,102 versus \$21,374,192 during fiscal year 2005. This total included \$1,949,056 transferred to Vermont during fiscal year 2006, a decrease of \$120,836 as compared to fiscal year 2005.

Additional information regarding the Tri-State Lotto Commission may be obtained by contacting the Vermont Lottery Commission, 1311 US Rte. 302-Berlin, Barre, Vermont 05641.

Note 14: RISK MANAGEMENT

A. Workers' Compensation and Liability Risk Management

The Risk Management Division of the Department of Buildings and General Services administers all risk management for State government with the exception of the health and life insurance plans listed below. State policy is to minimize the purchase of commercial insurance by either self-funding or otherwise retaining the risk when it makes sense to do so. The Risk Management Division sets aside assets and pays claims utilizing the following three Internal Service Funds:

- Workers' Compensation Self Insurance Fund
- State Liability Self Insurance Fund
- Risk Management – All Other Fund (used for the purchase of commercial insurance)

The Workers' Compensation Fund covers all State employees pursuant to State statute. Certain quasi-governmental entities may also request coverage through this program. The State has unlimited exposure to liability and has not purchased any stop-loss insurance to limit this exposure. This liability is reviewed annually by an outside actuary, including a review of incurred but not reported claims (IBNR). All claims are processed by Risk Management Division personnel and are audited annually by an outside claims adjuster to ensure that the claims-based statistical information used to calculate the State's workers' compensation exposure is reliable. The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by the Risk Management Division utilizing departmental exposure and experience factors.

The Liability Insurance Fund covers general and employment practices liability, discrimination, and auto liability risk. The coverage is comparable to standard private commercial policies. It offers coverage to the same group of participants as those covered by the workers' compensation program described above. Its exposure to risk in Vermont is subject to the doctrine of sovereign immunity and is governed by the Vermont Tort Claims Act, 12 V.S.A. §5601. Exposure outside of Vermont is potentially unlimited. It is self-insured for the first \$250,000 of exposure and has purchased excess commercial insurance to cover the additional per-occurrence exposure in amounts of up to \$1,000,000 in Vermont and \$10,000,000 for claims that are not subject to the Vermont Tort Claims Act. This liability is reviewed annually by an outside actuary, including a review of incurred but not reported claims (IBNR). The contribution required to fully fund losses is calculated annually by an outside actuary. Allocation to each participating entity is done by the Risk Management Division, utilizing departmental exposure and experience factors. Claims are managed by Risk Management personnel. Prior to FY06, claims were administered by a third-party administrator (TPA), which will continue to manage those claims that were initiated during their contract term. The liability loss projections and the claims processing data are audited annually by outside claims adjusters.

The Risk-Management – All Other Fund provides insurance coverage through purchased commercial policies for risks not covered in the above funds or which are self-assumed. This coverage provides insurance for State-owned real property, bonds for various categories of employees, errors and omissions coverage for judges, and various other miscellaneous coverages. The State's liability exposure is limited to the amount of the various deductibles associated with the respective policies. Premium charges from the various insurers are either assessed directly against the entity requiring the coverage or apportioned among those entities receiving the benefits of the coverage. Risk Management also assesses a surcharge of up to 5% of the premium to cover administrative costs. Entities eligible for coverage are the same as those listed above for the other funds.

B. Health Care, Dental Insurance, Life Insurance, Employee Assistance, and Long Term Disability Funds For State Employee Benefit Plans

The Employee Benefits and Wellness Division of the Department of Human Resources maintains medical, dental, life insurance, employee assistance, and long term disability program funds for the benefit of current State employees, retirees, retired former employees allowed participation by statute or labor agreement, legislators, and employees and certain former employees of outside groups which have been declared eligible to participate by statute. All or some of these named groups may participate in each plan depending upon the plan. Temporary and contractual employees are not eligible to participate in these plans.

Participating employees share in the premium cost of all of the medical plans. Premium rate setting is performed by an outside actuary in conjunction with the Employee Benefits and Fiscal and Information Management groups of the Department of Human Resources. The State's liability for incurred but not yet reported (IBNR) claims is calculated by the actuary and is based on the State's prior claims experience.

The current medical plan offerings include four plan options. TotalChoice, HealthGuard, and SafetyNet are "preferred provider organization" indemnity-type plans. There is a lifetime limit on coverage for a participant in these three plans. The SelectCare POS is a "point of service" plan, similar to an open-ended HMO. Members may opt out of the network but must meet a deductible and coinsurance to do so. There is no lifetime coverage limit; however, benefits are administered under a managed care arrangement. All four health plan options are self insured by the State. The State employs a third party administrator to provide administrative services, including claim payment. To limit the State's large claims exposure, the State has purchased stop loss insurance.

The self-funded State of Vermont Employee Dental Assistance Plan provides up to \$1,000 regular dental benefits annually and up to \$1,750 lifetime for orthodontic expenses for each participant. These plan caps effectively limit the State's exposure to catastrophic loss so no stop-loss insurance has been purchased. The Fiscal and Information Management group within the Department of Human Resources sets the premium rates, in consultation with the dental plan administrator's actuary. Participants include all groups mentioned in paragraph 1 above except for retirees. The State pays 100% of the premium for State employee participants and their covered dependents.

The State of Vermont Employee Life Insurance Program consists of a Life benefit and an Accidental Death and Dismemberment (AD&D) benefit, each of which provides coverage equal to two times a participant's base salary rounded down to the nearest \$100. Retirees who work for the State for at least twenty years and who have life insurance at the time of retirement receive a retiree life benefit of \$5,000 with no AD&D coverage. Both Life and AD&D are fully insured benefits. The State purchases insurance under which the carrier retains liability for all claims. The Fiscal and Information Management group calculates the premium rates charged to departments for both of these programs. The State pays 75% of active employees' premiums and 100% of retirees' premium costs. Only current State employees, retired State employees and current members of outside groups are eligible to participate.

A Flexible Spending Account (FSA) Program is available to active State employees only. This account allows pre-tax salary deductions to be used to reimburse eligible medical and dependent care expenses. The FSA Program administrator is paid a monthly fee based on the number of enrolled employees. No claims costs are incurred under this plan by the State.

An Employee Assistance Program (EAP) is provided for the benefit of State employees and members of their immediate household. This program assists employees and family members in addressing problems that impact their lives including stress, family issues, financial, drugs and substance abuse, and other issues. Active State employees and their families are eligible for this program. The EAP Program Manager is paid a monthly fee based on the number of employees who work for the State. The plan provides up to 5 counseling sessions per case through a network of providers. No claims costs, or claims liabilities are incurred under this plan by the State. The State pays 100% of the premium for this plan.

A Long Term Disability Program is provided as an income replacement benefit for certain State employees who become disabled due to non-occupational injury or illness, and the disability is expected to be long term or permanent. The plan provides financial protection for State employees and their families by continuing a portion of their income while disabled. Only State employees who are not eligible to be represented by the employees' union (the Vermont State Employees Association) are eligible for this benefit. There is a one-year eligibility waiting period before coverage is effective. This plan is fully insured through an insurance company, so there is no liability to the State for claims. The premium is based on a percentage of the salaries of eligible participants. The State issues payment to the insurance company for the premium and the cost is then recovered from eligible employees in the following manner: Those eligible employees who are covered by a leave plan forfeit one day of compensated absence leave per year. Those eligible employees who are not covered by a leave plan have a one-time 0.2% salary reduction in their next cost-of-living increase.

Presented below is a table displaying three years' changes in the respective funds' claims liability amounts.

<u>Fund and Fiscal Year</u>	<u>Liability at Beginning of the Fiscal Year</u>	<u>Current FY Claims and Changes in Estimates</u>	<u>Current FY Claims Payments</u>	<u>Balance of Liability at End of Fiscal Year</u>
Workers' Compensation Fund				
FY 2004	\$15,488,977	\$ 4,778,463	\$ 5,796,437	\$ 14,471,003
FY 2005	14,471,003	5,791,361	5,482,971	14,779,393
FY 2006	14,779,393	8,390,960	5,968,751	17,201,602
State Liability Insurance Fund				
FY 2004	6,709,592	2,191,792	1,151,246	7,750,138
FY 2005	7,750,138	916,676	1,677,010	6,989,804
FY 2006	6,989,804	1,036,594	2,053,797	5,972,601
Medical Insurance Fund				
FY 2004	10,859,261	62,775,246	63,738,506	9,896,001
FY 2005	9,896,001	73,415,841	72,614,267	10,697,575
FY 2006	10,697,575	79,503,185	80,171,813	10,028,947
Dental Insurance Fund				
FY 2004	346,585	4,723,147	4,699,450	370,282
FY 2005	370,282	4,912,541	4,895,269	387,554
FY 2006	387,554	5,033,480	5,135,178	285,856

Worker's Compensation Fund - The FY2005 Current FY Claims and Changes in Estimates column includes \$65,368 for claims liability included in accounts payable in the prior year.

Medical Insurance Fund - The FY2004 Current FY Claims Payments column includes \$4,090 credited as a claims refund of expenditure from the carrier.

Note 15: DEFICIT NET ASSETS

The following individual funds had deficit total net assets or deficit unrestricted net assets at June 30, 2006:

Business-type Proprietary Funds

Federal Surplus Property: ended fiscal year 2006 with both a deficit unrestricted net asset balance of \$488,271 as well as a deficit total net asset balance of \$487,854. Both of these deficits are the result of the sale prices for surplus property sold at auction not being great enough to offset both the acquisition and delivery costs associated with obtaining the items and the departmental costs associated with running the program. In any one year the size of these deficits may be exacerbated because of timing differences resulting from the fiscal year of the recording of the acquisition costs (inventory) and the corresponding entry in deferred revenue being different than that of the sale of the item. This situation would be especially prevalent if the item is relatively expensive to acquire. As the fund balance of this program is highly dependent on final sales price received for goods sold as compared to their acquisition costs, any continuing deficit that cannot be recovered through normal business operations will probably require some special action to be taken.

Vermont Life: had a deficit unrestricted net asset balance of \$134,471 and a deficit total net asset balance of \$129,502 as of June 30, 2006. It operated at a loss in both fiscal year 2005 (\$64,587) and 2006 (\$145,132.) These operating losses and their related net asset deficits are primarily the result of the effect of decreasing revenues as well as increased printing, postage and payroll costs. In fiscal year 2006, a consultant was hired to evaluate the business and to make recommendations for improvements. As part of these recommendations, a publisher was hired in early fiscal year 2007 to plan, oversee and implement changes at Vermont Life with a goal towards improving its financial performance while maintaining its quality and value to the State of Vermont. In the coming months, these changes may include but will certainly not be limited to increasing the sales price of the magazine and/or its associated merchandise; decreasing costs where possible; taking on other revenue sources as appropriate; and possibly reorganizing the magazine's staff.

Internal Service Funds

Highway Garage Fund: had net "losses before contributions and transfers" for 2004, 2005 and 2006 of \$280,633; \$1,795,150; and \$1,660,640 respectively. These operating deficits had resulted in a slightly positive unrestricted net asset balance of \$421,429 at June 30, 2004 and deficit unrestricted net asset balances of \$3,370,689 and \$1,012,289 at June 30, 2005 and 2006 respectively. These large deficit balances in 2005 and 2006 were the result of the transfer of \$2,600,000 from the highway garage fund in 2005 to the Transportation Fund per Act 6 Section 69b of the 2005 Legislative session and then the subsequent return of this \$2,600,000 to the Highway Garage Fund in FY 2006. In FY 2006, an additional \$2,253,447 was transferred from the Transportation Fund to the Highway Garage Fund which lessened the deficit unrestricted net asset balance at June 30, 2006. The Highway Garage Department has developed a 5-year plan to eliminate the remaining deficit by increasing rental rates to eliminate 20% of the deficit in a given year.

Communications & Information Technology: ended fiscal year 2006 with a deficit unrestricted net asset balance of \$1,487,136 and a deficit total net asset balance of \$567,937. These deficits, although fairly substantial, were reductions in the June 30, 2005 unrestricted and total net asset deficits of \$1,999,884 and \$1,140,631 respectively and were basically accomplished by transferring in \$1,195,000 from the General Fund. These deficits in this fund over the last two years were the result of revenue shortfalls rather than excess spending as there was insufficient revenue to cover the operating costs of the Department's overhead and the associated Chief Information Officer (CIO) functions. Operating losses in 2005 and 2006 were \$491,352 and \$619,205 respectively.

In FY 2007 the Department began operating under a new funding model that will generate sufficient revenue to cover its expenses and to eliminate this deficit within five years. In addition, the Department of Information and Innovation expects to combine the Communications and Information Technology Fund with the GOVNet fund (see below) during fiscal year 2007 so as to realize additional operating efficiencies.

GOVNet Fund: ended fiscal year 2006 with a deficit unrestricted net asset balance of \$1,062,045 and a deficit

total net asset balance of \$519,823. Both of these were reductions in the 2005 unrestricted and net asset deficit balances of \$1,468,150 and \$1,014,705 respectively. As a result of increased receipts and reduced costs during fiscal year 2006, the fund generated an operating surplus of \$494,882. During fiscal year 2007, the Department of Information and Innovation will combine the Communications & Information Technology fund and the GOVNet fund into one fund (see above). This combined operation is expected to generate sufficient revenue to cover expenses and to eliminate any deficits within five years.

Supply Center Fund: ended fiscal year 2006 with a deficit unrestricted net asset balance of \$4,107,859 and a deficit total net asset balance of \$140,686. This large unrestricted net asset deficit is due to the cost of operations of the new Statewide Fleet program which is being accounted for in this fund. To help cover the costs associated with rising program costs, gasoline prices, timing of purchases, etc., and to reduce the deficit, the program implemented new rates effective 10/1/2005. Rate increases to cover all costs and to help reduce the deficit have been instituted but higher maintenance and repair expenses associated with the addition of the older fleet vehicles is preventing the program revenues from covering all expenditures. As the older fleet vehicles are replaced, the rates will be adjusted to cover all costs plus reduce any fund deficit.

Copy Center Fund: ended fiscal year 2006 with a deficit unrestricted net asset balance of \$3,258,102 and a deficit total net asset balance of \$1,629,397. These deficits are the result of the State's print shop revenues not being enough to cover its operating costs. Print shop activities, which have not received any rate increases over the last four years, have been approved for a rate increase for FY 2007 though no final amount has been set. In the meantime, rates were adjusted to cover the increase cost of raw materials. Additionally, the State's convenience copier program is also operating at a deficit. The Department of Buildings and General Services (BGS) is currently reviewing the viability of these programs and anticipates that its convenience copier program will be replaced by individual departments purchasing their own copiers through the State's Equipment Revolving fund. To possibly realize additional savings, the feasibility of implementing a statewide maintenance contract will be undertaken by BGS.

Postage Fund: ended fiscal year 2006 with both a deficit unrestricted net asset balance of \$885,034 and a deficit total net asset balance of \$876,610 as compared to fiscal year 2005 deficits of \$562,205 and \$414,321 respectively. These two fiscal years also experienced operating deficits of \$444,121 for 2006 and \$244,632 for 2005. The fund deficits are due to increased costs incurred by the department for actions taken by the department to obtain decreases in mailing costs charged by the post office. These actions include such things as pre-sorting mail, bulk mailing, etc which results in lower mailing costs being realized by the State. These savings were passed on to the customers in their entirety in the past resulting in the postage fund realizing additional costs but not realizing additional revenue to offset the costs. To offset these deficits, preliminary approval has been granted to increase the percentage of the savings received for retention by the program. The final amount of the savings to be retained by the postage fund has not been established but is anticipated to be enough to reduce the operating losses and fund deficits beginning in FY 2007.

Facilities Operations Fund: ended fiscal year 2006 with a deficit unrestricted net asset balance of \$901,641 and a deficit total net asset balance of \$661,808. In 2005, the fund experienced deficits of \$1,161,758 and \$940,590 respectively. The fund deficits continue to be reduced through the level of program revenues being realized being great enough to cover program expenses for the second year in a row. In addition, to help reduce the deficits, the fund received \$250,000 toward the fund deficits. If the current levels of billed revenues plus additional help is realized by the fund, the deficit will be eliminated within three years.

Property Management Fund: had a deficit unrestricted net asset balance of \$10,028,466 and a deficit total net asset balance of \$10,022,779 as of June 30, 2006. Part of this fund deficit was anticipated and is the result of the purchase of 3 State office buildings whose acquisition costs were financed by the issuance of 20-year bonds while the funding for the payoff of these bonds is being realized over a 50 year period. This deficit is calculated to continue growing until the bonds are paid off at which time the part of the deficit will start to decrease annually and will be eliminated at the end of the 50-year recovery period. The other part of the deficit is due to increased operating and maintenance costs associated with the Rutland parking garage and other leased space maintained by the state not being able to be recovered through increased rental charges due to fixed rent lease terms in the current lease agreements. The reduction of this portion of the deficit is being addressed as current

leases terminate and new lease terms are negotiated.

Risk Management All-Other Fund: ended fiscal year 2006 with a deficit unrestricted and a deficit total net asset balance of \$461,242. This deficit was due to timing differences that resulted when a large Workers Compensation policy was purchased and paid for but whose cost was not billed in a timely manner to the participating parties. This fund recovers the costs of the program from the policy holders through a surcharge on 3rd party insurance premiums. The program is intended to purchase insurance coverage on behalf of specific customers for specific reasons. The policyholders are responsible for the total costs including overhead charges for the programs they participate in.

Workers' Compensation Fund: ended fiscal year 2006 with a deficit unrestricted and a deficit total net asset balance of \$3,433,598. This deficit fund balance had been reduced from FY 2005's deficit fund balances of \$2,409,067 through rate increases to participating departments. However, rate increases in FY 2006 were not enough to overcome the increased experience portion of the claims figure derived by the actuaries as well as the operating costs of the program. As a result, the fund deficit increased in this program. In FY 2007 and beyond, increased rates are intended to cover the operating costs of the fund as well as reduce the continuing fund deficit.

Note 16: CHANGES IN LONG-TERM LIABILITIES

During the year ended June 30, 2006, the following changes occurred in long-term liabilities:

PRIMARY GOVERNMENT

	July 1, 2005	Additions	Reductions	June 30, 2006	Amounts due within one year
Governmental activities:					
Bonds payable (1)	\$ 463,390,739	\$ 47,445,078	\$ 49,562,000	\$ 461,273,817	\$ 50,640,000
Capital leases payable	869,768	280,327	304,311	845,784	359,656
Compensated absences	29,234,282	31,823,967	30,585,105	30,473,144	20,345,922
Claims and judgements	32,854,326	93,964,219	93,329,539	33,489,006	10,314,803
Contingent liabilities	7,000,000	-	-	7,000,000	-
Net pension obligation	172,921,486	31,953,604	-	204,875,090	-
Other liabilities	13,614,113	744,195	1,273,600	13,084,708	1,273,601
Total governmental activities long-term liabilities	<u>\$ 719,884,714</u>	<u>\$206,211,390</u>	<u>\$175,054,555</u>	<u>\$ 751,041,549</u>	<u>\$ 82,933,982</u>
Business-type activities:					
Compensated absences	\$ 314,341	\$ 307,686	\$ 285,463	\$ 336,564	\$ 216,526
Lottery prize awards payable	4,524,551	66,450,281	66,491,145	4,483,687	479,723
Total business-type activities long-term liabilities	<u>\$ 4,838,892</u>	<u>\$ 66,757,967</u>	<u>\$ 66,776,608</u>	<u>\$ 4,820,251</u>	<u>\$ 696,249</u>
Fiduciary:					
Compensated absences	\$ 3,321	\$ 8,417	\$ 7,080	\$ 4,658	\$ 4,098
Total fiduciary long-term liabilities	<u>\$ 3,321</u>	<u>\$ 8,417</u>	<u>\$ 7,080</u>	<u>\$ 4,658</u>	<u>\$ 4,098</u>
COMPONENT UNITS					
Bonds and notes payable	\$ 2,537,754,688	\$326,659,006	\$207,565,769	\$ 2,656,847,925	\$123,981,030
Capital leases payable	243,358	156,112	118,649	280,821	99,396
Accrued arbitrage rebate	21,151,568	3,854,353	648,656	24,357,265	679,359
Other liabilities	21,280,489	906,000	703,083	21,483,406	824,000
Total component units long-term liabilities	<u>\$ 2,580,430,103</u>	<u>\$331,575,471</u>	<u>\$209,036,157</u>	<u>\$ 2,702,969,417</u>	<u>\$125,583,785</u>

(1) Governmental activities bonds payable additions include \$2,445,078 of accretions on capital appreciation bonds.

Note 17: SUBSEQUENT EVENTS**Homestead Property Tax Income Sensitivity Adjustment**

Effective January 1, 2007, Act 185 of 2006 legislative session amends Title 32 V.S.A. Chapter 154 by combining the property tax Prebate and Rebate programs into a single program entitled the "Property Tax Adjustment Program." This new program requires that, upon receipt of a claim from a taxpayer for property tax relief, an "adjustment amount" be calculated by the Tax Department using prior year income and property tax information. In addition this act provides a means for taxpayers to choose to apply any personal income tax refund amounts towards their property tax liability including, as an incentive, a further reduction in property tax due equal to 1% of the amount of personal income tax refund so designated. The act requires the Department of Taxes to pay these amounts directly to the municipalities, not the taxpayer, and to notify the taxpayer of the amount of each of the property tax adjustments and the amount of the personal income tax refund paid to the municipality. The municipality is required to provide the taxpayer with a property tax bill adjusted for and displaying the total amount of the adjustments and personal income tax refund received from the Department of Taxes. The Act establishes limitations on the property tax adjustment so that no taxpayer shall receive total adjustments (not including the taxpayer designated personal income tax amount) under this chapter in excess of \$10,000 related to any one property tax year.

State Employees' Postemployment Benefits Pension Trust Fund

Effective July 1, 2006, Act 215 of 2006 legislative session added Title 3 V.S.A. §479a which creates the State Employees' Postemployment Benefits Pension Trust Fund as an irrevocable trust administered by the State Treasurer for the purpose of accumulating and providing reserves to fund retiree postemployment benefits for members of the VSRS, excluding pensions and benefits otherwise appropriated by statute. All funds remitted to the State as a subsidy on behalf of the members of the VSRS for employer-sponsored qualified prescription drug plans pursuant to the Medicare Prescription Drug Improvement and Modernization Act of 2003 as well as any appropriations by the legislature to fund retiree postemployment benefits for members of the VSRS will be deposited into this fund.



