VERMONT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ending JUNE 30, 2014

Cover photograph of the Vermont State Capital building taken by Clyde Montgomery

STATE OF VERMONT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ending JUNE 30, 2014

Peter Shumlin
Governor

Prepared by the Department of Finance and Management

STATE OF VERMONT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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State of Vermont *Agency of Administration*
Department of Finance & Management
109 State Street, Pavilion Building [phone] 802-828-2376
Montpelier, VT 05620-0401 [fax] 802-828-2428

LETTER OF TRANSMITTAL

To the Honorable Peter Shumlin, Governor,
The Honorable Phil Scott, 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 ended June 30, 2014. The Department of Finance and Management prepared this report as required by Title 32, Vermont Statutes Annotated, Section 182(a)(8). By issuing this report by December 31, 2014, the Department has met the State statutorily required issuance date. The Department prepared these financial statements and assumes responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the Department has established a comprehensive internal control framework that is designed to protect the State's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of this report in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Because the cost of internal controls should not outweigh their benefits, Vermont's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free of material misstatement. I believe that the accompanying financial statements are accurate and fairly stated in all material respects, and presented in a manner designed to fairly report the State of Vermont's financial position, results of operations and changes in net position/ fund balances.

I would like to direct your attention toward two important items contained in this CAFR. The first item is the Management Discussion and Analysis (MD&A) that follows the Independent Auditors' Report. 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. Secondly, I would like to direct your attention to the Basic Financial Statements (BFS) which follow the MD&A. The BFS were prepared in conformity with GAAP as prescribed by the GASB. The BFS 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.

In addition to the MD&A and BFS, this CAFR includes a Required Supplementary Information (RSI) section, an Other Supplementary Information section, and a Statistical section. The RSI section contains a Schedule of Funding Progress for the State's defined benefit pension and other postemployment benefits plans, and Budget to Actual comparison schedules for the State's major governmental funds with Notes reconciling budgetary fund balance to the governmental funds GAAP fund balance. The Other Supplementary Information section contains combining fund financial statements for the State's Non-major Governmental, Proprietary,

and Fiduciary Funds, and for the State's Non-major Component Units. The Statistical section presents data relating to financial trends, revenue and debt capacity, and demographic and operating information about the State of Vermont. It should be noted that the information contained in the MD&A, RSI and Statistical sections is unaudited.

This CAFR includes the funds and entities for which the State is accountable based on GASB's criteria for defining the financial reporting entity. The criteria include fiscal dependence, financial accountability and legal standing. Please refer to Note I, for more information regarding the reporting entity and the component units.

State Profile

Vermont, known as the Green Mountain State, was first settled by the French in 1666, then by the English in 1690, and joined the Union as the fourteenth State in 1791. Rural in character, the state measures 9,249 square miles of land area, and, as of July 1, 2013, had an estimated population of 626,630. The State capital is Montpelier, and the largest city is Burlington. As of calendar year 2012, 94.4% of Vermonters aged 25 or older are at least high school graduates (ranked number 2 in the country) while 37.1% have at least a college bachelor's degree (ranked number 6 in the country).

The State Constitution provides for three traditional branches of Government – the Legislative, the Executive, and the Judicial. The Legislative branch is comprised of the House of Representatives (150 members) and the Senate (30 members); all are elected for two-year terms. The Executive branch includes six elected officers – the Governor, Lieutenant Governor, Treasurer, Secretary of State, Auditor of Accounts, and the Attorney General – all elected for two year terms, without term limitations. The Governor is responsible for the faithful execution of all laws and the management of the departments and agencies of the Executive Branch – including the agencies of Administration; Transportation; Natural Resources; Commerce and Community Development; Agriculture, Food and Markets; and Human Services, as well as other departments – through which the functions of the State government are carried out. The Judicial branch of the State is made up of a Supreme and Superior Courts, and the Judicial Bureau. The judges are appointed by the Governor with the advice and consent of the Senate, and serve six-year terms.