Required Supplementary Information
(Unaudited)

State of Vermont
Required Supplementary Information
Defined Benefit Pension Plans
Schedule of Funding Progress
(dollar amounts in 1000's)
(Unaudited)

Actuarial Valuation Date 6/30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>VSRS</u>¹						
2001	\$ 954,821	\$ 1,026,993	\$ 72,172	93.0%	\$ 278,507	25.9%
2002	990,450	1,017,129	26,679	97.4%	300,994	8.9%
2003	1,025,469	1,052,004	26,535	97.5%	319,855	8.3%
2004	1,081,359	1,107,634	26,275	97.6%	336,615	7.8%
2005	1,148,908	1,174,796	25,888	97.8%	349,258	7.4%
2006	1,223,323	1,232,367	9,044	99.3%	369,310	2.4%
<u>STRS</u>¹						
2001	1,116,846	1,254,341	137,495	89.0%	403,258	34.1%
2002	1,169,294	1,307,202	137,908	89.5%	418,904	32.9%
2003	1,218,001	1,358,822	140,821	89.6%	437,239	32.2%
2004	1,284,833	1,424,662	139,829	90.2%	453,517	30.8%
2005	1,354,006	1,492,150	138,144	90.7%	468,858	29.5%
2006	1,427,393	1,686,502	259,109	84.6%	499,044	51.9%
<u>MERS</u>						
2001	177,928	158,786	(19,142)	112.1%	101,873	-18.8%
2002	193,278	176,109	(17,169)	109.7%	106,986	-16.0%
2003	222,854	218,533	(4,321)	102.0%	126,216	-3.4%
2004	232,890	225,092	(7,798)	103.5%	135,351	-5.8%
2005	259,076	248,140	(10,936)	104.4%	146,190	-7.5%
2006	288,347	276,552	(11,795)	104.3%	148,815	-7.9%

¹ The funding method for VSRS and STRS was changed from "entry age normal with frozen initial liability" to "entry age normal" effective with the 2006 actuarial valuation.

(unaudited)

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
Revenues:				
Taxes.....	\$ 1,033,500,000	\$ 1,051,492,600	\$ 1,087,716,761	\$ 36,224,161
Earnings of Departments.....	12,900,000	12,785,800	14,509,526	1,723,726
Other.....	12,600,000	11,321,900	9,685,045	(1,636,855)
Total revenues.....	1,059,000,000	1,075,600,300	1,111,911,332	36,311,032
Expenditures:				
General government.....	43,425,624	49,963,125	42,797,344	7,165,781
Protection to persons and property.....	78,248,797	83,827,352	80,121,064	3,706,288
Human services.....	342,969,752	383,372,152	369,086,376	14,285,776
Employment and training.....	1,395,248	2,097,074	1,495,473	601,601
General education.....	127,493,126	159,991,206	140,849,312	19,141,894
Natural resources.....	21,890,505	26,919,142	22,354,124	4,565,018
Commerce and community development.....	14,605,531	22,812,848	15,207,224	7,605,624
Debt service.....	62,968,427	62,729,533	62,701,531	28,002
Total expenditures.....	692,997,010	791,712,432	734,612,448	57,099,984
Excess of revenues over expenditures.....	366,002,990	283,887,868	377,298,884	93,411,016
Other Financing Sources (Uses):				
Transfers in.....	13,009,627	20,573,131	20,573,131	-
Transfers out.....	(398,690,059)	(403,808,089)	(403,808,089)	-
Premium on sale of bonds.....	-	702,120	702,120	-
Total other financing sources (uses)...	(385,680,432)	(382,532,838)	(382,532,838)	-
Excess of revenues and other sources over (under) expenditures and other uses.....	(19,677,442)	(98,644,970)	(5,233,954)	93,411,016
Fund balance, July 1.....	145,544,760	145,544,760	145,544,760	-
Fund balance, June 30.....	\$ 125,867,318	\$ 46,899,790	\$ 140,310,806	\$ 93,411,016

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
TRANSPORTATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
Revenues:				
Taxes.....	\$ 140,966,700	\$ 139,700,000	\$ 135,670,240	\$ (4,029,760)
Licenses.....	60,000,000	59,600,000	61,427,301	1,827,301
Federal.....	164,341,904	195,080,889	143,242,483	(51,838,406)
Other.....	16,300,000	16,300,000	\$ 17,188,079	888,079
Total revenues.....	381,608,604	410,680,889	357,528,103	(53,152,786)
Expenditures:				
General Government.....	11,288,922	10,338,842	10,255,433	83,409
Protection to Persons and Property.....	28,038,314	28,079,435	28,039,252	40,183
Human Services.....	1,637,082	1,641,462	1,641,462	-
General Education.....	2,903,066	3,289,687	3,289,237	450
Natural Resources.....	1,274,482	1,608,590	1,480,933	127,657
Transportation.....	337,323,039	376,502,463	323,399,182	53,103,281
Debt service.....	2,109,547	2,146,285	2,146,285	-
Total expenditures.....	384,574,452	423,606,764	370,251,784	53,354,980
Excess of revenues over expenditures.....	(2,965,848)	(12,925,875)	(12,723,681)	202,194
Other Financing Sources (Uses):				
Transfers in.....	5,880,791	11,171,844	11,171,844	-
Transfers out.....	(7,400,210)	(8,383,514)	(8,383,514)	-
Premium on Sale of Bonds.....	-	-	-	-
Total other financing sources (uses).....	(1,519,419)	2,788,330	2,788,330	-
Excess of revenues and other sources over (under) expenditures and other uses.....	(4,485,267)	(10,137,545)	(9,935,351)	202,194
Fund balance, July 1.....	15,223,288	15,223,288	15,223,288	-
Fund balance, June 30.....	\$ 10,738,021	\$ 5,085,743	\$ 5,287,937	\$ 202,194

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
EDUCATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
Revenues:				
Taxes.....	\$ 949,144,417	\$ 948,243,917	\$ 949,803,791	\$ 1,559,874
Interest & premiums.....	-	(500,000)	(683,880)	(183,880)
Total revenues.....	949,144,417	947,743,917	949,119,911	1,375,994
Expenditures:				
General education.....	1,240,167,487	1,242,243,532	1,237,211,713	5,031,819
Total expenditures.....	1,240,167,487	1,242,243,532	1,237,211,713	5,031,819
Excess of revenues over expenditures.....	(291,023,070)	(294,499,615)	(288,091,802)	6,407,813
Other Financing Sources (Uses):				
Transfers in.....	289,487,534	289,475,903	289,475,903	-
Transfers out.....	(932,000)	(932,000)	(932,000)	-
Total other financing sources (uses)...	288,555,534	288,543,903	288,543,903	-
Excess of revenues and other sources over (under) expenditures and other uses.....	(2,467,536)	(5,955,712)	452,101	6,407,813
Fund balance, July 1.....	28,903,144	28,903,144	28,903,144	-
Fund balance, June 30.....	\$ 26,435,608	\$ 22,947,432	\$ 29,355,245	\$ 6,407,813

The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
Revenues:				
Taxes.....	\$ -	\$ -	\$ 145,076,567	\$ 145,076,567
Licenses.....	-	-	13,293,556	13,293,556
Fines, Forfeits and Penalties.....	-	-	7,373,065	7,373,065
Earnings of Departments.....	-	-	57,661,444	57,661,444
Interest and Premiums.....	-	-	4,698,322	4,698,322
Other.....	-	-	106,401,311	106,401,311
Special Fund Revenues.....	399,950,989	449,650,954	-	(449,650,954)
Total revenues.....	399,950,989	449,650,954	334,504,265	(115,146,689)
Expenditures:				
General government.....	7,697,790	14,685,669	11,686,918	2,998,751
Protection to persons and property.....	54,832,937	60,440,704	58,971,070	1,469,634
Human services.....	357,686,863	368,078,503	334,643,768	33,434,735
Employment and training.....	3,663,362	3,663,362	2,601,955	1,061,407
General education.....	15,811,830	18,770,596	18,165,934	604,662
Natural resources.....	29,405,303	33,851,629	26,529,142	7,322,487
Commerce and community development.....	6,378,594	8,803,567	5,829,379	2,974,188
Transportation.....	1	373,500	272,380	101,120
Public service enterprises.....	4,751,250	7,499,632	1,864,219	5,635,413
Debt service.....	2,383,260	2,383,260	2,383,260	-
Total expenditures.....	482,611,190	518,550,422	462,948,025	55,602,397
Excess of revenues over expenditures.....	(82,660,201)	(68,899,468)	(128,443,760)	(59,544,292)
Other Financing Sources (Uses):				
Transfers in.....	174,677,164	177,333,561	177,333,561	-
Transfers out.....	(12,490,935)	(23,829,815)	(23,829,815)	-
Total other financing sources (uses)....	162,186,229	153,503,746	153,503,746	-
Excess of revenues and other sources over (under) expenditures and other uses.....	79,526,028	84,604,278	25,059,986	(59,544,292)
Fund balance, July 1.....	95,731,105	95,731,105	95,731,105	-
Fund balance, June 30.....	\$ 175,257,133	\$ 180,335,383	\$ 120,791,091	\$ (59,544,292)

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
FEDERAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
Revenues:				
Federal.....	\$ 931,232,916	\$ 1,101,191,332	\$ 995,909,405	\$ (105,281,927)
Interest and premiums.....	-	-	609,736	609,736
Other.....	-	-	1,356,995	1,356,995
Total revenues.....	931,232,916	1,101,191,332	997,876,136	(103,315,196)
Expenditures:				
General government.....	2,835,018	3,335,127	2,440,559	894,568
Protection to persons and property.....	50,101,089	54,824,051	45,812,097	9,011,954
Human services.....	718,911,145	857,235,374	765,589,560	91,645,814
Employment and training.....	19,472,969	19,490,274	18,788,454	701,820
General education.....	115,413,832	115,053,635	111,133,210	3,920,425
Natural resources.....	13,616,796	29,743,657	26,507,069	3,236,588
Commerce and community development.....	10,882,067	21,509,214	9,331,263	12,177,951
Total expenditures.....	931,232,916	1,101,191,332	979,602,212	121,589,120
Excess of revenues over expenditures.....	-	-	18,273,924	18,273,924
Other Financing Sources (Uses):				
Transfers in.....	-	1,238,314	1,238,314	-
Transfers out.....	(19,619,167)	(19,617,729)	(19,617,729)	-
Total other financing sources (uses)...	(19,619,167)	(18,379,415)	(18,379,415)	-
Excess of revenues and other sources over (under) expenditures and other uses.....	(19,619,167)	(18,379,415)	(105,491)	18,273,924
Fund balance, July 1.....	9,510,284	9,510,284	9,510,284	-
Fund balance, June 30.....	\$ (10,108,883)	\$ (8,869,131)	\$ 9,404,793	\$ 18,273,924

The accompanying notes are an integral part of the required supplementary information.

**STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GLOBAL COMMITMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Unaudited)**

	Original Budget	Final Budget	Actual (Budgetary Based)	Variance- Favorable (Unfavorable)
Revenues:				
Other.....	\$ -	\$ 554,456,635	\$ 566,057,005	\$ 11,600,370
Total revenues.....	-	554,456,635	566,057,005	11,600,370
Expenditures:				
Protection to persons and property.....	-	1,396,672	1,249,637	147,035
Human services.....	-	540,519,499	524,805,375	15,714,124
General education.....	-	3,760,056	3,752,209	7,847
Total expenditures.....	-	545,676,227	529,807,221	15,869,006
Excess of revenues over expenditures.....	-	8,780,408	36,249,784	27,469,376
Other Financing Sources (Uses):				
Transfers in.....	-	3,768,020	3,768,020	-
Transfers out.....	-	(26,578,054)	(26,578,054)	-
Total other financing sources (uses)...	-	(22,810,034)	(22,810,034)	-
Excess of revenues and other sources over (under) expenditures and other uses.....	-	(14,029,626)	13,439,750	27,469,376
Fund balance, July 1.....	-	-	-	-
Fund balance, June 30.....	\$ -	\$ (14,029,626)	\$ 13,439,750	\$ 27,469,376

The accompanying notes are an integral part of the required supplementary information.

Notes to Required Supplementary Information - Budgetary Reporting
For the fiscal year ended June 30, 2006
(Unaudited)

RECONCILIATION OF BUDGETARY TO GAAP

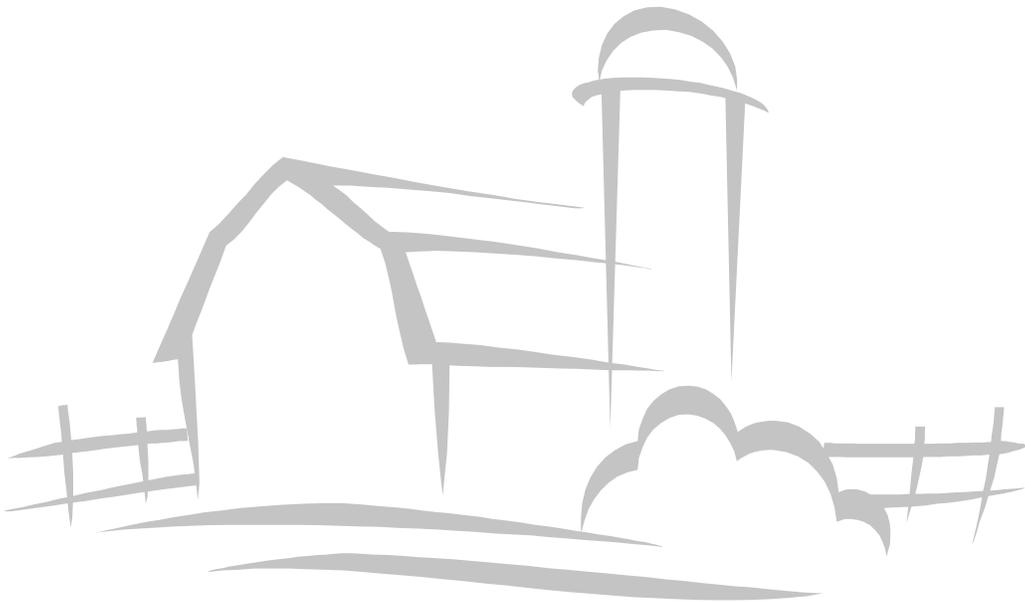
The State's annual budget is prepared on a basis (cash) other than GAAP. The actual results column of the "Budget and Actual" non-GAAP budgetary schedules are presented on a modified cash basis to provide a meaningful comparison to budget. The General and major Special Revenue Funds' statements are prepared on a modified accrual basis (GAAP). The major differences between the modified cash basis and the modified accrual basis are:

- 1 Expenditures are recognized when cash is paid or committed (budgetary) rather than when the obligation is incurred.
- 2 On a GAAP basis, major inter-agency and intra-agency transactions are eliminated in order not to double count revenues and expenditures.

The following schedule reconciles the general and special revenue funds of the primary government for differences between budgetary accounting methods and the GAAP basis accounting principles for the fiscal year ended June 30, 2006.

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Education Fund</u>	<u>Special Fund</u>	<u>Federal Revenue Fund</u>	<u>Global Commitment Fund</u>
Fund Balance - Budgetary Basis	\$ 140,310,806	\$ 5,287,937	\$ 29,355,245	\$ 120,791,091	\$ 9,404,793	\$ 13,439,750
<u>Basis of accounting and reporting entity differences:</u>						
To record cash on hand, restricted cash, market value of investments	264,910	2,617,793	-	222,144	-	-
To record taxes receivable	165,686,443	9,355,267	14,801,028	10,380,872	-	-
To record loans/notes receivable, due from other funds, and other receivables	11,715,070	12,112,419	-	5,060,400	250,140	105,142,986
To record due from federal government	-	23,016,298	-	-	111,276,348	-
To record due from component units	-	-	-	51,830	-	-
To record accounts and retainage payable, accrued liabilities, deferred revenue	(137,605,150)	(31,539,202)	(17,035,365)	(17,664,520)	(45,773,768)	(98,717,550)
To record tax refunds payable	(5,994,718)	-	-	-	-	-
To record due to other funds	(12,927,311)	(49,400)	(11,623)	(20,736,694)	(54,341,523)	-
To record effects of blended non-budgeted funds	-	-	-	3,592,665	30,735,490	-
To record removal of discretely presented component unit	-	-	-	(3,836,744)	1,457,589	-
Fund Balance - GAAP Basis	<u>\$ 161,450,050</u>	<u>\$ 20,801,112</u>	<u>\$ 27,109,285</u>	<u>\$ 97,861,044</u>	<u>\$ 53,009,069</u>	<u>\$ 19,865,186</u>

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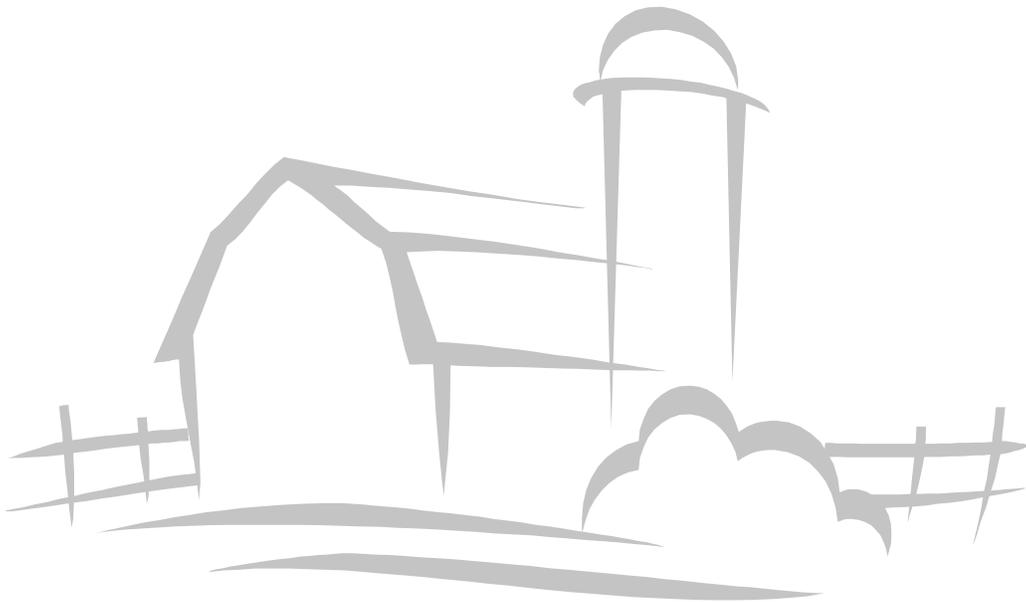


Vermont



Supplementary Information

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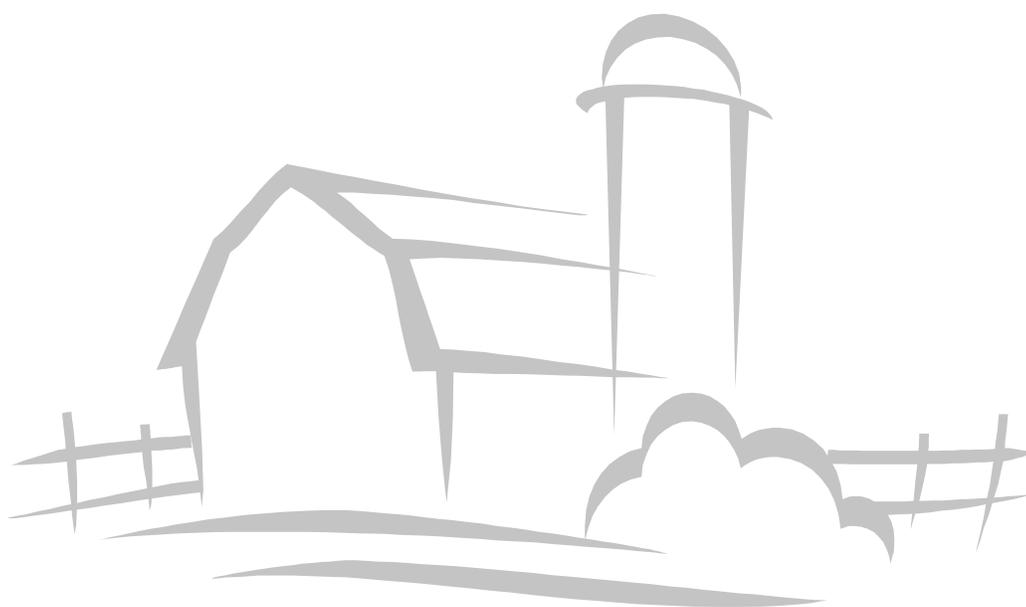


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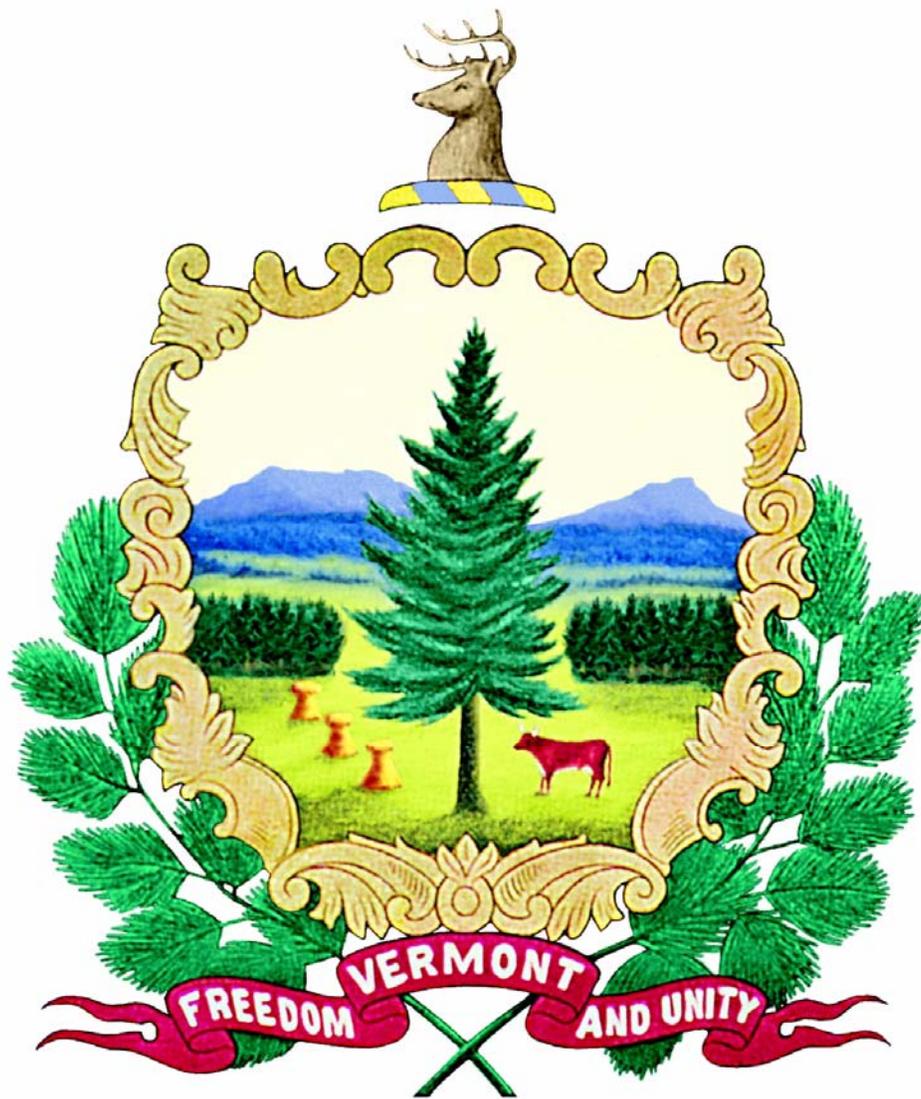


COMBINING FINANCIAL STATEMENTS

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Vermont



**NON-MAJOR
GOVERNMENTAL FUNDS**

**State of Vermont
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2006**

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Fish & Wildlife Fund</u>	<u>General Bond Fund</u>	<u>Transportation Bond Fund</u>
ASSETS:			
Cash and cash equivalents.....	\$ 3,046,405	\$ 28,777,718	\$ 628
Investments.....	2,962,958	-	-
Receivables:			
Taxes receivable.....	96,524	-	-
Other receivables.....	328,290	-	-
Intergovernmental receivable - federal government.....	248,258	-	-
Due from other funds.....	5,873	-	-
Restricted cash.....	-	-	150,032
Total assets.....	\$ 6,688,308	\$ 28,777,718	\$ 150,660
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable.....	\$ 652,400	\$ 1,994,256	\$ 86
Accrued liabilities.....	547,382	-	-
Due to other funds.....	242	-	-
Retainage payable.....	9,010	312,254	150,032
Deferred revenue.....	6,003	-	-
Total Liabilities.....	1,215,037	2,306,510	150,118
FUND BALANCES:			
Reserved for:			
Encumbrances.....	296,808	4,374,892	-
Endowments.....	-	-	-
Unreserved:			
Designated for specific purposes.....	-	22,096,316	542
Undesignated.....	5,176,463	-	-
Total fund balances.....	5,473,271	26,471,208	542
Total liabilities and fund balances.....	\$ 6,688,308	\$ 28,777,718	\$ 150,660

See Independent Auditor's Report.

Permanent Funds

Higher Education Endowment Fund	Vermont Sanitorium Fund	Albert C. Lord Trust Fund	Lumberjack Fund
\$ 5,215,884	\$ 58,403	\$ 62,668	\$ 14,275
11,188,700	241,848	214,577	10,692
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 16,404,584	\$ 300,251	\$ 277,245	\$ 24,967
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
0	0	0	0
-	-	-	-
7,000,000	206,502	183,217	9,129
-	-	-	-
9,404,584	93,749	94,028	15,838
16,404,584	300,251	277,245	24,967
\$ 16,404,584	\$ 300,251	\$ 277,245	\$ 24,967

Continued on next page---->

State of Vermont
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2006

	Permanent Funds		
	Couching Lion Farm Cemetery Fund	Carrie P. Underwood Fund	Laura H. Morgan Fund
ASSETS:			
Cash and cash equivalents.....	\$ 18,750	\$ 5,204	\$ 688
Investments.....	2,260	13,012	2,928
Receivables:			
Taxes receivable.....	-	-	-
Other receivables.....	-	-	-
Intergovernmental receivable - federal government.....	-	-	-
Due from other funds.....	-	-	-
Restricted cash.....	-	-	-
Total assets.....	\$ 21,010	\$ 18,216	\$ 3,616
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable.....	\$ -	\$ -	\$ -
Accrued liabilities.....	-	-	-
Due to other funds.....	-	-	-
Retainage payable.....	-	-	-
Deferred revenue.....	-	-	-
Total Liabilities.....	0	0	0
FUND BALANCES:			
Reserved for:			
Encumbrances.....	-	-	-
Endowments.....	1,930	11,110	2,500
Unreserved:			
Designated for specific purposes.....	-	-	-
Undesignated.....	19,080	7,106	1,116
Total fund balances.....	21,010	18,216	3,616
Total liabilities and fund balances.....	\$ 21,010	\$ 18,216	\$ 3,616

Permanent Funds		
Bennington Battle Monument Fund	Zenus H. Ellis Fund	Total Non-major Governmental Funds
\$ -	\$ -	\$ 37,200,623
1,717	1,607	14,640,299
-	-	96,524
-	-	328,290
-	-	248,258
-	-	5,873
-	-	150,032
\$ 1,717	\$ 1,607	\$ 52,669,899
\$ -	\$ -	\$ 2,646,742
-	-	547,382
-	-	242
-	-	471,296
-	-	6,003
0	0	3,671,665
1,065	-	4,672,765
-	1,000	7,415,388
-	-	22,096,858
652	607	14,813,223
1,717	1,607	48,998,234
\$ 1,717	\$ 1,607	\$ 52,669,899

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>Fish & Wildlife Fund</u>	<u>General Bond Fund</u>	<u>Transportation Bond Fund</u>
REVENUES:			
Taxes:			
Motor fuel tax.....	\$ 1,008,544	\$ -	\$ -
Earnings of departments:			
Fees.....	162,673	-	-
Rents and leases.....	55,715	-	-
Federal grants.....	4,787,359	-	-
Fines, forfeits and penalties.....	14,763	-	-
Investment income.....	175,965	-	-
Licenses:			
Business.....	1,550	-	-
Non-business.....	5,564,095	-	-
Special assessments.....	5,138	-	-
Other revenues.....	984,029	50,000	-
Total revenues.....	12,759,831	50,000	0
EXPENDITURES:			
General government.....	-	12,620,495	-
Protection to persons and property.....	-	6,143,092	-
Human services.....	-	1,838,117	-
General education.....	-	11,054,955	-
Natural resources.....	12,579,684	9,205,296	-
Commerce and community development.....	-	1,726,633	-
Transportation.....	-	-	474,145
Total expenditures.....	12,579,684	42,588,588	474,145
Excess of revenues over (under) expenditures.....	180,147	(42,538,588)	(474,145)
Other Financing Sources (Uses):			
Proceeds from the sale of bonds.....	-	45,000,000	-
Transfers in.....	446,579	1,223,977	-
Transfers out.....	-	(3,254,886)	-
Total other financing sources (uses).....	446,579	42,969,091	0
Net change in fund balances.....	626,726	430,503	(474,145)
Fund balances, July 1.....	4,846,545	26,040,705	474,687
Fund balances, June 30.....	\$ 5,473,271	\$ 26,471,208	\$ 542

See Independent Auditor's Report.

Permanent Funds

Higher Education Endowment Fund	Vermont Sanitorium Fund	Albert C. Lord Trust Fund	Lumberjack Fund
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
553,982	14,050	12,786	967
-	-	-	-
-	-	-	-
-	-	-	-
553,982	14,050	12,786	967
-	-	-	-
-	-	-	-
584,237	-	-	-
-	-	-	-
-	-	-	-
584,237	0	0	0
(30,255)	14,050	12,786	967
-	-	-	-
5,223,450	-	-	-
-	-	-	-
5,223,450	0	0	0
5,193,195	14,050	12,786	967
11,211,389	286,201	264,459	24,000
\$ 16,404,584	\$ 300,251	\$ 277,245	\$ 24,967

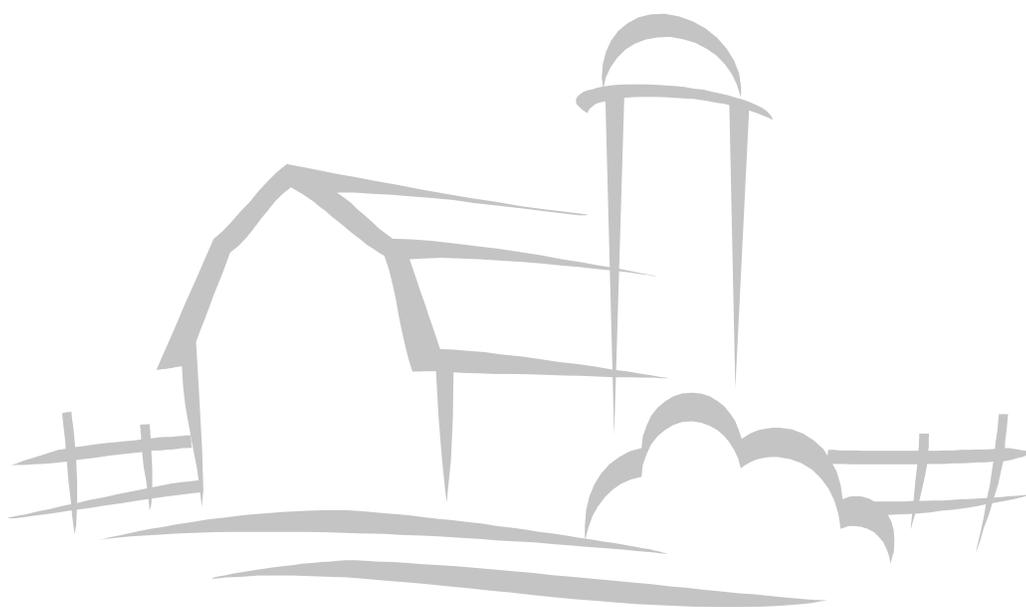
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**STATE OF VERMONT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

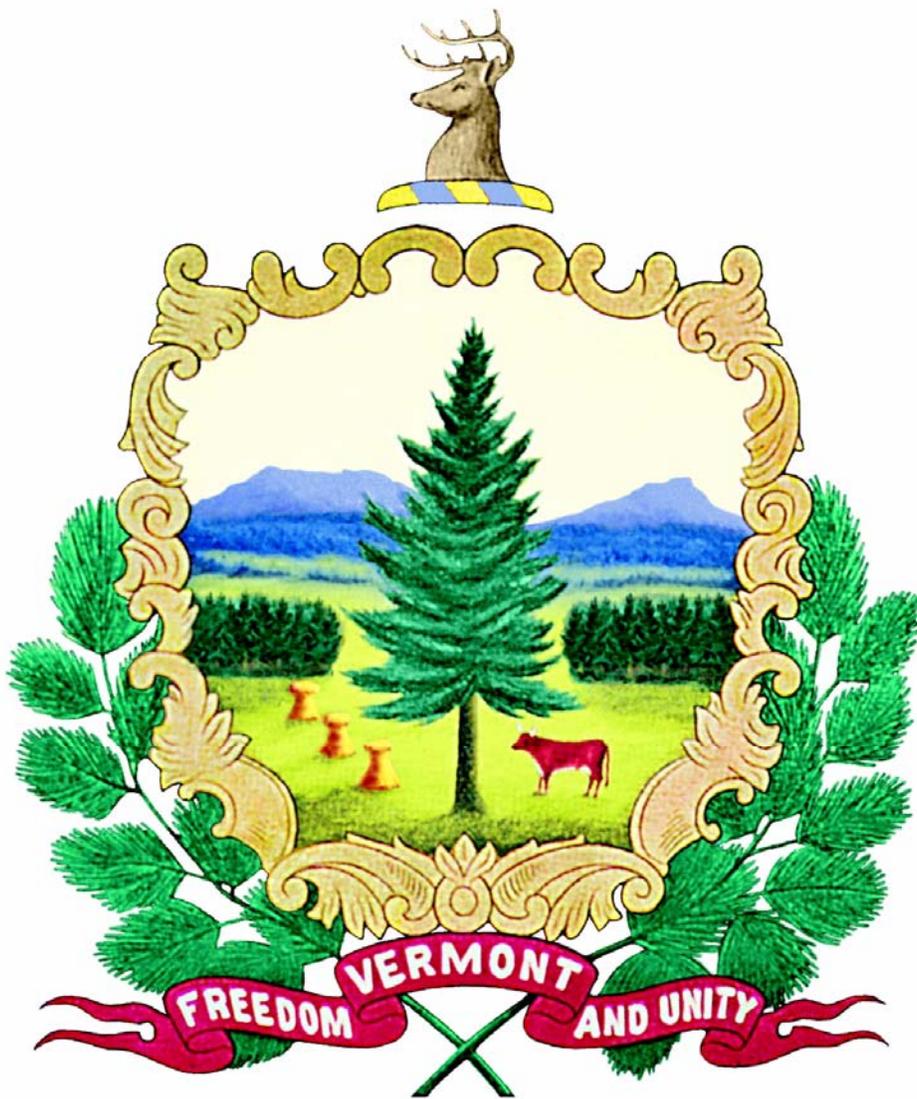
	Permanent Funds		
	Couching Lion Farm Cemetery Fund	Carrie P. Underwood Fund	Laura H. Morgan Fund
REVENUES:			
Taxes:			
Motor fuel tax.....	\$ -	\$ -	\$ -
Earnings of departments:			
Fees.....	-	-	-
Rents and leases.....	-	-	-
Federal grants.....	-	-	-
Fines, forfeits and penalties.....	-	-	-
Investment income.....	669	816	169
Licenses:			
Business.....	-	-	-
Non-business.....	-	-	-
Special assessments.....	-	-	-
Other revenues.....	-	-	-
Total revenues.....	669	816	169
EXPENDITURES:			
General government.....	-	-	-
Protection to persons and property.....	-	-	-
Human services.....	-	-	-
General education.....	-	-	-
Natural resources.....	-	-	-
Commerce and community development.....	-	-	-
Transportation.....	-	-	-
Total expenditures.....	0	0	0
Excess of revenues over (under) expenditures.....	669	816	169
Other Financing Sources (Uses):			
Proceeds from the sale of bonds.....	-	-	-
Transfers in.....	-	-	-
Transfers out.....	-	-	-
Total other financing sources (uses).....	0	0	0
Net change in fund balances.....	669	816	169
Fund balances, July 1	20,341	17,400	3,447
Fund balances, June 30.....	\$ 21,010	\$ 18,216	\$ 3,616

Permanent Funds			
Bennington Battle Monument Fund	Zenus H. Ellis Fund	Total Non-major Governmental Funds	
\$ -	\$ -	\$ 1,008,544	
-	-	162,673	
-	-	55,715	
-	-	4,787,359	
-	-	14,763	
85	80	759,569	
-	-	1,550	
-	-	5,564,095	
-	-	5,138	
-	-	1,034,029	
85	80	13,393,435	
-	-	12,620,495	
-	-	6,143,092	
-	-	1,838,117	
-	-	11,639,192	
-	-	21,784,980	
-	-	1,726,633	
-	-	474,145	
0	0	56,226,654	
85	80	(42,833,219)	
-	-	45,000,000	
-	-	6,894,006	
-	-	(3,254,886)	
0	0	48,639,120	
85	80	5,805,901	
1,632	1,527	43,192,333	
\$ 1,717	\$ 1,607	\$ 48,998,234	

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Vermont



**NON-MAJOR
ENTERPRISE FUNDS**

STATE OF VERMONT
 COMBINING STATEMENT OF NET ASSETS
 NON-MAJOR ENTERPRISE FUNDS
 June 30, 2006

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
ASSETS			
Current Assets:			
Cash and cash equivalents.....	\$ 52,153	\$ -	\$ -
Accrued interest receivable.....	-	-	-
Accounts receivable (net of allowance for uncollectibles).....	21,533	11,250	245,016
Loans receivable.....	-	-	-
Due from other funds.....	-	-	-
Inventories, at cost.....	-	215,636	149,702
Prepaid expenses.....	-	-	159,731
Total current assets.....	73,686	226,886	554,449
Restricted and Noncurrent Assets:			
Cash - subscription reserve fund.....	-	-	642,684
Loans receivable.....	-	-	-
Accounts receivable - subscriptions.....	-	-	68,188
Imprest cash and change fund - advances.....	1,700	-	1,200
Total restricted & noncurrent assets.....	1,700	0	712,072
Capital Assets:			
Machinery, equipment and buildings.....	-	10,000	11,640
Less accumulated depreciation.....	-	(9,583)	(6,671)
Total capital assets, net of depreciation.....	0	417	4,969
Total assets.....	75,386	227,303	1,271,490
LIABILITIES			
Current Liabilities:			
Accounts payable.....	-	15,392	290,071
Accrued salaries and benefits.....	1,625	9,162	88,686
Interfund payable.....	-	474,967	346,418
Deferred revenue.....	-	215,636	31,933
Total current liabilities.....	1,625	715,157	757,108
Liabilities Payable From Restricted Assets:			
Unexpired subscriptions.....	-	-	642,684
Advances from other funds.....	1,700	-	1,200
Total liabilities payable from restricted assets.....	1,700	0	643,884
Total liabilities.....	3,325	715,157	1,400,992
NET ASSETS			
Invested in Capital Assets.....	-	417	4,969
Unrestricted.....	72,061	(488,271)	(134,471)
Total Net Assets.....	\$ 72,061	\$ (487,854)	\$ (129,502)

See Independent Auditor's Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Total Non-major Enterprise Funds
\$ 903,018	\$ 186,035	\$ 1,141,206
5,395	-	5,395
-	-	277,799
936,370	-	936,370
-	11,375	11,375
-	-	365,338
-	-	159,731
1,844,783	197,410	2,897,214
-	-	642,684
972,596	-	972,596
-	-	68,188
-	-	2,900
972,596	0	1,686,368
-	-	21,640
-	-	(16,254)
0	0	5,386
2,817,379	197,410	4,588,968
-	-	305,463
-	-	99,473
-	-	821,385
-	-	247,569
0	0	1,473,890
-	-	642,684
-	-	2,900
0	0	645,584
0	0	2,119,474
-	-	5,386
2,817,379	197,410	2,464,108
\$ 2,817,379	\$ 197,410	\$ 2,469,494

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
Operating Revenues			
Charges for sales and services.....	\$ 106,057	\$ 82,290	\$ 1,574,690
Advertising revenue.....	-	-	502,715
Federal donated property.....	-	283,204	-
Other operating revenues.....	-	-	71,927
Total operating revenues.....	106,057	365,494	2,149,332
Operating Expenses			
Cost of sales and services.....	-	294,204	655,953
Salaries and benefits.....	103,668	62,635	765,838
Transportation.....	-	2,580	38,498
Contractual Services.....	-	79	-
Repairs and maintenance.....	-	954	-
Depreciation.....	-	2,000	371
Rental expense.....	-	18,662	-
Utilities and property management.....	-	9,596	-
Non-capital equipment purchased.....	-	1,322	-
Promotions and advertising.....	-	-	369,047
Administrative expenses.....	-	95,357	189,668
Insurance premium expense.....	-	416	-
Supplies and parts.....	-	614	16,121
Distribution and postage.....	-	-	223,088
Travel.....	-	-	8,569
Loss on bad debts.....	-	-	8,901
Other operating expenses.....	-	-	25,132
Total operating expenses.....	103,668	488,419	2,301,186
Operating income (loss).....	2,389	(122,925)	(151,854)
Non-Operating Revenues (Expenses)			
Investment income.....	-	-	6,722
Total non-operating revenues (expenses).....	0	0	6,722
Income (loss) before transfers.....	2,389	(122,925)	(145,132)
Transfers			
Transfer in.....	-	-	-
Transfer out.....	-	-	-
Total transfers in.....	0	0	0
Changes in net assets.....	2,389	(122,925)	(145,132)
Total net assets July 1	69,672	(364,929)	15,630
Total net assets June 30.....	\$ 72,061	\$ (487,854)	\$ (129,502)

See Independent Auditor's Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Total Non-major Enterprise Funds
\$ -	\$ -	\$ 1,763,037
-	-	502,715
-	-	283,204
27,990	-	99,917
27,990	0	2,648,873
-	-	950,157
-	-	932,141
-	-	41,078
-	-	79
-	-	954
-	-	2,371
-	-	18,662
-	-	9,596
-	-	1,322
-	-	369,047
-	-	285,025
-	-	416
-	-	16,735
-	-	223,088
-	-	8,569
-	-	8,901
-	52,870	78,002
0	52,870	2,946,143
27,990	(52,870)	(297,270)
38,338	4,248	49,308
38,338	4,248	49,308
66,328	(48,622)	(247,962)
-	328,238	328,238
-	(271,056)	(271,056)
0	57,182	57,182
66,328	8,560	(190,780)
2,751,051	188,850	2,660,274
\$ 2,817,379	\$ 197,410	\$ 2,469,494

**STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

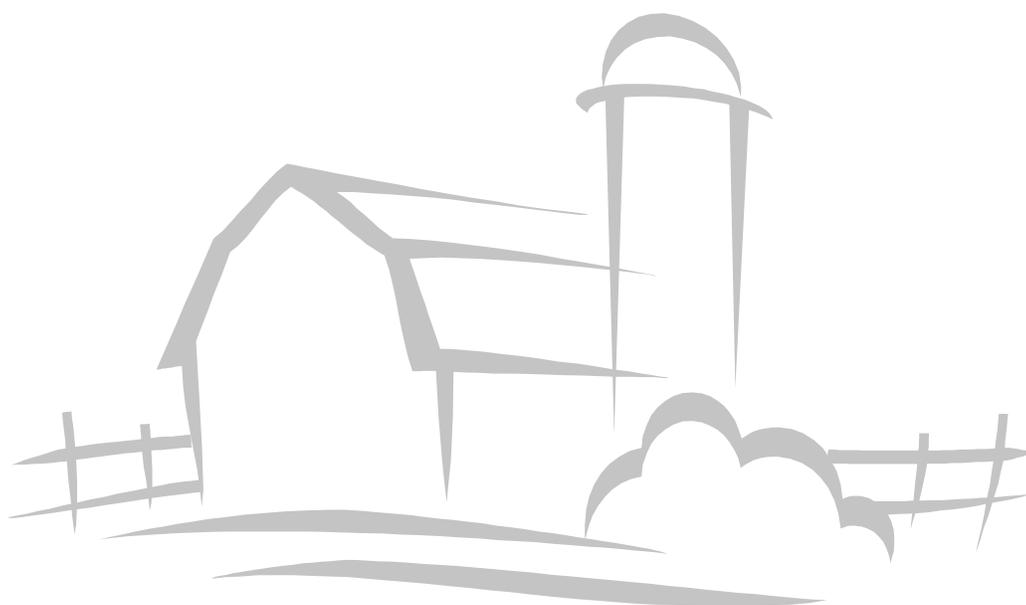
	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
Cash Flows from Operating Activities:			
Cash received from customers.....	\$ 103,530	\$ 107,926	\$ 1,971,336
Cash paid to suppliers for goods and services.....	-	(126,007)	(1,368,885)
Cash paid to employees for services.....	(107,903)	(61,049)	(753,626)
Other operating revenues (expenses).....	-	-	71,926
Net cash provided (used) by operating activities.....	(4,373)	(79,130)	(79,249)
Cash Flows from Noncapital Financing Activities:			
Interfund loans.....	-	79,130	71,248
Net cash (used) by noncapital financing activities.....	0	79,130	71,248
Cash Flows from Capital and Related Financing Activities:			
Acquisition and construction of capital assets.....	-	-	(5,340)
Net cash provided (used) by capital and related financing activities.....	0	0	(5,340)
Cash Flows from Investing Activities:			
Interest earned on investments.....	-	-	6,722
Interest & penalties received (paid).....	-	-	-
Excess cash transferred.....	-	-	-
Net cash provided (used) by investing activities.....	0	0	6,722
Net increase (Decrease) in cash and cash equivalents....	(4,373)	0	(6,619)
Cash and cash equivalents at July 1.....	58,226	-	650,503
Cash and cash equivalents at June 30 (see note below)...	\$ 53,853	\$ 0	\$ 643,884
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss).....	\$ 2,389	\$ (122,925)	\$ (151,854)
Adjustments to reconcile operating income to Net cash provided (used) by operating activities:			
Depreciation.....	-	2,000	371
(Increase) decrease in accounts/taxes receivable.....	(2,528)	25,637	(102,225)
(Increase) decrease in loans receivable.....	-	-	-
(Increase) decrease in accrued interest receivable.....	-	-	-
(Increase) decrease in due from other funds.....	-	-	-
(Increase) decrease in inventories.....	-	42,346	(26,319)
(Increase) decrease in prepaid expenses.....	-	-	(47,002)
Increase (decrease) in accounts payable.....	-	14,574	231,354
Increase (decrease) in accrued salaries and benefits.....	(4,234)	1,586	12,212
Increase (decrease) in deferred revenue.....	-	(42,348)	10,833
Increase (decrease) in subscription reserves.....	-	-	(6,619)
Total adjustments.....	(6,762)	43,795	72,605
Net cash provided (used) by operating activities.....	\$ (4,373)	\$ (79,130)	\$ (79,249)

NOTE: Total cash/cash equivalents at June 30 on the cash flow statement is equal to cash/cash equivalents, cash-subscription reserve fund, and imprest cash on the Statement of Net Assets.

See Independent Auditor's Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Total Non-major Enterprise Funds
\$ 797,841	\$ -	\$ 2,980,633
(1,091,612)	-	(2,586,504)
-	-	(922,578)
-	(52,870)	19,056
(293,771)	(52,870)	(509,393)
-	-	150,378
0	0	150,378
-	-	(5,340)
0	0	(5,340)
38,338	4,248	49,308
-	336,262	336,262
-	(271,056)	(271,056)
38,338	69,454	114,514
(255,433)	16,584	(249,841)
1,158,451	169,451	2,036,631
\$ 903,018	\$ 186,035	\$ 1,786,790
\$ 27,990	\$ (52,870)	\$ (297,270)
-	-	2,371
-	-	(79,116)
(323,392)	-	(323,392)
1,631	-	1,631
-	-	0
-	-	16,027
-	-	(47,002)
-	-	245,928
-	-	9,564
-	-	(31,515)
-	-	(6,619)
(321,761)	-	(212,123)
\$ (293,771)	\$ (52,870)	\$ (509,393)

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Vermont



INTERNAL SERVICE FUNDS

STATE OF VERMONT
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2006

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ -	\$ 32,796	\$ -
Accounts receivable.....	11,407	220,288	120,367
Due from other funds.....	-	-	-
Inventories, at cost.....	1,271,140	639,075	-
Prepaid expenses.....	9,155	-	-
Total current assets.....	1,291,702	892,159	120,367
Restricted and Other Assets:			
Imprest fund-advances from state treasurer.....	-	15,100	-
Total restricted and other assets.....	0	15,100	0
Capital Assets:			
Land.....	26,156	-	-
Construction in progress.....	2,058,377	-	-
Capital assets being depreciated:			
Machinery, equipment and buildings.....	43,218,304	1,608,203	-
Less accumulated depreciation.....	(22,382,121)	(1,017,711)	-
Total capital assets, net of depreciation.....	22,920,716	590,492	0
Total assets.....	24,212,418	1,497,751	120,367
LIABILITIES			
Current Liabilities:			
Accounts payable.....	318,334	79,216	80,352
Claims payable.....	-	-	-
Deferred revenue.....	-	8,213	-
Due to other funds.....	-	-	-
Interfund payable.....	1,752,197	-	33,810
Accrued salaries and benefits.....	233,460	157,249	-
Total current liabilities.....	2,303,991	244,678	114,162
Liabilities Payable from Restricted Assets:			
Advances from other funds.....	-	15,100	-
Total liabilities.....	2,303,991	259,778	114,162
NET ASSETS			
Invested in capital assets.....	22,920,716	590,492	-
Unrestricted (deficit).....	(1,012,289)	647,481	6,205
Total net assets.....	\$ 21,908,427	\$ 1,237,973	\$ 6,205

See Independent Auditor's Report.

Financial & HR Information Fund	Communcations & Information Technology	GOVNET Fund	Supply Center Fund	Copy Center Fund
\$ 973,148	\$ -	\$ -	\$ -	\$ -
-	1,404,492	271,682	695,107	1,060,797
-	-	-	-	-
-	97,499	-	-	-
-	323,443	-	-	195
973,148	1,825,434	271,682	695,107	1,060,992
-	-	-	-	-
0	0	0	0	0
-	-	-	-	-
-	-	-	-	-
-	2,373,681	1,554,285	7,759,952	3,740,443
-	(1,454,482)	(1,012,063)	(3,792,779)	(2,111,738)
0	919,199	542,222	3,967,173	1,628,705
973,148	2,744,633	813,904	4,662,280	2,689,697
46,455	340,710	40,501	285,179	56,651
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	2,654,924	1,227,162	4,489,331	4,214,067
396,064	316,936	66,064	28,456	48,376
442,519	3,312,570	1,333,727	4,802,966	4,319,094
-	-	-	-	-
442,519	3,312,570	1,333,727	4,802,966	4,319,094
-	919,199	542,222	3,967,173	1,628,705
530,629	(1,487,136)	(1,062,045)	(4,107,859)	(3,258,102)
\$ 530,629	\$ (567,937)	\$ (519,823)	\$ (140,686)	\$ (1,629,397)

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STATE OF VERMONT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2006

	Postage Fund	Facilities Operations Fund	Property Management Fund
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ -	\$ -	\$ -
Accounts receivable.....	314,956	2,567,186	827,250
Due from other funds.....	-	-	56,396
Inventories, at cost.....	616,257	-	-
Prepaid expenses.....	88,216	-	639,277
Total current assets.....	1,019,429	2,567,186	1,522,923
Restricted and Other Assets:			
Imprest fund-advances from state treasurer.....	-	-	-
Total restricted and other assets.....	0	0	0
Capital Assets:			
Land.....	-	-	-
Construction in progress.....	-	-	-
Capital assets being depreciated:			
Machinery, equipment and buildings.....	523,549	1,063,077	37,986
Less accumulated depreciation.....	(515,125)	(823,244)	(32,299)
Total capital assets, net of depreciation.....	8,424	239,833	5,687
Total assets.....	1,027,853	2,807,019	1,528,610
LIABILITIES			
Current Liabilities:			
Accounts payable.....	67,407	729,232	162,921
Claims payable.....	-	-	-
Deferred revenue.....	-	-	-
Due to other funds.....	-	56,396	-
Interfund payable.....	1,773,113	1,410,150	11,254,311
Accrued salaries and benefits.....	63,943	1,273,049	134,157
Total current liabilities.....	1,904,463	3,468,827	11,551,389
Liabilities Payable from Restricted Assets:			
Advances from other funds.....	-	-	-
Total liabilities.....	1,904,463	3,468,827	11,551,389
NET ASSETS			
Invested in capital assets.....	8,424	239,833	5,687
Unrestricted (deficit).....	(885,034)	(901,641)	(10,028,466)
Total net assets.....	\$ (876,610)	\$ (661,808)	\$ (10,022,779)

Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund	Risk Management - All Other Fund
\$ -	\$ -	\$ 107,950	\$ 9,772,456	\$ -
950,363	7,000	7,659	166	257,588
-	-	-	-	-
-	-	2,276	-	-
-	-	-	-	-
950,363	7,000	117,885	9,772,622	257,588
-	-	-	-	-
0	0	0	0	0
-	-	-	-	-
-	-	-	-	-
-	-	8,800	-	-
-	-	(4,446)	-	-
0	0	4,354	0	0
950,363	7,000	122,239	9,772,622	257,588
7,830	-	1,525	4,641	36
-	-	-	5,972,601	-
-	-	2,276	-	-
-	-	-	19,783	6,954
942,533	7,000	-	-	711,840
-	-	6,359	-	-
950,363	7,000	10,160	5,997,025	718,830
-	-	-	-	-
950,363	7,000	10,160	5,997,025	718,830
-	-	4,354	-	-
-	-	107,725	3,775,597	(461,242)
\$ 0	\$ -	\$ 112,079	\$ 3,775,597	\$ (461,242)

Continued on next page---->

STATE OF VERMONT
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 June 30, 2006

	Workers' Compensation Fund	Medical Insurance Fund	Dental Insurance Fund
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 13,915,732	\$ 19,818,463	\$ 848,269
Accounts receivable.....	2,428	3,194,367	232,383
Due from other funds.....	26,737	-	-
Inventories, at cost.....	-	-	-
Prepaid expenses.....	-	-	-
Total current assets.....	13,944,897	23,012,830	1,080,652
Restricted and Other Assets:			
Imprest fund-advances from state treasurer.....	-	-	-
Total restricted and other assets.....	0	0	0
Capital Assets:			
Land.....	-	-	-
Construction in progress.....	-	-	-
Capital assets being depreciated:			
Machinery, equipment and buildings.....	-	-	-
Less accumulated depreciation.....	-	-	-
Total capital assets, net of depreciation.....	0	0	0
Total assets.....	13,944,897	23,012,830	1,080,652
LIABILITIES			
Current Liabilities:			
Accounts payable.....	75,747	784,911	32,893
Claims payable.....	17,201,602	10,028,947	285,856
Deferred revenue.....	-	1,518,108	-
Due to other funds.....	-	-	-
Interfund payable.....	-	-	-
Accrued salaries and benefits.....	101,146	84,593	4,582
Total current liabilities.....	17,378,495	12,416,559	323,331
Liabilities Payable from Restricted Assets:			
Advances from other funds.....	-	-	-
Total liabilities.....	17,378,495	12,416,559	323,331
NET ASSETS			
Invested in capital assets.....	-	-	-
Unrestricted (deficit).....	(3,433,598)	10,596,271	757,321
Total net assets.....	\$ (3,433,598)	\$ 10,596,271	\$ 757,321

Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Total Internal Service Funds
\$ 626,350	\$ 16,611	\$ 65,854	\$ 46,177,629
60,090	7,613	9,356	12,222,545
-	-	-	83,133
-	-	-	2,626,247
-	-	-	1,060,286
686,440	24,224	75,210	62,169,840
-	-	-	15,100
0	0	0	15,100
-	-	-	26,156
-	-	-	2,058,377
-	-	-	61,888,280
-	-	-	(33,146,008)
0	0	0	30,826,805
686,440	24,224	75,210	93,011,745
103,529	15,507	60,219	3,293,796
-	-	-	33,489,006
-	-	-	1,528,597
-	-	-	83,133
-	-	-	30,470,438
1,528	-	-	2,915,962
105,057	15,507	60,219	71,780,932
-	-	-	15,100
105,057	15,507	60,219	71,796,032
-	-	-	30,826,805
581,383	8,717	14,991	(9,611,092)
\$ 581,383	\$ 8,717	\$ 14,991	\$ 21,215,713

STATE OF VERMONT
 COMBINING STATEMENT OF REVENUES,
 EXPENSES AND CHANGES IN NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
Operating Revenues:			
Charges for sales and services.....	\$ 10,602,766	\$ 2,616,044	\$ 1,294,385
Rental income.....	263,506	-	-
Other operating revenues.....	9,877	-	-
Total operating revenues.....	10,876,149	2,616,044	1,294,385
Operating Expenses:			
Cost of sales and services.....	961	-	-
Claims expense.....	-	-	-
Salaries and benefits.....	3,092,293	1,185,539	492,657
Insurance premium expense.....	425,351	-	1,978
Travel expenses.....	5,101	23,213	8,494
Contractual services.....	7,138	44,475	857,313
Repairs and maintenance.....	631,296	75,352	-
Depreciation.....	4,016,181	68,736	-
Rental expense.....	292,445	40,838	185
Utilities and property management.....	146,524	89,524	21,016
Non-capital equipment purchased.....	23,496	90,438	12,864
Administrative expenses.....	22,076	136,679	9,602
Supplies and parts.....	4,003,956	932,436	4,950
Other operating expenses.....	-	-	-
Total operating expenses.....	12,666,818	2,687,230	1,409,059
Operating Income(Loss).....	(1,790,669)	(71,186)	(114,674)
Non-Operating Revenues (Expenses):			
Gain(loss) on disposal of capital assets.....	130,029	-	-
Investment income (expense).....	-	-	-
Total non-operating revenues (expenses).....	130,029	0	0
Income (Loss) Before Contributions and Transfers.....	(1,660,640)	(71,186)	(114,674)
Capital contributions from (to) other funds.....	132,478	-	-
Transfers in.....	5,848,503	-	-
Transfers out.....	(853,447)	-	-
Change in net assets.....	3,466,894	(71,186)	(114,674)
Total Net Assets - Beginning.....	18,441,533	1,309,159	120,879
Total Net Assets - Ending.....	\$ 21,908,427	\$ 1,237,973	\$ 6,205

See Independent Auditor's Report.

Financial & HR Information Fund	Communcations & Information Technology	GOVNET Fund	Supply Center Fund	Copy Center Fund
\$ 4,284,672	\$ 9,898,241	\$ 2,452,097	\$ 5,540,681	\$ 3,171,843
-	-	-	-	-
-	140,500	84,400	-	-
4,284,672	10,038,741	2,536,497	5,540,681	3,171,843
-	4,713,399	1,234,792	3,337,229	519,638
-	-	-	-	-
2,588,776	3,075,164	437,308	368,476	607,989
7,994	11,281	1,607	140,028	5,548
16,470	-	-	1,113	189
202,720	333,562	84,660	747	5,000
149,786	709,620	80,119	396,695	403,914
-	313,005	185,805	910,401	916,927
136,239	384,440	73,901	9,787	417,440
92,775	317,644	45,739	17,504	5,948
539,872	336,175	(207,008)	9,693	23,021
23,299	104,199	97,242	93,204	120,946
26,452	72,246	781	905,896	6,832
-	287,211	6,669	-	-
3,784,383	10,657,946	2,041,615	6,190,773	3,033,392
500,289	(619,205)	494,882	(650,092)	138,451
-	(3,101)	-	59,455	(159,728)
-	-	-	-	-
0	(3,101)	0	59,455	(159,728)
500,289	(622,306)	494,882	(590,637)	(21,277)
-	-	-	273,849	(27,431)
555,000	1,195,000	-	-	-
-	-	-	-	-
1,055,289	572,694	494,882	(316,788)	(48,708)
(524,660)	(1,140,631)	(1,014,705)	176,102	(1,580,689)
\$ 530,629	\$ (567,937)	\$ (519,823)	\$ (140,686)	\$ (1,629,397)

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**STATE OF VERMONT
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Postage Fund	Facilities Operations Fund	Property Management Fund
Operating Revenues:			
Charges for sales and services.....	\$ 2,869,165	\$ 20,098,198	\$ -
Rental income.....	-	-	11,856,168
Other operating revenues.....	-	2,381,652	5,118
Total operating revenues.....	<u>2,869,165</u>	<u>22,479,850</u>	<u>11,861,286</u>
Operating Expenses:			
Cost of sales and services.....	2,241,493	-	8,481,946
Claims expense.....	-	-	-
Salaries and benefits.....	500,702	10,568,880	1,186,071
Insurance premium expense.....	5,355	437,528	44,329
Travel expenses.....	46	101,753	4,999
Contractual services.....	570	235,677	177,117
Repairs and maintenance.....	143,842	895,965	85,634
Depreciation.....	121,292	90,958	3,161
Rental expense.....	79,908	412,204	75,902
Utilities and property management.....	18,115	7,021,501	1,102,275
Non-capital equipment purchased.....	5,267	163,168	15,792
Administrative expenses.....	182,097	834,787	129,095
Supplies and parts.....	14,599	1,685,824	106,643
Other operating expenses.....	-	-	-
Total operating expenses.....	<u>3,313,286</u>	<u>22,448,245</u>	<u>11,412,964</u>
Operating Income(Loss).....	<u>(444,121)</u>	<u>31,605</u>	<u>448,322</u>
Non-Operating Revenues (Expenses):			
Gain(loss) on disposal of capital assets.....	-	(2,823)	-
Investment income (expense).....	-	-	-
Total non-operating revenues (expenses).....	<u>0</u>	<u>(2,823)</u>	<u>0</u>
Income (Loss) Before Contributions and Transfers.....	<u>(444,121)</u>	<u>28,782</u>	<u>448,322</u>
Capital contributions from (to) other funds.....	(18,168)	-	-
Transfers in.....	-	250,000	-
Transfers out.....	-	-	(2,383,260)
Change in net assets.....	<u>(462,289)</u>	<u>278,782</u>	<u>(1,934,938)</u>
Total Net Assets - Beginning.....	<u>(414,321)</u>	<u>(940,590)</u>	<u>(8,087,841)</u>
Total Net Assets - Ending.....	<u>\$ (876,610)</u>	<u>\$ (661,808)</u>	<u>\$ (10,022,779)</u>

Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund	Risk Management - All Other Fund
\$ 71,612	\$ 7,000	\$ 673,906	\$ 3,952,681	\$ 3,206,264
-	-	-	-	-
-	-	125,782	-	58,432
71,612	7,000	799,688	3,952,681	3,264,696
-	-	665,430	504,500	2,910,671
-	-	-	1,036,594	-
-	-	55,150	117,300	61,655
-	-	277	1,455	364
-	-	109	(153)	(38)
-	-	17,920	744,636	73,249
-	-	636	34	9
-	-	1,100	-	-
-	-	10,698	12,460	3,114
-	-	8,410	9,727	3,256
71,387	7,000	144	5,506	1,377
225	-	46,741	57,410	16,521
-	-	599	1,397	344
-	-	-	-	-
71,612	7,000	807,214	2,490,866	3,070,522
0	0	(7,526)	1,461,815	194,174
-	-	-	-	-
-	-	-	298,091	-
0	0	0	298,091	0
0	0	(7,526)	1,759,906	194,174
-	-	-	-	-
-	-	-	-	-
-	-	(309)	-	-
0	0	(7,835)	1,759,906	194,174
0	0	119,914	2,015,691	(655,416)
\$ 0	\$ -	\$ 112,079	\$ 3,775,597	\$ (461,242)

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STATE OF VERMONT
 COMBINING STATEMENT OF REVENUES,
 EXPENSES AND CHANGES IN NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Workers' Compensation Fund	Medical Insurance Fund	Dental Insurance Fund
Operating Revenues:			
Charges for sales and services.....	\$ 8,664,385	\$ 88,824,809	\$ 5,599,493
Rental income.....	-	-	-
Other operating revenues.....	-	64,733	100
Total operating revenues.....	8,664,385	88,889,542	5,599,593
Operating Expenses:			
Cost of sales and services.....	-	-	-
Claims expense.....	8,390,960	79,503,185	5,033,480
Salaries and benefits.....	926,673	884,316	75,626
Insurance premium expense.....	4,941	4,074,522	-
Travel expenses.....	478	29,989	103
Contractual services.....	350,237	369,298	-
Repairs and maintenance.....	267	2,076	41
Depreciation.....	-	-	-
Rental expense.....	46,725	33,327	6,201
Utilities and property management.....	31,761	9,903	966
Non-capital equipment purchased.....	25,148	10,138	424
Administrative expenses.....	296,763	4,334,321	303,273
Supplies and parts.....	5,552	96,463	373
Other operating expenses.....	-	30,056	1,954
Total operating expenses.....	10,079,505	89,377,594	5,422,441
Operating Income(Loss).....	(1,415,120)	(488,052)	177,152
Non-Operating Revenues (Expenses):			
Gain(loss) on disposal of capital assets.....	-	-	-
Investment income (expense).....	390,589	617,436	24,574
Total non-operating revenues (expenses).....	390,589	617,436	24,574
Income (Loss) Before Contributions and Transfers.....	(1,024,531)	129,384	201,726
Capital contributions from (to) other funds.....	-	-	-
Transfers in.....	-	-	-
Transfers out.....	-	-	-
Change in net assets.....	(1,024,531)	129,384	201,726
Total Net Assets - Beginning.....	(2,409,067)	10,466,887	555,595
Total Net Assets - Ending.....	\$ (3,433,598)	\$ 10,596,271	\$ 757,321

<u>Life Insurance Fund</u>	<u>Long-Term Disability Fund</u>	<u>Employees' Assistance Fund</u>	<u>Total Internal Service Funds</u>
\$ 1,708,586	\$ 194,140	\$ 237,729	\$ 175,968,697
-	-	-	12,119,674
-	-	-	2,870,594
<u>1,708,586</u>	<u>194,140</u>	<u>237,729</u>	<u>190,958,965</u>
-	-	-	24,610,059
-	-	-	93,964,219
25,212	-	-	26,249,787
1,626,644	182,870	-	6,972,072
33	-	-	191,899
-	-	-	3,504,319
14	-	-	3,575,300
-	-	-	6,627,566
2,067	-	-	2,037,881
322	-	-	8,942,910
141	-	-	1,134,043
1,238	-	235,929	7,045,647
124	-	-	7,865,467
652	-	-	326,542
<u>1,656,447</u>	<u>182,870</u>	<u>235,929</u>	<u>193,047,711</u>
<u>52,139</u>	<u>11,270</u>	<u>1,800</u>	<u>(2,088,746)</u>
-	-	-	23,832
20,655	-	-	1,351,345
<u>20,655</u>	<u>0</u>	<u>0</u>	<u>1,375,177</u>
<u>72,794</u>	<u>11,270</u>	<u>1,800</u>	<u>(713,569)</u>
-	-	-	360,728
-	-	-	7,848,503
-	-	-	(3,237,016)
<u>72,794</u>	<u>11,270</u>	<u>1,800</u>	<u>4,258,646</u>
<u>508,589</u>	<u>(2,553)</u>	<u>13,191</u>	<u>16,957,067</u>
<u>\$ 581,383</u>	<u>\$ 8,717</u>	<u>\$ 14,991</u>	<u>\$ 21,215,713</u>

STATE OF VERMONT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
Cash Flows From Operating Activities:			
Cash received from customers.....	\$ 11,105,781	\$ 2,751,868	\$ 1,175,573
Cash paid to suppliers for goods and services.....	(5,844,269)	(1,570,396)	(842,363)
Cash paid to employees for services.....	(3,086,638)	(1,156,522)	(492,657)
Cash paid to claimants.....	-	-	-
Other operating revenues.....	9,877	-	-
Other operating expenses.....	-	-	-
Net cash provided (used) by operating activities.....	2,184,751	24,950	(159,447)
Cash Flows From Noncapital Financing Activities:			
Interfund loans.....	(2,317,639)	-	33,810
Operating transfers.....	5,127,534	-	-
Net cash provided (used) by noncapital financing activities.....	2,809,895	0	33,810
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets.....	(5,323,417)	(93,134)	-
Proceeds from sale of capital assets.....	328,771	-	-
Net cash provided (used) by capital and related financing activities.....	(4,994,646)	(93,134)	0
Cash Flows From Investing Activities:			
Interest earned on investments.....	-	-	-
Net cash provided by investing activities.....	0	0	0
Net increase (decrease) in cash and cash equivalents.....	0	(68,184)	(125,637)
Cash and cash equivalents at July 1.....	0	116,080	125,637
Cash and cash equivalents at June 30.....	\$ 0	\$ 47,896	\$ 0
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss).....	\$ (1,790,669)	\$ (71,186)	\$ (114,674)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation.....	4,016,181	68,736	-
(Increase)decrease in accounts receivable.....	237,534	135,824	(118,812)
(Increase)decrease in due from other funds.....	1,975	-	-
(Increase)decrease in inventory.....	(134,998)	(153,686)	-
(Increase)decrease in prepaid expenses.....	2,191	-	-
Increase(decrease) in accounts payable.....	(153,118)	16,245	74,039
Increase(decrease) in accrued salaries and benefits.....	5,655	29,017	-
Increase(decrease) in claims payable.....	-	-	-
Increase(decrease) in due to other funds.....	-	-	-
Increase(decrease) in deferred revenue.....	-	-	-
Total adjustments.....	3,975,420	96,136	(44,773)
Net cash provided (used) by operating activities.....	\$ 2,184,751	\$ 24,950	\$ (159,447)

See Independent Auditor's Report.

Financial & HR Information Fund	Communcations & Information Technology	GOVNET Fund	Supply Center Fund	Copy Center Fund
\$ 4,294,039	\$ 10,976,798	\$ 2,517,281	\$ 5,563,205	\$ 2,818,667
(1,202,068)	(7,333,977)	(1,808,487)	(4,950,530)	(1,651,968)
(2,527,188)	(3,055,098)	(431,891)	(361,615)	(625,005)
-	-	-	-	-
-	140,500	84,400	-	-
-	(287,211)	(6,669)	-	-
564,783	441,012	354,634	251,060	541,694
(146,635)	(1,259,960)	(80,052)	993,357	(158,798)
555,000	1,195,000	-	-	-
408,365	(64,960)	(80,052)	993,357	(158,798)
-	(376,052)	(274,582)	(1,382,210)	(382,896)
-	-	-	137,793	-
0	(376,052)	(274,582)	(1,244,417)	(382,896)
-	-	-	-	-
0	0	0	0	0
973,148	0	0	0	0
		0	0	0
\$ 973,148	\$ 0	\$ 0	\$ 0	\$ 0
\$ 500,289	\$ (619,205)	\$ 494,882	\$ (650,092)	\$ 138,451
-	313,005	185,805	910,401	916,927
9,367	983,557	65,184	22,524	(353,176)
-	95,000	-	-	-
-	92,092	-	-	-
-	19,132	-	-	21,502
(6,461)	(424,736)	(301,654)	(38,634)	(164,994)
61,588	20,066	5,417	6,861	(17,016)
-	-	-	-	-
-	-	(95,000)	-	-
-	(37,899)	-	-	-
64,494	1,060,217	(140,248)	901,152	403,243
\$ 564,783	\$ 441,012	\$ 354,634	\$ 251,060	\$ 541,694

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STATE OF VERMONT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Postage Fund	Facilities Operations Fund	Property Management Fund
Cash Flows From Operating Activities:			
Cash received from customers.....	\$ 2,844,220	\$ 18,457,508	\$ 11,367,188
Cash paid to suppliers for goods and services.....	(2,893,279)	(11,934,746)	(10,224,502)
Cash paid to employees for services.....	(496,158)	(10,421,211)	(1,181,084)
Cash paid to claimants.....	-	-	-
Other operating revenues.....	-	2,381,652	5,118
Other operating expenses.....	-	-	-
Net cash provided (used) by operating activities.....	(545,217)	(1,516,797)	(33,280)
Cash Flows From Noncapital Financing Activities:			
Interfund loans.....	545,217	1,379,243	2,416,540
Operating transfers.....	-	250,000	(2,383,260)
Net cash provided (used) by noncapital financing activities.....	545,217	1,629,243	33,280
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets.....	-	(112,446)	-
Proceeds from sale of capital assets.....	-	-	-
Net cash provided (used) by capital and related financing activities.....	0	(112,446)	0
Cash Flows From Investing Activities:			
Interest earned on investments.....	-	-	-
Net cash provided by investing activities.....	0	0	0
Net increase (decrease) in cash and cash equivalents.....	0	0	0
Cash and cash equivalents at July 1.....	0	0	0
Cash and cash equivalents at June 30.....	\$ 0	\$ 0	\$ 0
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss).....	\$ (444,121)	\$ 31,605	\$ 448,322
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation.....	121,292	90,958	3,161
(Increase)decrease in accounts receivable.....	(24,945)	(1,640,690)	(432,584)
(Increase)decrease in due from other funds.....	-	-	(56,396)
(Increase)decrease in inventory.....	(233,863)	-	-
(Increase)decrease in prepaid expenses.....	(32,169)	8,550	(42,480)
Increase(decrease) in accounts payable.....	64,045	(211,285)	41,710
Increase(decrease) in accrued salaries and benefits.....	4,544	147,669	4,987
Increase(decrease) in claims payable.....	-	-	-
Increase(decrease) in due to other funds.....	-	56,396	-
Increase(decrease) in deferred revenue.....	-	-	-
Total adjustments.....	(101,096)	(1,548,402)	(481,602)
Net cash provided (used) by operating activities.....	\$ (545,217)	\$ (1,516,797)	\$ (33,280)

Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund	Risk Management - All Other Fund
\$ 863,454	\$ -	\$ 672,892	\$ 3,965,500	\$ 3,278,424
(81,362)	(7,000)	(1,099,455)	(1,328,693)	(3,024,339)
-	-	(55,427)	(117,300)	(61,655)
-	-	-	(2,053,797)	-
-	-	125,782	-	58,432
-	-	-	-	-
782,092	(7,000)	(356,208)	465,710	250,862
(782,092)	7,000	-	-	(250,862)
-	-	(309)	-	-
(782,092)	7,000	(309)	0	(250,862)
-	-	-	-	-
-	-	-	-	-
0	0	0	0	0
-	-	-	298,091	-
0	0	0	298,091	0
0	0	(356,517)	763,801	0
	0	464,467	9,008,655	
\$ 0	\$ 0	\$ 107,950	\$ 9,772,456	\$ 0
\$ 0	\$ -	\$ (7,526)	\$ 1,461,815	\$ 194,174
-	-	1,100	-	-
791,842	(7,000)	(1,014)	12,819	72,160
-	-	-	-	-
-	-	376	-	-
-	-	-	-	-
(3,741)	-	(348,491)	3,035	(18,157)
-	-	(277)	-	-
-	-	-	(1,017,203)	-
(6,009)	-	-	5,244	2,685
-	-	(376)	-	-
782,092	(7,000)	(348,682)	(996,105)	56,688
\$ 782,092	\$ (7,000)	\$ (356,208)	\$ 465,710	\$ 250,862

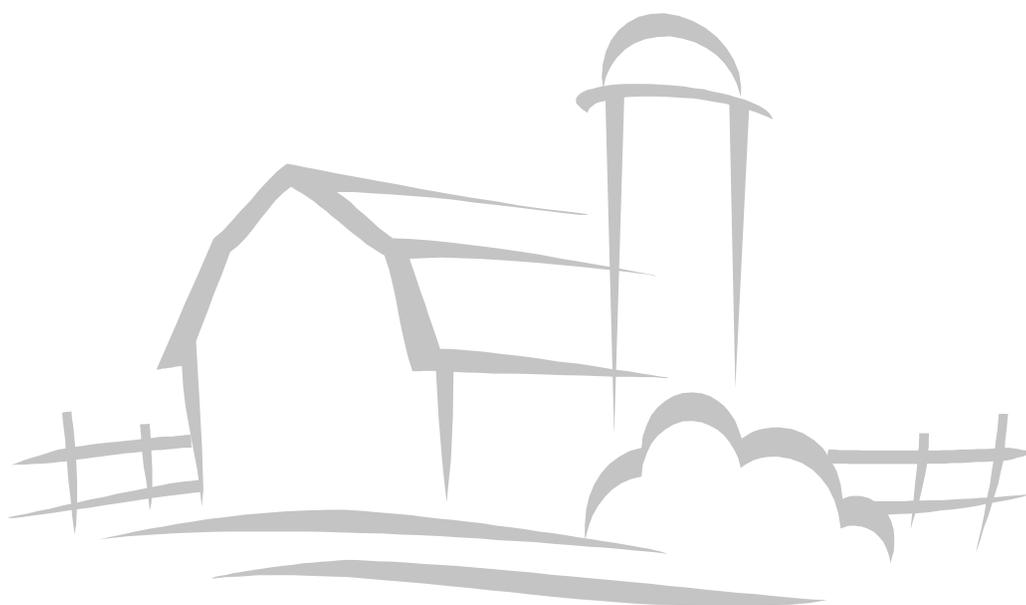
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STATE OF VERMONT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Workers Compensation Fund	Medical Insurance Fund	Dental Insurance Fund
Cash Flows From Operating Activities:			
Cash received from customers.....	\$ 8,679,742	\$ 88,478,588	\$ 5,582,949
Cash paid to suppliers for goods and services.....	(738,347)	(8,745,962)	(321,743)
Cash paid to employees for services.....	(917,558)	(867,952)	(74,666)
Cash paid to claimants.....	(5,968,751)	(80,171,813)	(5,135,178)
Other operating revenues.....	-	64,732	100
Other operating expenses.....	-	(16,329)	(1,583)
Net cash provided (used) by operating activities.....	1,055,086	(1,258,736)	49,879
Cash Flows From Noncapital Financing Activities:			
Interfund loans.....	-	-	-
Operating transfers.....	-	-	-
Net cash provided (used) by noncapital financing activities.....	0	0	0
Cash Flows From Capital and Related Financing Activities:			
Acquisition and construction of capital assets.....	-	-	-
Proceeds from sale of capital assets.....	-	-	-
Net cash provided (used) by capital and related financing activities.....	0	0	0
Cash Flows From Investing Activities:			
Interest earned on investments.....	390,589	617,436	24,574
Net cash provided by investing activities.....	390,589	617,436	24,574
Net increase (decrease) in cash and cash equivalents.....	1,445,675	(641,300)	74,453
Cash and cash equivalents at July 1.....	12,470,057	20,459,763	773,816
Cash and cash equivalents at June 30.....	\$ 13,915,732	\$ 19,818,463	\$ 848,269
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss).....	\$ (1,415,120)	\$ (488,052)	\$ 177,152
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation.....	-	-	-
(Increase)decrease in accounts receivable.....	23,286	(346,221)	(16,544)
(Increase)decrease in due from other funds.....	(7,929)	-	-
(Increase)decrease in inventory.....	-	-	-
(Increase)decrease in prepaid expenses.....	-	-	-
Increase(decrease) in accounts payable.....	23,525	102,258	(9,991)
Increase(decrease) in accrued salaries and benefits.....	9,115	16,364	960
Increase(decrease) in claims payable.....	2,422,209	(668,628)	(101,698)
Increase(decrease) in due to other funds.....	-	-	-
Increase(decrease) in deferred revenue.....	-	125,543	-
Total adjustments.....	2,470,206	(770,684)	(127,273)
Net cash provided (used) by operating activities.....	\$ 1,055,086	\$ (1,258,736)	\$ 49,879

Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Total Internal Service Funds
\$ 1,716,096	\$ 193,643	\$ 237,252	\$ 187,540,668
(1,643,634)	(182,054)	(233,028)	(67,662,202)
(24,892)	-	-	(25,954,517)
-	-	-	(93,329,539)
-	-	-	2,870,593
(529)	-	-	(312,321)
47,041	11,589	4,224	3,152,682
-	-	-	379,129
-	-	-	4,743,965
0	0	0	5,123,094
-	-	-	(7,944,737)
-	-	-	466,564
0	0	0	(7,478,173)
20,655	-	-	1,351,345
20,655	0	0	1,351,345
67,696	11,589	4,224	2,148,948
558,654	5,022	61,630	44,043,781
\$ 626,350	\$ 16,611	\$ 65,854	\$ 46,192,729
\$ 52,139	\$ 11,270	\$ 1,800	\$ (2,088,746)
-	-	-	6,627,566
7,509	(498)	(477)	(580,355)
-	-	-	32,650
-	-	-	(430,079)
-	-	-	(23,274)
(12,927)	817	2,901	(1,365,614)
320	-	-	295,270
-	-	-	634,680
-	-	-	(36,684)
-	-	-	87,268
(5,098)	319	2,424	5,241,428
\$ 47,041	\$ 11,589	\$ 4,224	\$ 3,152,682

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Vermont



PENSION TRUST FUNDS

**STATE OF VERMONT
PENSION TRUST FUNDS
COMBINING STATEMENTS OF PLAN NET ASSETS
June 30, 2006**

	Vermont State Retirement System	Vermont State Defined Contribution Plan	State Teachers' Retirement Fund
Assets:			
Cash and short term investments.....	\$ 172,077,234	\$ 245,398	\$ 169,779,659
Receivables:			
Contributions.....	2,915,609	124,460	2,471,231
Interest and dividends.....	5,898,537	-	6,257,780
Investments sold.....	25,155,845	-	27,419,575
Due from other funds.....	29,795	-	-
Other.....	-	-	554,058
Total receivables.....	<u>33,999,786</u>	<u>124,460</u>	<u>36,702,644</u>
Investments at Fair value:			
Fixed income.....	423,853,675	-	420,370,350
Equities.....	482,372,892	-	634,436,544
Real estate and venture capital.....	84,749,314	-	126,589,850
Mutual funds.....	126,299,286	35,285,003	144,342,041
Total investments.....	<u>1,117,275,167</u>	<u>35,285,003</u>	<u>1,325,738,785</u>
Prepaid expenses.....	<u>1,157,691</u>	<u>20,922</u>	<u>1,032,663</u>
Capital Assets:			
Construction in progress.....	<u>87,864</u>	-	<u>100,722</u>
Total capital assets.....	<u>87,864</u>	-	<u>100,722</u>
Total assets.....	<u>1,324,597,742</u>	<u>35,675,783</u>	<u>1,533,354,473</u>
Liabilities:			
Payable for investments purchased.....	103,917,882	-	101,251,290
Accounts payable.....	1,003,123	2,043	1,216,907
Accrued liabilities.....	42,191	-	43,793
Retainage payable.....	17,674	-	20,260
Due to other funds.....	-	29,795	-
Total liabilities.....	<u>104,980,870</u>	<u>31,838</u>	<u>102,532,250</u>
Net assets held in trust for employees' pension benefits.....	<u>\$ 1,219,616,872</u>	<u>\$ 35,643,945</u>	<u>\$ 1,430,822,223</u>

See Independent Auditor's Report.

Single Deposit Investment Account	Vermont Municipal Employees' Retirement Fund	Vermont Municipal Employees' Defined Contribution Fund	Total Pension Trust Funds
\$ 7,032,802	\$ 40,914,456	\$ 31,143	\$ 390,080,692
-	2,000,611	4,620	7,516,531
1,721,292	1,882,178	-	15,759,787
-	5,663,762	-	58,239,182
-	190,466	-	220,261
-	10,487,456	-	11,041,514
1,721,292	20,224,473	4,620	92,777,275
100,689,723	102,488,592	-	1,047,402,340
-	106,984,517	-	1,223,793,953
-	21,463,742	-	232,802,906
-	28,066,508	10,499,319	344,492,157
100,689,723	259,003,359	10,499,319	2,848,491,356
-	-	-	2,211,276
-	25,716	-	214,302
-	25,716	-	214,302
109,443,817	320,168,004	10,535,082	3,333,774,901
15,862,514	26,627,983	-	247,659,669
-	218,715	396	2,441,184
-	17,258	-	103,242
-	5,173	-	43,107
-	-	190,466	220,261
15,862,514	26,869,129	190,862	250,467,463
\$ 93,581,303	\$ 293,298,875	\$ 10,344,220	\$ 3,083,307,438

**STATE OF VERMONT
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Fiscal Year Ended June 30, 2006**

	Vermont State Retirement System	Vermont State Defined Contribution Plan	State Teachers' Retirement System
Additions :			
<u>Contributions</u>			
Employer.....	\$ 36,866,451	\$ 1,793,339	\$ 24,446,282
Plan member.....	14,561,467	623,988	21,884,140
Transfers from other pension trust funds...	1,061,201	185,320	641,382
Transfers from non-state systems.....	110,315	-	-
Medicare part D drug subsidy.....	-	-	539,224
Total contributions.....	52,599,434	2,602,647	47,511,028
<u>Investment Income:</u>			
Net appreciation (depreciation) in fair value of investments.....	77,196,209	1,748,228	97,158,534
Dividends.....	13,609,537	1,217,918	16,058,318
Interest income.....	26,997,830	8,750	21,687,004
Securities lending income.....	564,411	-	509,138
Other income.....	852,694	-	613,637
Total investment income.....	119,220,681	2,974,896	136,026,631
Less Investment Expenses			
Investment managers and consultants....	3,894,489	453	5,012,862
Securities lending expenses.....	179,777	-	178,184
Total investment expenses.....	4,074,266	453	5,191,046
Net investment income.....	115,146,415	2,974,443	130,835,585
Total additions.....	167,745,849	5,577,090	178,346,613
Deductions:			
Retirement benefits.....	53,435,617	2,621,556	66,272,471
Refunds of contributions.....	1,154,061	-	1,156,932
Death claims.....	197,850	-	133,265
Transfers to other pension trust funds.....	668,929	-	580,403
Operating expenses.....	12,919,669	270,309	12,913,737
Total deductions.....	68,376,126	2,891,865	81,056,808
Change in net assets.....	99,369,723	2,685,225	97,289,805
Net assets held in trust for employees' pension benefits:			
July 1	1,120,247,149	32,958,720	1,333,532,418
June 30.....	\$ 1,219,616,872	\$ 35,643,945	\$ 1,430,822,223

See Independent Auditor's Report.

Single Deposit Investment Account	Vermont Municipal Employees' Retirement System	Vermont Municipal Employees' Defined Contribution Fund	Total Pension Funds
\$ -	\$ 7,926,436	\$ 510,349	\$ 71,542,857
-	8,744,718	510,412	46,324,725
-	228,746	234,566	2,351,215
-	-	-	110,315
-	-	-	539,224
0	16,899,900	1,255,327	120,868,336
(4,583,335)	18,114,095	462,709	190,096,440
-	4,891,118	343,519	36,120,410
5,102,626	5,492,610	319	59,289,139
-	119,963	-	1,193,512
44,787	52,076	4,907	1,568,101
564,078	28,669,862	811,454	288,267,602
370,610	933,550	-	10,211,964
-	38,941	-	396,902
370,610	972,491	0	10,608,866
193,468	27,697,371	811,454	277,658,736
193,468	44,597,271	2,066,781	398,527,072
7,529,287	7,120,325	582,621	137,561,877
-	958,629	-	3,269,622
-	144,311	-	475,426
-	1,101,883	-	2,351,215
-	439,983	37,378	26,581,076
7,529,287	9,765,131	619,999	170,239,216
(7,335,819)	34,832,140	1,446,782	228,287,856
100,917,122	258,466,735	8,897,438	2,855,019,582
\$ 93,581,303	\$ 293,298,875	\$ 10,344,220	\$ 3,083,307,438

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Vermont



AGENCY FUNDS

STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
RETIREMENT SYSTEM CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash.....	\$ 3,347	\$ 52,774,856	\$ 52,776,288	\$ 1,915
Accounts receivable.....	31	3,044	-	3,075
Total assets.....	<u>\$ 3,378</u>	<u>\$ 52,777,900</u>	<u>\$ 52,776,288</u>	<u>\$ 4,990</u>
LIABILITIES				
Due to depositories.....	\$ 3,378	\$ 52,776,288	\$ 52,776,288	\$ 3,378
Due to other funds.....	-	900	-	900
Interfund payable.....	-	712	-	712
Total liabilities.....	<u>\$ 3,378</u>	<u>\$ 52,777,900</u>	<u>\$ 52,776,288</u>	<u>\$ 4,990</u>
FEDERAL INCOME TAX WITHHOLDINGS FUND				
ASSETS				
Cash.....	\$ 13,640	\$ 47,456,244	\$ 47,469,705	\$ 179
Accounts receivable.....	-	1,891	-	1,891
Total assets.....	<u>\$ 13,640</u>	<u>\$ 47,458,135</u>	<u>\$ 47,469,705</u>	<u>\$ 2,070</u>
LIABILITIES				
Due to depositories.....	\$ 12,197	\$ 47,456,244	\$ 47,468,262	\$ 179
Due to other funds.....	1,443	1,891	1,443	1,891
Total liabilities.....	<u>\$ 13,640</u>	<u>\$ 47,458,135</u>	<u>\$ 47,469,705</u>	<u>\$ 2,070</u>
STATE INCOME TAX WITHHOLDINGS FUND				
ASSETS				
Cash.....	\$ -	\$ 13,504,896	\$ 13,504,896	\$ -
Due from other funds.....	67	1,778	67	1,778
Total assets.....	<u>67</u>	<u>13,506,674</u>	<u>13,504,963</u>	<u>1,778</u>
LIABILITIES				
Due to depositories.....	\$ -	\$ 13,504,896	\$ 13,504,896	\$ -
Due to other funds.....	7	558	7	558
Interfund payable.....	60	1,220	60	1,220
Total liabilities.....	<u>\$ 67</u>	<u>\$ 13,506,674</u>	<u>\$ 13,504,963</u>	<u>\$ 1,778</u>
SOCIAL SECURITY TAX CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash.....	\$ -	\$ 62,813,675	\$ 62,813,675	\$ -
Accounts receivable.....	12,725	13,486	-	26,211
Total assets.....	<u>\$ 12,725</u>	<u>\$ 62,827,161</u>	<u>\$ 62,813,675</u>	<u>\$ 26,211</u>
LIABILITIES				
Due to depositories.....	\$ -	\$ 62,800,950	\$ 62,800,950	\$ -
Due to other funds.....	-	1,108	-	1,108
Interfund payable.....	12,725	25,103	12,725	25,103
Total liabilities.....	<u>\$ 12,725</u>	<u>\$ 62,827,161</u>	<u>\$ 62,813,675</u>	<u>\$ 26,211</u>
EMPLOYEES CREDIT UNION WITHHOLDING FUND				
ASSETS				
Cash.....	\$ -	\$ 42,774,235	\$ 42,774,235	\$ -
LIABILITIES				
Due to depositories.....	\$ -	\$ 42,774,235	\$ 42,774,235	\$ -

See Independent Auditor's Report.

STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
EMPLOYEES INSURANCE CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash.....	\$ -	\$ 78,222,340	\$ 78,222,340	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ 78,222,340</u>	<u>\$ 78,222,340</u>	<u>\$ -</u>
LIABILITIES				
Due to depositories.....	\$ -	\$ 78,222,340	\$ 78,222,340	\$ -
Total liabilities.....	<u>\$ -</u>	<u>\$ 78,222,340</u>	<u>\$ 78,222,340</u>	<u>\$ -</u>
EMPLOYEES DEFERRED INCOME WITHHOLDINGS FUND				
ASSETS				
Cash.....	\$ -	\$ 15,092,517	\$ 15,092,517	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ 15,092,517</u>	<u>\$ 15,092,517</u>	<u>\$ -</u>
LIABILITIES				
Due to depositories.....	\$ -	\$ 15,092,517	\$ 15,092,517	\$ -
Total liabilities.....	<u>\$ -</u>	<u>\$ 15,092,517</u>	<u>\$ 15,092,517</u>	<u>\$ -</u>
OTHER EMPLOYEE CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash.....	\$ 4,448	\$ 6,087,592	\$ 6,087,589	\$ 4,451
Accounts receivable.....	3	-	-	3
Due from other funds.....	22,386	29,877	22,386	29,877
Total assets.....	<u>\$ 26,837</u>	<u>\$ 6,117,469</u>	<u>\$ 6,109,975</u>	<u>\$ 34,331</u>
LIABILITIES				
Due to depositories.....	\$ 4,448	\$ 6,087,589	\$ 6,087,586	\$ 4,451
Interfund payable.....	22,389	29,880	22,389	29,880
Total liabilities.....	<u>\$ 26,837</u>	<u>\$ 6,117,469</u>	<u>\$ 6,109,975</u>	<u>\$ 34,331</u>
UNIDENTIFIED RECEIPTS FUND				
ASSETS				
Cash.....	\$ 11,162	\$ 172,724,229	\$ 172,716,701	\$ 18,690
Accounts receivable.....	1,000	-	1,000	-
Due from other funds.....	315,050	-	315,050	-
Total assets.....	<u>\$ 327,212</u>	<u>\$ 172,724,229</u>	<u>\$ 173,032,751</u>	<u>\$ 18,690</u>
LIABILITIES				
Due to other funds.....	\$ 14,956	\$ 172,724,229	\$ 172,720,495	\$ 18,690
Interfund payable.....	312,256	-	312,256	-
Total liabilities.....	<u>\$ 327,212</u>	<u>\$ 172,724,229</u>	<u>\$ 173,032,751</u>	<u>\$ 18,690</u>

STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
VENDOR AND OTHER DEPOSITS FUND				
ASSETS				
Cash.....	\$ 4,365,265	\$ 28,270,087	\$ 26,212,245	\$ 6,423,107
Taxes receivable.....	1,805,937	639,377	1,805,937	639,377
Accounts receivable.....	109,212	582,288	596,587	94,913
Due from other funds.....	92	-	92	-
Total assets.....	\$ 6,280,506	\$ 29,491,752	\$ 28,614,861	\$ 7,157,397
LIABILITIES				
Amounts held in custody for others.....	\$ 2,460,726	\$ 11,544,906	\$ 10,758,544	\$ 3,247,088
Due to other funds.....	577,072	550,040	620,485	506,627
Intergovernmental payable other governments.....	2,451,344	13,810,837	13,726,969	2,535,212
Other liabilities.....	682,090	2,297,130	2,225,019	754,201
Interfund payable.....	109,274	114,269	109,274	114,269
Total liabilities.....	\$ 6,280,506	\$ 28,317,182	\$ 27,440,291	\$ 7,157,397
CHILD SUPPORT COLLECTIONS FUND				
ASSETS				
Cash.....	\$ 716,545	\$ 55,751,395	\$ 55,897,500	\$ 570,440
Total assets.....	\$ 716,545	\$ 55,751,395	\$ 55,897,500	\$ 570,440
LIABILITIES				
Due to other funds.....	\$ 40,380	\$ -	\$ 40,380	\$ -
Intergovernmental payable - other governments.....	213,712	-	213,712	-
Amount held in custody for others.....	462,453	55,751,395	55,643,408	570,440
Total liabilities.....	\$ 716,545	\$ 55,751,395	\$ 55,897,500	\$ 570,440
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash.....	\$ 5,114,407	\$ 575,472,066	\$ 573,567,692	\$ 7,018,782
Accounts receivable.....	122,971	600,709	597,587	126,093
Taxes receivable.....	1,805,937	639,377	1,805,937	639,377
Due from other funds.....	337,595	31,655	337,595	31,655
Total assets.....	\$ 7,380,910	\$ 576,743,807	\$ 576,308,811	\$ 7,815,907
LIABILITIES				
Due to depositories.....	\$ 20,023	\$ 318,715,059	\$ 318,727,075	\$ 8,008
Due to other funds.....	633,858	173,278,726	173,382,810	529,774
Amounts held in custody for others.....	2,923,179	67,296,301	66,401,952	3,817,528
Intergovernmental payable other governments.....	2,665,056	13,810,837	13,940,681	2,535,212
Other liabilities.....	682,090	2,297,130	2,225,019	754,201
Interfund payable.....	456,704	171,184	456,704	171,184
Total liabilities.....	\$ 7,380,910	\$ 575,569,237	\$ 575,134,241	\$ 7,815,907



**NON-MAJOR
COMPONENT UNITS**

STATE OF VERMONT
 COMBINING STATEMENT OF NET ASSETS
 NON-MAJOR COMPONENT UNITS
 June 30, 2006

ASSETS	Vermont Economic Development Authority 06/30/2006	Vermont Housing & Conservation Board 06/30/2006	Vermont Sustainable Jobs Fund 06/30/2006	Vermont Municipal Bond Bank 12/31/2005
Current Assets:				
Cash and cash equivalents.....	\$ 7,109,427	\$ 16,962,796	\$ 70,389	\$ 6,279,543
Investments.....	1,339,764	-	-	5,319,739
Accounts receivable (net).....	-	-	-	22,953
Accrued interest receivable - loans.....	511,590	11,630,962	-	2,111,542
Loans and notes receivable - current portion.....	7,345,694	23,403	-	37,152,997
Other receivables.....	-	31,997	95,572	-
Due from federal government.....	-	14,249,083	-	-
Inventories (at cost).....	-	-	-	-
Prepaid expenses.....	-	-	1,845	-
Other current assets.....	609,593	-	680	-
Total current assets.....	16,916,068	42,898,241	168,486	50,886,774
Restricted and Non-Current Assets:				
Cash.....	-	-	-	1,265,873
Investments.....	21,723,253	-	-	44,362,963
Deferred bond issue costs.....	-	-	-	5,504,011
Loans and notes receivable (net).....	80,901,355	84,486,610	-	390,484,894
Other assets.....	-	-	-	-
Total restricted & noncurrent assets.....	102,624,608	84,486,610	0	441,617,741
Capital Assets:				
Land.....	-	-	-	-
Construction in process.....	-	-	-	-
Building and leasehold improvements.....	-	-	-	-
Equipment, furniture and fixtures.....	606,138	75,938	6,720	-
Accumulated depreciation.....	(441,763)	(74,221)	(6,388)	-
Total capital assets, net of depreciation.....	164,375	1,717	332	0
Total assets.....	119,705,051	127,386,568	168,818	492,504,515
LIABILITIES				
Current Liabilities:				
Accounts payable.....	695,555	98,349	48,007	14,594
Accrued salaries and benefits.....	-	181,929	-	-
Accrued interest payable.....	711,521	-	-	-
Bond interest payable.....	-	-	-	1,711,905
Deferred revenue.....	-	-	77,763	-
Accrued arbitrage rebate.....	-	-	-	446,359
Current portion - bonds and notes payable.....	74,802,198	-	-	42,235,000
Due to primary government.....	51,830	2,710,982	-	-
Escrowed cash deposits.....	137,278	-	-	-
Other current liabilities.....	997,183	11,222,238	-	-
Total current liabilities.....	77,395,565	14,213,498	125,770	44,407,858
Restricted and Non-Current Liabilities:				
Bonds and notes payable.....	5,686,247	509,068	-	428,860,847
Accrued arbitrage rebate.....	-	-	-	385,906
Other liabilities.....	-	-	-	26,100
Total liabilities payable from restricted assets.....	5,686,247	509,068	0	429,272,853
Total liabilities.....	83,081,812	14,722,566	125,770	473,680,711
NET ASSETS				
Invested in capital assets, (net of related debt).....	164,375	1,717	332	-
Restricted.....	5,797,706	111,902,379	-	9,001,873
Unrestricted - designated.....	-	-	-	-
Unrestricted.....	30,661,158	759,906	42,716	9,821,931
Total net assets.....	\$ 36,623,239	\$ 112,664,002	\$ 43,048	\$ 18,823,804

Vermont Educational and Health Buildings Financing Agency 12/31/2005	Vermont Center For Geographic Information, Inc. 06/30/2006	Vermont Veterans' Home 06/30/2006	Vermont Rehabilitation Corporation 06/30/2006	Total Non-major Component Units
\$ 190,472	\$ 119,592	\$ 2,320,663	\$ 66,000	\$ 33,118,882
993,158	-	-	-	7,652,661
6,507	14,499	1,762,888	-	1,806,847
-	-	-	2,345	14,256,439
-	-	-	12,775	44,534,869
-	-	-	-	127,569
-	-	-	-	14,249,083
-	-	107,356	-	107,356
-	7,992	-	-	9,837
-	-	-	-	610,273
1,190,137	142,083	4,190,907	81,120	116,473,816
-	-	-	-	1,265,873
-	-	-	-	66,086,216
-	-	-	-	5,504,011
-	-	-	137,225	556,010,084
-	-	4,820	-	4,820
0	0	4,820	137,225	628,871,004
-	-	312,375	-	312,375
-	-	78,597	-	78,597
-	-	12,686,470	-	12,686,470
-	108,516	2,046,142	-	2,843,454
-	(95,192)	(10,871,032)	-	(11,488,596)
0	13,324	4,252,552	0	4,432,300
1,190,137	155,407	8,448,279	218,345	749,777,120
17,075	3,061	286,717	-	1,163,358
-	15,766	1,088,831	-	1,286,526
-	-	-	-	711,521
-	-	-	-	1,711,905
-	5,010	349,539	-	432,312
-	-	-	-	446,359
-	-	-	-	117,037,198
-	-	-	-	2,762,812
-	-	-	-	137,278
-	-	3,789	-	12,223,210
17,075	23,837	1,728,876	0	137,912,479
-	-	-	-	435,056,162
-	-	-	-	385,906
-	-	4,367	-	30,467
0	0	4,367	0	435,472,535
17,075	23,837	1,733,243	0	573,385,014
-	13,324	4,252,552	-	4,432,300
-	-	-	-	126,701,958
-	30,000	-	-	30,000
1,173,062	88,246	2,462,484	218,345	45,227,848
\$ 1,173,062	\$ 131,570	\$ 6,715,036	\$ 218,345	\$ 176,392,106

**STATE OF VERMONT
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2006**

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Vermont Economic Development Authority.....	\$ 7,342,036	\$ 5,207,606	\$ 91,990	\$ -	\$ (2,042,440)
Vermont Housing & Conservation Board.....	15,524,090	-	11,252,405	-	(4,271,685)
Vermont Sustainable Jobs Fund.....	555,954	-	527,180	-	(28,774)
Vermont Municipal Bond Bank.....	22,518,594	21,807,927	-	-	(710,667)
Vermont Educational and Health Buildings Financing Agency.....	125,945	85,180	-	-	(40,765)
Vermont Center for Geographic Information, Inc.....	753,475	476,579	318,957	-	42,061
Vermont Veterans' Home.....	15,028,141	13,863,584	955,247	752,492	543,182
Vermont Rehabilitation Corporation.....	-	-	-	-	-
Total non-major component units.....	\$ 61,848,235	\$ 41,440,876	\$ 13,145,779	\$ 752,492	(6,509,088)

General Revenues:	
Property transfer tax.....	15,671,180
Investment income.....	6,042,585
Miscellaneous.....	129,925
Total general revenues.....	<u>21,843,690</u>
Changes in net assets.....	15,334,602
Net assets - beginning.....	<u>161,057,504</u>
Net assets - ending.....	<u>\$ 176,392,106</u>



**STATISTICAL INFORMATION
(UNAUDITED)**

STATE OF VERMONT
Statement of Net Assets by Components
For the last five fiscal years
(accrual basis of accounting)

	2006	2005
Governmental Activities		
Invested in capital assets, net of related debt.....	\$ 1,080,092,389	\$ 1,055,464,625
Restricted.....	167,489,838	111,942,593
Unrestricted.....	(85,683,901)	(69,649,499)
Total governmental activities net assets.....	\$ 1,161,898,326	\$ 1,097,757,719
Business Type Activities		
Invested in capital assets, net of related debt.....	\$ 371,942	\$ 483,635
Restricted.....	209,321,179	227,855,775
Unrestricted.....	4,014,732	3,845,924
Total Business-Type activities net assets.....	\$ 213,707,853	\$ 232,185,334
Primary Government		
Invested in capital assets, net of related debt.....	\$ 1,080,464,331	\$ 1,055,948,260
Restricted.....	376,811,017	339,798,368
Unrestricted.....	(81,669,169)	(65,803,575)
Total Primary Government net assets.....	\$ 1,375,606,179	\$ 1,329,943,053
Discretely Presented Component Units		
Invested in capital assets, net of related debt.....	\$ 165,253,052	\$ 171,458,877
Restricted.....	0	470,244,961
Unrestricted.....	239,501,045	215,838,933
Total Discretely Presented Units net assets.....	\$ 404,754,097	\$ 857,542,771

2004	2003	2002
\$ 1,001,388,886	\$ 928,020,928	\$ 783,951,377
121,352,328	90,217,671	94,309,980
(67,098,959)	(169,421,307)	(52,608,139)
<u>\$ 1,055,642,255</u>	<u>\$ 848,817,292</u>	<u>\$ 825,653,218</u>
\$ 464,618	\$ 533,770	\$ 504,762
238,547,672	264,989,370	314,711,238
3,529,815	3,122,083	3,606,744
<u>\$ 242,542,105</u>	<u>\$ 268,645,223</u>	<u>\$ 318,822,744</u>
\$ 1,001,883,504	\$ 928,554,698	\$ 784,456,139
359,900,100	355,207,041	409,021,218
(63,569,144)	(166,299,224)	(49,001,395)
<u>\$ 1,298,214,460</u>	<u>\$ 1,117,462,515</u>	<u>\$ 1,144,475,962</u>
\$ 151,213,394	\$ 154,068,373	\$ 159,352,039
446,997,871	404,226,821	364,794,162
205,624,698	182,059,839	177,586,817
<u>\$ 803,835,963</u>	<u>\$ 740,355,033</u>	<u>\$ 701,733,018</u>

STATE OF VERMONT
Changes in Net Assets by Function
For the last five fiscal years
(accrual basis of accounting)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses:					
Governmental activities:					
General government.....	\$ 110,054,915	\$ 130,521,043	\$ 98,474,432	\$ 51,573,621	\$ 87,431,591
Protection to persons & property.....	233,163,452	213,426,040	196,013,649	186,817,842	173,208,802
Human services.....	1,445,867,889	1,392,265,594	1,299,865,739	1,185,924,153	1,046,568,774
Employment & training.....	21,154,243	20,582,854	26,290,402	27,906,916	25,972,322
General education.....	1,555,673,656	1,446,411,207	1,149,533,015	1,096,988,222	1,035,750,817
Natural resources.....	82,814,307	78,421,902	72,892,394	69,459,648	71,367,475
Commerce & community development.....	32,251,500	35,651,341	29,862,767	33,849,108	36,782,068
Transportation.....	301,625,876	269,066,282	251,788,690	236,214,373	257,519,692
Public service enterprises.....	1,994,246	1,649,863	1,898,161	1,897,774	2,001,936
Interest on long-term debt.....	21,046,866	19,306,820	22,590,740	26,358,563	23,549,404
Total governmental activities expenses.....	<u>3,805,646,950</u>	<u>3,607,302,946</u>	<u>3,149,209,989</u>	<u>2,916,990,220</u>	<u>2,760,152,881</u>
Business-type activities:					
Vermont Lottery Commission.....	82,262,856	71,719,711	72,319,680	63,650,809	65,590,029
Liquor Control.....	40,511,410	38,155,229	36,236,080	34,357,279	33,311,074
Unemployment Compensation.....	85,483,130	79,967,905	99,549,897	130,315,726	88,557,267
Other.....	2,948,294	3,872,621	2,726,827	3,026,310	2,823,430
Total business-type activities expenses.....	<u>211,205,690</u>	<u>193,715,466</u>	<u>210,832,484</u>	<u>231,350,124</u>	<u>190,281,800</u>
Total primary government expenses.....	<u>\$ 4,016,852,640</u>	<u>\$ 3,801,018,412</u>	<u>\$ 3,360,042,473</u>	<u>\$ 3,148,340,344</u>	<u>\$ 2,950,434,681</u>
Component units:					
University of Vermont & State Agricultural College....	\$ 453,127,000	\$ 423,317,000	\$ 406,661,000	\$ 379,503,000	\$ 345,610,000
Vermont State Colleges.....	135,102,593	125,540,113	118,800,228	106,498,224	100,250,838
Vermont Student Assistance Corporation.....	154,884,000	130,083,000	94,333,000	93,829,000	99,644,000
Other.....	61,848,235	58,683,189	61,499,406	61,389,984	59,012,629
Total component units.....	<u>\$ 804,961,828</u>	<u>\$ 737,623,302</u>	<u>\$ 681,293,634</u>	<u>\$ 641,220,208</u>	<u>\$ 604,517,467</u>
Program Revenues:					
Governmental activities:					
Charges for services.....	\$ 281,227,286	\$ 256,323,976	\$ 245,698,492	\$ 211,650,770	\$ 195,759,410
Operating grants & contributions.....	1,072,041,991	1,032,577,419	1,096,788,598	935,183,708	831,069,156
Capital grants & contributions.....	128,657,913	130,645,583	113,007,095	116,022,645	144,363,660
Total governmental activities program revenues.....	<u>1,481,927,190</u>	<u>1,419,546,978</u>	<u>1,455,494,185</u>	<u>1,262,857,123</u>	<u>1,171,192,226</u>
Business-type activities:					
Charges for services.....	206,435,998	191,977,751	190,198,845	180,219,708	184,386,507
Operating grants & contributions.....	-	-	-	-	-
Capital grants & contributions.....	-	-	-	-	-
Total business-type activities program revenues.....	<u>206,435,998</u>	<u>191,977,751</u>	<u>190,198,845</u>	<u>180,219,708</u>	<u>184,386,507</u>
Total primary government program revenues.....	<u>\$ 1,688,363,188</u>	<u>\$ 1,611,524,729</u>	<u>\$ 1,645,693,030</u>	<u>\$ 1,443,076,831</u>	<u>\$ 1,355,578,733</u>
Component units:					
Charges for services.....	\$ 451,175,495	\$ 398,851,455	\$ 367,584,423	\$ 336,282,753	\$ 329,497,190
Operating grants & contributions.....	335,394,901	317,304,332	302,914,264	285,898,126	262,975,790
Capital grants & contributions.....	10,651,167	16,618,040	9,857,101	12,349,755	10,038,000
Total component units program revenues.....	<u>\$ 797,221,563</u>	<u>\$ 732,773,827</u>	<u>\$ 680,355,788</u>	<u>\$ 634,530,634</u>	<u>\$ 602,510,980</u>
Net (Expense) Revenue:					
Governmental activities.....	\$ (2,323,719,760)	\$ (2,187,755,968)	\$ (1,693,715,804)	\$ (1,654,133,097)	\$ (1,588,960,655)
Business-type activities.....	(4,769,692)	(1,737,715)	(20,633,639)	(51,130,416)	(5,895,293)
Total primary government net (expense).....	<u>\$ (2,328,489,452)</u>	<u>\$ (2,189,493,683)</u>	<u>\$ (1,714,349,443)</u>	<u>\$ (1,705,263,513)</u>	<u>\$ (1,594,855,948)</u>
Component units.....	\$ (7,740,265)	\$ (4,849,475)	\$ (937,846)	\$ (6,689,574)	\$ (2,006,487)

Continued on next page.

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Revenues and Other Changes in Net Assets:					
Governmental activities:					
Taxes:					
Personal and corporate income.....	\$ 612,565,565	\$ 568,058,897	\$ 496,301,917	\$ 404,947,697	\$ 429,430,661
Sales and use.....	327,074,633	312,395,227	264,336,818	205,205,492	217,685,005
Meals and rooms.....	111,570,407	111,979,770	109,914,847	95,354,842	100,622,918
Purchase and use.....	80,987,232	84,046,573	86,363,011	82,089,177	79,455,165
Motor fuel.....	67,579,632	67,334,972	68,654,068	71,257,920	69,223,434
Statewide property.....	813,588,165	732,330,555	487,535,603	453,868,075	424,243,836
Other taxes.....	317,186,837	294,257,364	329,543,672	284,253,279	236,994,926
Total taxes.....	<u>2,330,552,471</u>	<u>2,170,403,358</u>	<u>1,842,649,936</u>	<u>1,596,976,482</u>	<u>1,557,655,945</u>
Unrestricted investment earnings.....	7,426,303	6,664,257	3,130,140	4,602,180	4,529,099
Tobacco litigation settlement.....	24,056,870	26,205,607	25,819,716	30,545,249	31,000,098
Additions to non-expendable endowments.....	-	-	-	-	-
Miscellaneous.....	2,276,594	5,875,143	7,194,789	2,446,521	2,284,384
Transfers.....	23,548,129	20,722,967	19,957,578	16,582,383	16,929,798
Extraordinary Item:					
Gain (loss) on forgiveness of debt.....	-	-	-	(7,500,000)	-
Total governmental activities.....	<u>2,387,860,367</u>	<u>2,229,871,332</u>	<u>1,898,752,159</u>	<u>1,643,652,815</u>	<u>1,612,399,324</u>
Business-type activities:					
Unrestricted investment earnings.....	9,831,999	12,388,648	14,502,200	18,011,637	19,964,380
Miscellaneous.....	8,341	(274,809)	15,899	2,646	295
Capital asset transfers.....	-	(39,928)	-	-	-
Transfers.....	(23,548,129)	(20,722,967)	(19,957,578)	(16,582,383)	(16,929,798)
Total business-type activities.....	<u>(13,707,789)</u>	<u>(8,649,056)</u>	<u>(5,439,479)</u>	<u>1,431,900</u>	<u>3,034,877</u>
Total Primary Government.....	<u>\$ 2,374,152,578</u>	<u>\$ 2,221,222,276</u>	<u>\$ 1,893,312,680</u>	<u>\$ 1,645,084,715</u>	<u>\$ 1,615,434,201</u>
Component units:					
Other taxes.....	\$ 15,671,180	\$ 12,604,000	\$ 12,604,000	\$ 11,088,000	\$ 11,088,000
Unrestricted investment earnings.....	55,017,880	45,836,899	53,154,281	27,195,488	5,910,584
Additions to non-expendable endowments.....	761,704	360,219	116,197	-	-
Miscellaneous.....	129,925	(294,835)	89,043	62,323	-
Extraordinary Items:					
Gain (loss) on forgiveness of debt.....	-	-	-	7,500,000	-
Loss on extinguishment of debt.....	-	-	-	(755,815)	-
Total Component units.....	<u>\$ 71,580,689</u>	<u>\$ 58,506,283</u>	<u>\$ 65,963,521</u>	<u>\$ 45,089,996</u>	<u>\$ 16,998,584</u>
Changes in net assets					
Governmental activities.....	\$ 64,140,607	\$ 42,115,364	\$ 205,036,355	\$ (10,480,282)	\$ 23,438,669
Business-type activities.....	(18,477,481)	(10,386,771)	(26,073,118)	(49,698,516)	(2,860,416)
Total primary government.....	<u>\$ 45,663,126</u>	<u>\$ 31,728,593</u>	<u>\$ 178,963,237</u>	<u>\$ (60,178,798)</u>	<u>\$ 20,578,253</u>
Total component units.....	<u>\$ 63,840,424</u>	<u>\$ 53,656,808</u>	<u>\$ 65,025,675</u>	<u>\$ 38,400,422</u>	<u>\$ 14,992,097</u>

STATE OF VERMONT
Governmental Funds
Fund Balances
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2006	2005	2004	2003
General Fund				
Reserved.....	\$ 93,133,111	\$ 95,058,522	\$ 92,751,312	\$ 52,690,713
Unreserved.....	68,316,939	68,609,646	61,974,484	47,061,962
Total General Fund.....	<u>\$ 161,450,050</u>	<u>\$ 163,668,168</u>	<u>\$ 154,725,796</u>	<u>\$ 99,752,675</u>
All Other Governmental Funds				
Reserved.....	\$ 79,807,902	\$ 63,821,409	\$ 61,817,802	\$ 46,533,226
Unreserved, reported in:				
Special revenue funds.....	156,102,410	127,908,578	143,967,418	66,061,162
Capital projects funds.....	22,096,858	20,816,577	36,362,811	37,299,263
Permanent funds.....	9,636,760	4,413,943	1,790,948	1,705,584
Total all other governmental funds.....	<u>\$ 267,643,930</u>	<u>\$ 216,960,507</u>	<u>\$ 243,938,979</u>	<u>\$ 151,599,235</u>

¹ Governmental Accounting Standards Board Statement No. 34 was implemented in fiscal year 2002. Permanent funds and certain special revenue funds were reported as fiduciary trust funds prior to this implementation. Fiscal years 2001 and earlier have not been restated to reclassify these funds.

Fiscal Year					
2002¹	2001	2000	1999	1998	1997
\$ 51,695,723	\$ 86,174,465	\$ 114,149,646	\$ 82,033,240	\$ 66,062,983	\$ 67,769,544
97,898,194	86,583,269	54,991,249	53,860,810	24,511,850	1,732,398
<u>\$ 149,593,917</u>	<u>\$ 172,757,734</u>	<u>\$ 169,140,895</u>	<u>\$ 135,894,050</u>	<u>\$ 90,574,833</u>	<u>\$ 69,501,942</u>
\$ 54,367,194	\$ 35,353,352	\$ 36,275,097	\$ 18,986,974	\$ 12,013,684	\$ 12,442,141
82,458,887	94,681,498	94,568,979	105,124,935	69,199,129	62,616,617
51,798,769	22,363,376	22,526,489	20,181,684	19,584,303	11,428,927
1,518,780	-	-	-	-	-
<u>\$ 190,143,630</u>	<u>\$ 152,398,226</u>	<u>\$ 153,370,565</u>	<u>\$ 144,293,593</u>	<u>\$ 100,797,116</u>	<u>\$ 86,487,685</u>

STATE OF VERMONT
Governmental Funds
Changes in Fund Balances
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2006	2005	2004	2003
REVENUES:				
Taxes.....	\$ 2,337,341,048	\$ 2,160,130,972	\$ 1,831,301,567	\$ 1,615,244,889
Fees.....	52,813,029	58,290,625	46,613,828	47,770,289
Sales of services, rents and leases.....	13,455,255	13,250,908	14,211,562	14,031,691
Federal grants.....	1,195,618,641	1,149,686,863	1,195,394,472	1,036,188,776
Fines, forfeits and penalties.....	19,172,068	19,382,893	22,136,295	15,150,570
Investment income.....	11,468,734	7,905,566	4,579,721	5,561,830
Licenses.....	82,772,243	79,897,287	78,413,620	71,827,369
Special assessments.....	27,320,199	25,154,296	25,865,976	22,454,287
Other revenues.....	58,327,506	69,137,334	77,710,776	85,137,810
Total revenues.....	3,798,288,723	3,582,836,744	3,296,227,817	2,913,367,511
EXPENDITURES:				
General government.....	63,454,504	69,637,852	59,420,753	56,610,063
Protection to persons and property.....	227,084,839	222,239,431	200,556,219	184,257,770
Human services.....	1,433,190,205	1,397,574,415	1,298,524,173	1,200,628,758
Employment & training.....	21,090,488	20,946,037	26,193,011	27,904,668
General education.....	1,513,711,838	1,414,259,100	1,119,927,687	1,067,249,406
Natural resources.....	93,672,918	82,298,019	76,194,919	84,602,070
Commerce and community development.....	30,842,981	35,026,161	28,628,106	32,963,605
Transportation.....	321,421,189	310,061,273	289,728,406	284,978,570
Public service enterprises.....	1,994,246	1,649,863	1,898,161	1,897,774
Capital outlay.....	43,062,733	52,773,840	41,195,540	40,702,096
Debt service:				
Interest.....	21,958,988	22,004,546	27,213,333	23,687,879
Principal.....	45,272,088	45,348,153	43,620,613	49,526,115
Total expenditures.....	3,816,757,017	3,673,818,690	3,213,100,921	3,055,008,774
Excess of revenues over (under) expenditures.....	(18,468,294)	(90,981,946)	83,126,896	(141,641,263)
Other Financing Sources (Uses):				
Proceeds from the sale of bonds.....	45,000,000	41,000,000	42,200,000	35,800,000
Proceeds from the sale of refunding bonds.....	-	23,267,099	146,554,448	31,555,000
Premium on sale of bonds.....	744,195	93,445	1,838,750	2,413,804
Payment to bond escrow agent.....	-	(22,431,596)	(146,071,943)	(33,778,426)
Premium on sale of short-term notes.....	-	-	-	678,750
Residual equity transfer.....	-	-	-	-
Transfers in.....	1,155,078,201	478,209,945	438,309,704	401,290,002
Transfers out.....	(1,133,888,797)	(447,193,047)	(418,644,990)	(382,222,560)
Total other financing sources (uses).....	66,933,599	72,945,846	64,185,969	55,736,570
Extraordinary Item:				
Loss on forgiveness of debt.....	-	-	-	(2,204,948)
Net change in fund balances.....	\$ 48,465,305	\$ (18,036,100)	\$ 147,312,865	\$ (88,109,641)
Debt Service as a percentage of noncapital expenditures.....	1.83%	1.91%	2.31%	2.59%

¹The State implemented Governmental Accounting Standards Board Statement No. 34 in fiscal year 2002. Prior to this, the State did not report or maintain information for capital assets related to the governmental funds' expenditures. Prior to fiscal year 2002, certain special funds and the permanent funds were reported as fiduciary funds.

Fiscal Year					
2002 ¹	2001	2000	1999	1998	1997
\$ 1,600,725,756	\$ 1,590,021,858	\$ 1,529,512,665	\$ 1,092,581,137	\$ 981,170,111	\$ 867,844,374
36,708,774	36,193,167	34,442,295	33,416,275	30,723,658	35,156,628
15,613,693	11,044,242	17,481,955	15,821,046	18,155,472	17,899,018
964,141,863	849,190,708	847,344,627	752,470,334	690,679,253	599,698,610
14,209,581	9,449,787	10,489,734	8,953,403	7,373,244	7,789,390
6,883,583	12,813,248	11,548,738	9,410,231	7,216,805	9,524,242
66,126,632	70,037,167	67,484,136	63,399,886	61,237,739	51,763,519
21,629,014	12,797,215	9,329,929	7,581,026	32,768,035	33,116,230
78,526,877	43,052,988	39,170,217	43,597,589	34,210,995	30,177,177
2,804,565,773	2,634,600,380	2,566,804,296	2,027,230,927	1,863,535,312	1,652,969,188
71,394,584	91,208,675	72,377,387	72,582,300	130,983,914	82,208,395
174,438,289	141,541,764	134,520,793	126,537,008	113,904,695	102,618,753
1,064,306,490	910,389,884	910,137,339	824,563,158	771,326,892	718,508,992
26,285,028	25,999,908	27,631,323	25,997,774	23,926,899	19,193,111
1,021,058,900	894,781,354	893,172,183	492,704,507	315,650,561	310,474,202
86,309,386	86,780,546	88,148,291	76,188,643	67,002,990	60,756,308
34,094,561	34,941,291	30,920,684	40,875,808	32,808,072	24,855,985
311,109,113	294,277,972	267,400,584	246,716,884	229,415,218	189,821,086
2,001,936	1,257,308	1,272,134	1,517,976	1,505,472	1,334,119
34,727,809	12,132,666	4,971,000	1,304,778	5,630,110	14,275,580
23,804,098	23,310,944	23,525,283	23,597,102	24,256,578	27,440,515
45,410,549	50,585,000	51,330,000	48,470,000	45,695,000	40,895,000
2,894,940,743	2,567,207,312	2,505,407,001	1,981,055,938	1,762,106,401	1,592,382,046
(90,374,970)	67,393,068	61,397,295	46,174,989	101,428,911	60,587,142
51,000,000	-	37,000,000	34,285,000	111,160,293	40,475,727
-	-	-	-	-	-
123,348	-	-	-	-	-
-	-	-	-	(77,051,213)	-
-	-	-	-	-	-
-	-	-	(4,200,000)	-	-
347,614,574	357,861,384	350,741,856	381,552,402	176,004,209	110,712,051
(326,202,917)	(422,024,569)	(406,939,405)	(368,996,697)	(276,159,878)	(139,122,615)
72,535,005	(64,163,185)	(19,197,549)	42,640,705	(66,046,589)	12,065,163
-	-	-	-	-	-
\$ (17,839,965)	\$ 3,229,883	\$ 42,199,746	\$ 88,815,694	\$ 35,382,322	\$ 72,652,305
2.49%	not available				

STATE OF VERMONT
Tax Revenue by Source
Governmental Funds
Last Ten Fiscal Years
(expressed in Thousands)
(modified accrual basis of accounting)

Fiscal Year	Personal & Corporate Income Tax	Sales & Use Taxes	Meals & Rooms Taxes	Purchase & Use Taxes	Motor Fuel Tax	Statewide Education Tax*	Other Taxes	Total
1997	\$ 380,197	\$ 184,035	\$ 64,087	\$ 45,467	\$ 47,921	\$ -	\$ 146,137	\$ 867,844
1998	423,722	203,908	78,892	56,515	60,794	-	157,340	981,171
1999	427,326	208,060	70,527	53,289	46,295	-	287,084	1,092,581
2000	483,173	216,654	92,592	69,544	63,538	395,757	208,255	1,529,513
2001	508,374	215,153	98,540	72,961	66,715	493,810	134,469	1,590,022
2002	476,174	215,503	99,126	79,510	69,223	487,536	324,076	1,751,148
2003	402,499	217,984	101,876	86,363	71,258	453,914	285,625	1,619,519
2004	491,423	264,190	109,068	82,089	68,646	424,198	236,991	1,676,605
2005	560,162	311,417	113,037	84,047	67,343	732,331	291,796	2,160,133
2006	617,746	327,339	112,204	80,985	67,580	813,588	317,900	2,337,342
Percent Change 1997 to 2006	62.48%	77.87%	75.08%	78.12%	41.02%		117.54%	169.33%

* Statewide property tax for state support to local education began in fiscal year 2000. Beginning with fiscal year 2005, the statewide property tax began taxing non-residential property at a higher rate than primary residential property.

STATE OF VERMONT
Equalized Municipal and Education Values by Category
Last Nine Calendar Years

Equalized Municipal Values

Calendar Year ended December 31,	Residential	Commercial	Industry	Farming	Other	Less Exemptions	Total Taxed Values	State Direct Tax Rate (per \$1000) of Taxed Value
2005	\$43,321,342,612	\$ 8,114,745,468	\$ 1,322,023,398	\$ 756,685,618	\$ 9,064,990,908	****	\$62,579,788,004	\$0.4530
2004	37,738,248,348	7,493,447,933	1,213,002,239	708,528,577	8,010,930,481	****	55,164,157,578	0.4835
2003	33,724,637,942	6,791,357,366	1,152,989,316	705,618,625	7,524,083,289	64,884,492	49,833,802,046	0.5003
2002	30,748,311,656	6,381,014,817	1,140,128,656	723,463,574	6,702,143,603	76,336,545	45,618,725,761	0.5164
2001	28,334,321,597	6,064,640,971	1,120,578,886	710,098,547	6,609,629,266	85,277,546	42,753,991,721	0.5218
2000	26,731,484,003	5,809,225,646	1,057,968,797	698,720,605	6,157,587,630	37,504,022	40,417,482,659	0.4945
1999	25,669,668,034	5,523,120,767	1,002,932,190	694,386,186	6,090,511,337	72,751,077	38,907,867,437	0.4864
1998	24,756,848,572	5,383,628,941	945,278,684	735,808,168	6,287,025,245	66,210,593	38,042,379,017	0.4989
1997	24,219,801,200	5,341,501,532	910,469,164	780,315,429	6,326,810,053	47,717,827	37,531,179,551	0.4579

Equalized Education Values

Calendar Year ended December 31,	Residential	Commercial	Industry	Farming	Other	Less Exemptions	Total Taxed Values	State Direct Tax Rate (per \$1000) of Taxed Value
2005	\$43,330,304,111	\$ 7,986,254,077	\$ 1,287,720,553	\$ 768,905,433	\$ 8,112,287,606	****	\$61,485,471,780	\$1.3027
2004	37,745,135,554	7,366,642,232	1,179,133,427	716,269,651	7,087,549,936	****	54,094,730,800	1.3400
2003	33,724,637,942	6,792,547,180	1,154,058,756	705,618,625	6,397,312,696	32,492,689	48,741,682,510	1.5281
2002	30,748,311,656	6,382,286,519	1,142,647,713	723,463,574	5,578,621,604	37,058,870	44,538,272,196	1.5393
2001	28,334,305,705	6,065,523,219	1,121,552,860	710,097,463	5,022,822,967	31,305,726	41,222,996,488	1.5092
2000	26,731,519,792	5,810,142,192	1,058,953,536	698,720,605	4,425,853,907	12,567,613	38,712,622,419	1.4713
1999	25,669,668,032	5,523,120,767	1,002,932,190	694,386,185	4,279,980,241	14,470,710	37,155,616,705	1.3799
1998	24,756,848,572	5,383,628,941	945,278,684	735,808,168	4,228,302,511	5,773,186	36,044,093,690	1.3247
1997	24,219,801,200	5,341,501,532	910,469,164	780,315,429	6,326,810,053	47,717,827	37,531,179,551	1.3217

*** Values not listed

Source: Vermont Department of Taxes - Summary of Listed Values and Equalized Municipal Values by Category
 Vermont Department of Taxes - Summary of Listed Values and Equalized Education Values by Category

STATE OF VERMONT
Personal Income and Earnings by Major Industry
for the Calendar Years Ending December 31,
(Expressed in Thousands)

	<u>2006*</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Personal Income	\$ 21,403,000	\$ 20,393,230	\$ 19,563,126	\$ 18,748,830
Total Earnings	16,126,000	15,327,314	14,657,736	13,718,039
Farm Earnings	102,000	207,679	179,743	123,240
Non-Farm Earnings	16,024,000	15,119,635	14,477,993	13,594,799
Private Earnings	13,152,000	12,373,980	11,871,274	11,164,308
Forestry, fishing, related activities	68,000	66,982	66,743	70,725
Mining	49,000	44,168	45,129	45,266
Utilities	223,000	210,276	206,159	184,166
Construction	1,242,000	1,158,988	1,078,627	935,849
Manufacturing	2,516,000	2,378,864	2,314,441	2,244,040
Durable Goods	1,895,000	1,789,847	1,749,163	1,700,565
Nondurable Goods	622,000	589,017	565,278	543,475
Wholesale Trade	650,000	609,539	594,146	579,430
Retail Trade	1,379,000	1,301,565	1,260,102	1,196,786
Transportation and Warehousing	372,000	352,949	342,527	318,321
Information	354,000	335,490	333,102	321,490
Finance and Insurance	733,000	711,860	684,504	670,143
Real Estate and Rental and Leasing	250,000	247,281	232,992	207,682
Professional and Technical Services	1,201,000	1,097,818	1,015,432	934,644
Management of Companies and Enterprises	24,000	23,048	20,932	19,104
Administrative and Waste Services	357,000	331,132	326,994	278,437
Education Services	456,000	445,999	416,565	387,968
Healthcare and Social Assistance	2,040,000	1,874,381	1,762,161	1,650,523
Arts, Entertainment, and Recreation	137,000	127,442	123,313	116,224
Accommodation and Food Services	654,000	623,567	615,459	585,224
Other Services, except public administration	447,000	432,631	431,946	418,286
Government and Government Enterprises	2,873,000	2,745,655	2,606,719	2,430,491
Federal, Civilian	503,000	501,576	490,320	443,730
Military	172,000	170,111	151,413	142,754
State and Local	2,197,000	2,073,968	1,964,986	1,844,007
State	*****	886,970	839,305	786,353
Local	*****	1,186,998	1,125,681	1,057,654

* 2006 data is for estimates 2006 second quarter

***** Data not available at this time

(D) no data reported for this category

Source: U.S. Bureau of Economic Analysis

2002	2001	2000	1999	1998	1997
\$ 18,051,034	\$ 17,741,649	\$ 16,883,009	\$ 15,649,530	\$ 14,787,819	\$ 13,737,871
13,168,932	12,836,041	12,233,555	11,333,031	10,593,782	9,890,286
102,249	144,132	163,349	152,763	136,807	111,286
13,066,683	12,691,909	12,070,206	11,180,268	10,456,975	9,779,000
10,833,222	10,615,549	10,138,954	9,375,880	8,742,236	8,125,982
72,301	81,546	82,464	72,730	68,639	58,527
45,363	56,394	42,171	41,377	36,774	32,803
180,410	173,022	148,896	153,360	153,325	135,757
892,098	873,099	815,398	731,956	648,483	611,423
2,296,120	2,444,748	2,326,913	2,124,210	2,011,817	1,899,301
1,762,594	1,874,462	1,702,701	1,541,312	1,477,835	1,395,468
533,526	570,286	624,212	582,898	533,982	503,833
545,095	513,671	469,019	433,176	411,053	403,048
1,163,703	1,105,382	1,037,447	979,532	915,373	857,683
317,510	303,475	312,272	294,770	281,462	259,655
(D)	308,245	284,388	269,132	260,847	236,963
623,462	599,022	566,660	528,951	486,481	456,232
200,243	187,050	159,588	159,148	125,531	103,938
893,434	893,740	893,421	837,977	752,719	666,299
18,512	19,085	101,539	101,360	110,350	101,247
274,840	271,335	255,315	244,595	232,144	211,687
372,840	345,156	325,002	303,404	275,969	255,721
1,558,098	1,418,212	1,281,660	1,165,802	1,070,869	1,002,702
108,960	104,585	108,359	108,644	96,786	87,406
563,900	535,780	539,090	486,076	462,164	438,565
(D)	382,002	389,352	339,680	341,450	307,025
2,233,461	2,076,360	1,931,252	1,804,388	1,714,739	1,653,018
409,354	377,833	369,785	332,327	325,207	311,269
99,041	79,440	72,931	69,105	64,080	64,247
1,725,066	1,619,087	1,488,536	1,402,956	1,325,452	1,277,502
737,053	693,004	615,363	573,038	540,066	519,518
988,013	926,083	873,173	829,918	785,386	757,984

STATE OF VERMONT
Personal Income Tax Filers and Liability by Income Level
File Year 2005 and 1996

Taxable Year 2005³					
Income Level	Number of filers	Percentage of total	State Taxable Income ¹	State Personal Tax Income (net) ²	Percentage of Total State
\$300,000 and higher	1,926	0.55%	1,428,254,807	\$ 105,017,246	20.68%
\$150,000 - \$299,999	4,319	1.24%	873,359,312	55,942,889	11.02%
\$100,000 - \$149,999	7,467	2.14%	894,462,216	49,576,502	9.76%
\$75,000 - \$99,999	10,982	3.15%	939,557,857	46,676,052	9.19%
\$50,000 - \$74,999	29,557	8.49%	1,794,315,108	76,318,010	15.03%
\$25,000 - \$49,999	62,687	18.01%	2,252,690,357	82,653,504	16.28%
\$10,000 - \$24,999	64,167	18.43%	1,099,513,223	38,063,457	7.50%
\$9,999 and lower	120,083	34.49%	268,331,720	9,269,332	1.83%
Out of State	46,960	13.49%	14,058,736,328	44,184,378	8.70%
totals	348,148	100.00%	\$ 23,609,220,928	\$ 507,701,370	100.00%

Taxable Year 1996					
Income Level	Number of filers	Percentage of total	State Taxable Income ¹	State Personal Tax Income (net) ²	Percentage of Total State
\$300,000 and higher	785	0.26%	717,554,960	\$ 49,771,857	16.31%
\$150,000 - \$299,999	1,974	0.66%	399,745,825	25,890,290	8.48%
\$100,000 - \$149,999	3,064	1.02%	366,203,054	20,756,885	6.80%
\$75,000 - \$99,999	4,658	1.55%	397,950,018	20,751,981	6.80%
\$50,000 - \$74,999	15,221	5.05%	909,065,123	42,628,663	13.97%
\$25,000 - \$49,999	52,399	17.39%	1,850,575,845	71,827,955	23.53%
\$10,000 - \$24,999	66,123	21.95%	1,113,413,734	40,191,622	13.17%
\$9,999 and lower	121,733	40.41%	317,282,106	12,274,474	4.02%
Out of State	35,324	11.72%	3,002,605,093	21,121,575	6.92%
totals	301,281	100.00%	\$ 9,074,395,758	\$ 305,215,302	100.00%

¹ State Taxable Income is the total taxable income reported on line 15 of tax returns for an income class

² State Personal Income tax is net of taxable income adjustments, Vermont credits and other tax credits

³ Taxable Year 2005 information is for returns processed as of December 15, 2006.

Source: Vermont Tax Department

**STATE OF VERMONT
MAJOR TAXES BY TYPE
LAST TEN FISCAL YEARS**
*(expressed in Thousands)
(cash basis of accounting)*

	2006*	2005	2004	2003	2002	2001	2000	1999	1998	1997
Bank Franchise	\$ 10,154	\$ 8,586	\$ 6,504	\$ 6,305	\$ 5,326	\$ 8,822	\$ 8,336	\$ 8,485	\$ 6,822	\$ 3,089
Beverage Tax	5,449	5,303	5,201	5,056	4,993	4,843	4,819	4,715	4,700	4,592
Cigarette Tax	48,931	45,979	49,838	43,393 ^{e1}	24,520	24,574	23,602	23,717	24,796	25,107
Corporate Income Tax	75,809	60,376	55,497	35,286	32,038	50,537	47,094	53,823	50,631	42,225
Electrical Energy Tax	2,600	1,900	2,767	2,577	2,810	3,118	5,928	3,575	3,352	3,258
Estate Tax	26,223	18,863	14,712	15,605	13,885	12,714	13,550	23,358	19,157	18,015
Hazardous Waste Tax	218	325	352	572	427	335	371	337	423	643
Insurance Tax	32,027	30,975	29,106	26,508	23,494	21,445	20,401	20,400	20,055	18,552
Captive Insurance Tax	22,695	21,488	19,911	17,740	11,519	10,695	10,001	10,037	9,356	8,628
Land Gains Tax	6,446	5,727	4,288	2,672	1,916	2,010	1,730	929	750	1,265
Meals and Rooms Tax	111,748	112,956	108,392	102,074	99,142	97,243	92,039	86,900	77,398	64,092
Personal Income Tax	541,561	500,464	429,489	411,609	372,927	482,428 ^{c1}	431,956	382,825	365,959	324,060
Property Transfer Tax	43,682	45,210	33,952	27,537	25,016	21,377	20,935	19,212	15,143	13,692
Railroad Tax	141	104	178	168	218	164	67	79	150	196
Sales and Use Tax	324,358	310,803	270,461	231,292	228,356	228,081	230,377	218,570	202,142	184,004
Solid Waste Tax	3,340	3,319	3,241	3,187	2,733	2,944	2,159	2,208	1,465	1,540 ^{a1}
Telephone company (gross) tax	603	369	258	171	177	1,172	1,207	626	135	53
Telephone Property Tax	7,770	10,150	10,101	9,939	10,206	9,208	9,121	9,127	9,708	9,939
Total	\$ 1,263,755	\$ 1,182,898	\$ 1,044,247	\$ 941,691	\$ 859,702	\$ 981,710	\$ 923,692	\$ 868,922	\$ 812,142	\$ 722,951

a1 Taxes increased to 22 mills per cigarette effective 7/1/95

b1 Rate increased from .000040 to .000086 effective 8/1/97

b2 Increased minimum tax to \$250 (remains \$75 for small farm corporations) and rates to 7%, 8.10%, 9.2% and 9.75% effective 6/26/97

b3 Rate increased from 7% to 9% effective 10/1/97

b4 50% is paid to towns by the State

b5 For 1998 and after, telecommunications tax receipts added to total revenues

b6 Cubic yard option eliminated for all but small landfills effective 7/1/98

c1 Change from percentage of Federal Tax Liability to Vermont Tax rates on Vermont Taxable Income

d1 Tax increased to 46.5 mills per cigarette effective 7/1/02

e1 Tax increased to 59.5 mills per cigarette effective 7/1/03

* Preliminary amounts

Source: Vermont Department of Taxes - Biennial Report

**STATE OF VERMONT
INCOME AND SALES TAX RATES*
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Individual Income Tax (1)	Corporate Income Tax (2)	Retail Sales Tax	Meals & Rooms Tax (3)
2006	3.6% - 9.5%	7.0% - 9.75%	6%	9%
2005	3.6% - 9.5%	7.0% - 9.75%	6%	9%
2004	3.6% - 9.5%	7.0% - 9.75%	6%	9%
2003	3.6% - 9.5%	7.0% - 9.75%	5%	9%
2002	3.6% - 9.5%	7.0% - 9.75%	5%	9%
2001	3.6% - 9.5%	7.0% - 9.75%	5%	9%
2000	24%	7.0% - 9.75%	5%	9%
1999	25%	7.0% - 9.75%	5%	9%
1998	25%	7.0% - 9.75%	5%	9%
1997	25%	7.0% - 9.75%	5%	9%

*** Source: Vermont Department of Taxes**

- (1) From 1993 to 2000, the tax rate presented above was applied to an individual's federal tax liability with some adjustments. Beginning in 2001, the individual rate range presented above is applied to a calculated Vermont taxable income instead of being applied to the federal tax liability. This methodology change was enacted to maintain the State's effective tax rate that was in effect prior to the recently enacted federal tax cuts.
- (2) Corporate Tax Rate is Graduated - Only the Upper and Lower Rates are shown - Minimum Corporate Tax amount = \$250.00.
- (3) Beginning June 1989, Alcoholic Beverages are taxed at 10% rate.

STATE OF VERMONT
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES

Fiscal Year	Total Principal and Interest Paid	Total General Fund Expenditures	Percent of Debt Service to General Fund Expenditures
2006	\$ 62,701,531	\$ 734,586,807	8.5%
2005	62,608,601	666,132,904	9.4%
2004	66,077,580	554,195,102	11.9%
2003	67,902,550	588,984,890	11.5%
2002	63,899,370	650,765,001	9.8%
2001	68,376,276	554,819,262	12.3%
2000	68,617,331	531,022,437	12.9%
1999	66,056,281	483,978,505	13.6%
1998	66,073,612	674,868,655	9.8%
1997	64,049,337	632,767,461	10.1%

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
TRANSPORTATION BONDED DEBT TO TOTAL TRANSPORTATION FUND EXPENDITURES

Fiscal Year	Total Principal and Interest Paid	Total Transportation Fund Expenditures	Percent of Debt Service to Transportation Fund Expenditures
2006	\$ 2,146,285	\$ 367,819,812	0.6%
2005	2,356,087	357,883,162	0.7%
2004	2,407,287	337,095,329	0.7%
2003	2,820,399	337,098,500	0.8%
2002	2,910,054	370,338,943	0.8%
2001	3,131,320	345,005,330	0.9%
2000	3,789,207	318,156,255	1.2%
1999	3,844,747	273,670,237	1.4%
1998	3,903,053	257,410,313	1.5%
1997	4,422,889	227,054,831	1.9%

The figures shown above are actual cash paid out, which are different than the GAAP based figures reported on the financial statements.

STATE OF VERMONT
Ratios of Outstanding Debt by Type
Last Ten Years

Fiscal Year	Expressed in Thousands										Percentage of Personal Income	Per Capita In \$
	General Obligation Current Interest Bonds	General Obligation Capital Appreciation Bonds (1)	Total General Obligation Bonds	Capital Leases	Net Pension Obligation	Total Primary Government						
2006	\$425,060	\$36,214	\$461,274	\$741	\$204,875	666,890					3.12%	N/A
2005	422,212	41,178	463,390	694	172,921	637,005					3.12%	985
2004	423,287	45,836	469,123	-	151,521	620,645					3.17%	999
2003	422,755	51,030	473,785	-	133,318	607,103					3.24%	981
2002	430,735	55,730	486,465	-	126,027	612,492					3.39%	993
2001	420,890	59,553	480,443	-	125,124	605,567					3.41%	988
2000	464,865	62,434	527,299	-	124,353	651,653					N/A	1,068
1999	473,355	64,436	537,791	1,943	123,541	663,276					N/A	1,117
1998	488,005	60,128	548,133	3,028	121,747	672,909					N/A	1,139
1997	456,290	61,996	518,286	30,281	113,700	662,268					N/A	1,124

(1) Net of Unaccrued Interest
N/A - Not Available

**State of Vermont
Ratios of Outstanding Debt By Property Tax and Per Capita
Last Ten Years**

Fiscal Year	General Obligation		General Obligation		Total	Equalized Municipal		Percentage of		Bonded Debt Per Capita
	Current Interest Bonds	Capital Appreciation Bonds (1)	Capital Appreciation Bonds (1)	Total		Total Taxed Property Values	Actual Taxable Value of Property	Value of Property	Per Capita	
2006	425,060,000	\$36,213,818	\$36,213,818	\$461,273,818	*****	*****	*****	*****	*****	*****
2005	422,212,000	41,178,739	41,178,739	463,390,739	62,579,788,004	0.74%			744	
2004	423,287,000	45,836,782	45,836,782	469,123,782	55,164,157,578	0.85%			755	
2003	422,755,000	51,030,874	51,030,874	473,785,874	49,833,802,046	0.95%			765	
2002	430,735,000	55,730,090	55,730,090	486,465,090	45,618,725,761	1.07%			789	
2001	420,890,000	59,553,358	59,553,358	480,443,358	41,222,996,488	1.17%			784	
2000	464,865,000	62,434,605	62,434,605	527,299,605	N/A	N/A			865	
1999	473,355,000	64,436,160	64,436,160	537,791,160	N/A	N/A			889	
1998	488,005,000	60,128,694	60,128,694	548,133,694	N/A	N/A			913	
1997	456,290,000	61,996,581	61,996,581	518,286,581	N/A	N/A			868	

Note: Details regarding the State's outstanding debt can be found in the notes to the financial statements
(1) Net of Unaccreted Interest
N/A - Not Applicable
***** - Not Available

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Vermont

**State of Vermont
Largest Employers**

<u>Employer (alphabetically)</u>	<u>December 2005</u>	<u>March 1997*</u>
Albertsons, Inc.	1000+	
C&S Wholesales Grocers		N/A
Chittenden Trust Company	1000+	
Department of Homeland Security	1000+	
Ethan Allen, Inc.		N/A
Fletcher Allen Health Care Inc	1000+	N/A
General Electric Co	1000+	N/A
Grand Union Stores		N/A
International Business Machines Corp	1000+	N/A
Killington LTD	1000+	N/A
Martin's Food of South Burlington	1000+	N/A
Okemo Limited Liability Co	1000+	
Pres & Fellows of Middlebury College	1000+	N/A
Price Chopper Operations Co of VT	1000+	N/A
Rutland Hospital Inc	1000+	
State of Vermont	1000+	
The Stratton Corporation	1000+	
U.S. 1st & 2nd Class Post Offices	1000+	
University of Vermont & State Agr College	1000+	
Vermont State Colleges	1000+	

* March 1997 information does not include the State of Vermont or the University of Vermont.

N/A Number of Employee information for March 1997 is not available.

Source: Department of Labor

STATE OF VERMONT
Demographic and Economic Statistics
Last Ten Years

	Population				Per Capita Personal Income ²		
	U.S. ¹	Change from Prior Period	State of Vermont	Change from Prior Period	U.S.	State of Vermont	Vermont as a percentage of U.S.
2006	298,217,000	0.61%	*****	*****	*****	*****	*****
2005	296,410,000	0.94%	623,000	1.43%	34,495	32,731	94.89%
2004	293,657,000	0.97%	621,000	0.32%	33,090	31,491	95.17%
2003	290,850,000	0.99%	619,000	0.32%	31,463	30,284	96.25%
2002	287,985,000	1.01%	616,000	0.65%	30,810	29,291	95.07%
2001	285,108,000	1.03%	613,000	0.49%	30,574	28,951	94.69%
2000	282,193,000	1.13%	610,000	2.69%	29,845	27,680	92.75%
1999	279,040,000	1.15%	605,000	0.51%	27,939	25,881	92.63%
1998	275,854,000	1.18%	600,000	0.34%	26,883	24,629	91.62%
1997	272,647,000	1.20%	597,000	0.51%	25,334	23,002	90.79%

¹ as of July 1

² Per Capita Personal Income is total personal income divided by total mid year population (Bureau of Economic Analysis: Regional Economic Accounts)

³ Civilian Labor Force is not seasonally adjusted (Vermont Department of Labor, Labor Market Information)

⁴ Includes All Motor vehicles private, commercial and public as well as motorcycles

***** - Not Available at time of printing

Source: U.S. Department of Commerce - Bureau of Economic Analysis

Civilian Labor Force ₃

State Employed	State Unemployed	State Total	State Unemployment Rate	Public School Enrollment	Motor Vehicle Registered ₄
357,450	11,050	368,500	3.0%	96,636	530,172
343,500	12,400	355,900	3.5%	98,361	551,516
339,900	13,100	353,000	3.7%	99,104	542,403
335,800	15,700	351,500	4.5%	99,978	563,673
333,700	14,000	347,700	4.0%	100,867	557,979
330,100	11,100	341,200	3.3%	102,049	557,979
326,700	9,100	335,800	2.7%	104,559	536,623
325,600	9,800	335,400	2.9%	105,120	535,278
321,600	10,300	331,900	3.1%	105,984	512,837
315,800	13,000	328,800	4.0%	106,341	514,572

STATE OF VERMONT
Operating Indicators by Function
Last Three Years

Function	2006	2005	2004
General Government			
Sq ft of State owned facilities (source: BGS)	3,377,476	3,035,161	3,118,618
State Pension Plan Membership (source: Treasurer's Office)	24,933	24,637	24,027
# of State Employees (source: Dept of Human Resources)	8,161	7,940	7,936
Protection to Persons & Property (source: Department of Public Safety)			
# of State Agency Law Enforcement Officers	N/A	405	393
# of Sherrifs Department Law Enforcement Officers	N/A	133	117
Human Services (source: Agency of Human Services)			
Total Corrections Population	12,303	13,528	13,824
% Kindergartners Fully Immunized	N/A	92.8	97.9
Bed nights in Homeless Shelters	N/A	101,647	100,028
Employment & Training (source: Department of Labor & Industry)			
Total Unemployment Compensation Payments	N/A	295,674	309,121
General Education (source: Department of Education)			
Current Expenditure per Student (Statewide Average)	N/A	11,759	11,113
Total Local Education Agencies	N/A	351	349
Natural Resources (source: Agency of Natural Resources except where indicated)			
Gallons of Maple Syrup Production (source: Vermontmaple.org)	N/A	410,000	500,000
# of Owners Enrolled in Use Value Appraisal	N/A	10,835	10,386
# of Moose Permit Applications	N/A	13,091	13,382
Commerce & Community Development			
# of new Employer Business (source: sba.gov)	N/A	1,911	2,322
Median Purchase Price of New Home (source: housingawareness.org)	N/A	182,000	165,000
# of Skier Visits (source: skivermont.com)	4.1 Million	4.4 Million	4.2 Million
Transportation (source: Agency of Transportation)			
Total Plowing Hours	N/A	339,987	182,690
Structurally Deficient Bridges	N/A	193	187
Paving Projects Mileage	N/A	154*	117

N/A - Information not available at time of printing

* Proposed

STATE OF VERMONT
Full-Time Equivalent State Government Employees by Function/Program
Last Ten Years

<u>Function/Program</u>	<u>2006⁴</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
General Government										
Administration	4	4	3	11	12	12	12	9	10	7
Auditors of Accounts	11	11	12	12	12	10	11	13	12	11
Buildings & General Services	424	396	399	419	422	390	370	351	298	292
Finance & Management	39	36	38	32	35	30	32	27	29	30
Executive (Governor's) Office	17	17	17	16	19	18	18	19	19	18
Information & Innovation ¹	50	49	51	-	-	-	-	-	-	-
Libraries	34	34	34	34	33	34	37	35	35	38
Lieutenant Governor	2	2	2	2	2	2	2	2	2	2
Dept. of Human Resources (Personnel)	57	56	56	54	56	52	51	53	50	52
State Treasurer	37	34	33	29	30	29	30	27	26	25
Taxes	183	184	183	179	189	185	182	172	169	156
Vermont Labor Relations Board	2	2	2	2	2	2	2	2	2	2
VOSHA Review Board	1	1	1	1	1	1	1	1	1	1
Protection to Persons & Property										
Agriculture, Food & Markets	95	89	87	81	85	84	85	84	82	81
Attorney General	72	68	67	62	69	57	62	45	47	42
BISHCA	105	99	93	89	84	83	87	81	81	77
Criminal Justice Training Council	10	11	8	6	7	8	8	7	6	7
Defender General	61	62	60	55	56	55	56	52	51	50
Labor & Industry ^{2, 3}	n/a	43	85	82	82	77	79	77	75	72
Liquor Control	56	54	55	54	56	55	53	50	50	49
Military	118	109	111	104	112	101	101	103	103	102
Public Safety ³	602	568	511	480	491	490	462	460	427	407
Public Service Dept.	49	47	51	51	51	50	51	47	49	45
Public Service Board	27	25	25	24	23	24	23	24	23	22
Secretary of State	51	48	50	46	43	47	48	43	45	49
State's Attorneys & Sheriffs	154	153	154	145	148	150	145	137	136	132
Vermont Human Rights Commission	5	5	5	5	5	5	5	5	4	4
Vermont Lottery Commission	19	19	19	19	19	20	19	19	19	20
VT Fire Service Training Council ²	n/a	n/a	7	8	8	7	7	5	4	3
Human Services										
Children & Families ²	941	932	n/a							
PATH ²	n/a	n/a	414	406	422	415	396	383	384	382
Office of Child Care ²	n/a	n/a	124	119	119	117	118	100	95	98
Social & Rehabilitation Services ²	n/a	n/a	400	377	398	384	380	346	347	350
Vt Office of Health Access ²	65	43	n/a							
Aging & Disability ²	275	268	216	201	196	186	177	156	146	145
Corrections	1,146	1,129	1,101	947	967	942	923	840	812	795
Economic Opportunity ²	n/a	n/a	6	8	8	9	9	8	9	9
Health ²	749	715	496	483	472	465	441	393	392	382
Developmental & MH Services ²	n/a	n/a	96	102	104	102	98	91	90	92
Vermont State Hospital ²	n/a	n/a	178	173	152	152	150	155	166	180
Human Services ²	89	59	54	52	61	57	64	62	62	51
Governor's Commission on Women	3	3	3	3	3	3	4	4	3	3
Vermont Veteran's Home (discrete component unit)	190	188	195	192	193	166	171	175	183	201
Employment & Training										
Department of Labor ³	281	250	290	315	324	325	351	341	328	321
General Education										
Department of Education	196	182	181	174	185	170	143	117	114	110
Natural Resources										
Environmental Board	30	29	31	30	32	32	28	29	31	29
Environmental Conservation	286	273	264	256	257	265	259	244	240	232
Fish & Wildlife	119	121	118	117	116	117	120	119	120	117
Forests, Parks & Recreation	113	111	119	115	118	120	118	118	116	117
Natural Resources	58	52	48	48	36	37	41	39	37	26
Water Resources Board	-	3	4	4	4	4	4	4	4	4
Commerce & Community Development										
Agency of Commerce & Community Development	93	101	95	92	98	100	95	94	134	127
Transportation										
Agency of Transportation	1,242	1,255	1,287	1,261	1,241	1,229	1,189	1,175	1,177	1,159
Total	8,161	7,940	7,936	7,573	7,658	7,475	7,318	6,943	6,845	6,726

¹ New department formed from consolidating GOVNet program (previously in Administration) and Communication & Information Technology program (previously in Buildings & General Services).

² In 2005 the Agency of Human Services reorganized with some department consolidations and other new departments established. Also in 2005 the Vermont Fire Service Train and portions of the Department of Labor and Industry were merged into the Department of Public Safety.

³ In 2006 portions of the Department of Labor and Industry merged with the Department of Employment & Training and the new consolidated department was named the Department of Labor.

⁴ Preliminary Data

STATE OF VERMONT
Capital Asset Statistics by Function
Last Three Years

Function	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Government			
Dept of Buildings & General Services - land holdings (acres)	2,915.90	2,851.12	2,981.68
Dept of Buildings & General Services - State owned space (square feet)	3,377,476	3,035,161	3,118,618
Protection to Persons & Property			
# of state police vehicles	413	383	376
# of armory locations	20	20	20
# of agriculture research stations	25	23	20
Human Services			
Dept of Health - # of lab instruments (analyzer, module, counters, meters etc.)	85	71	N/A
Dept of Children & Families - # of vans	23	23	23
Department of Corrections - # of vehicles	11	11	85*
Employment & Training			
Department of Labor - # of capitalized computer assets	29	27	27
General Education			
Dept of Education - # of capitalized computer assets	16	12	10
Natural Resources			
# of dams	94	93	88
Agency of Natural Resources - # of vehicles	204	309	345
Agency of Natural Resources - # of buildings	423	410	405
Commerce & Community Development			
# of historic sites	16	17	17
# of covered bridges	7	6	6
# of underwater preserves	100+	100+	100+
Transportation			
# of bridges over 20 feet	1077	1,077	1,072
State highway miles	N/A	2,708	2,704
Agency of Transportation - buildings (square feet)	1,250,673	1,233,099	1,226,781

* During FY05 most vehicles were transferred to the new Fleet Program