Budget Adoption and Legal Compliance/Budgetary Results

The Required Supplementary Information section includes Budget to Actual comparison schedules for the General Fund and the five major special revenue funds. The State's budgeting process is described in the Notes to the Budget to Actual comparison schedules. These schedules present 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 fund within appropriation.

The General Fund

The General Fund 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 2014, General Fund tax revenues accounted for 97.5% of total General Fund revenues. The three principal tax revenue contributors – the personal income tax, the General Fund's portion of the sales and use tax, and the meals and room tax – accounted for 80.1% of General Fund total tax revenues or approximately 78.1% of total General Fund revenues. General Fund expenditures used 64.1% of the

total revenues, and these expenditures occurred in the following major governmental functional categories: General Government, Protection to Persons and Property, Human Services, Labor, General Education, Natural Resources, and Commerce and Community Development. The majority of the remainder of the resources provided from the 2014 General Fund revenues were transferred out to other funds and used for various purposes. Please see Note IV.D. for a summary of these transfers.

Economic Condition

The consensus revenue forecast for fiscal year 2014 was revised twice during the fiscal year as the economic and revenue environment began to stabilize. During fiscal year 2014, the Vermont economy continued a slow and sometimes uneven recovery with the modest upgrade in the consensus revenue forecast in July 2013, followed by an additional upgrade in January for the balance of fiscal year 2014. Actual year end revenue collections in the General Fund fell short of the final revised consensus forecast target, but exceeded the initial forecast target.

The consensus economic forecast for the Vermont economy reflects the difficulties experienced nation-wide. The first quarter of 2014 experienced a significant decline in U.S. GDP, the worst quarterly performance in five years. This data conflicts with other indicators, including a strengthening job market performance, positive trends in disposable income, improving consumer confidence, continued low inflation and interest rate, and the performance of global equity markets. Additionally, the first half of calendar 2014 shows that the period marked the first time in 21 years that global stock markets, commodity markets, and bond markets all ticked upward.

In Vermont, the State's continued low unemployment rate continues to track as the lowest in the New England region and among the lowest in the U.S. as a whole. The job change numbers of the last three years indicate that progress toward a labor market recovery is still being made in the Vermont economy. Nevertheless, data indicate that the Vermont economy, like its U.S. counterpart, also experienced slower forward momentum during the first half of calendar year 2014. Although the economy seems to posess the underlying fundamentals to move on to higher performance, it does not mean that the economy is not without its uncertainties, including the orderly unwinding of the federal reserve policy of Quantitative Easing; fiscal policy uncertainties in Washington; the on-going plight of the long-term unemployed and underemployed; the still under-performing housing market; and the still fragile level of household and business confidence.

With these factors in mind, the most recent consensus revenue forecast has moved back to a more downside orientation than the forecast issued in January 2014. For fiscal year 2014, data show that two of the State's major tax components (personal income tax and sales and use tax) underperformed, while the other two components (meals and rooms tax and corporate income tax) tracked ahead of their respective targets. As a result, forecasts for General Fund revenues for fiscal year 2015 were revised downward by $28.8 million (or 2.1%) from the January 2014 forecast due to softening personal income tax and sales and use tax receipts; forecasts for the Transportation Fund were reduced by $2.4 million (or 0.9%) due to sluggish gas tax receipts due to weaker than anticipated gasoline prices; and forecasts for the Education Fund were reduced by $2.5 million (or 1.4%) due to softer consumption tax trends and the flat outlook for Lottery profits that are used to partially fund education.

Long-term Financial Planning

As part of the State's long term financial planning, the Legislature created a Capital Debt Affordability Advisory Committee who is required to present to the Governor and General Assembly, no later than September 30 of each year, a recommendation as to the maximum amount of net tax-supported debt that

the State may prudently issue for the ensuing fiscal year and which complies with the State's triple-A debt rating guidelines. The recommendation is calculated and presented in accordance with certain debt affordability guidelines and other matters that may be relevant to the proposed debt to be authorized.

At its September 2014 meeting, the Committee issued an interim report that delayed its formal recommendations pending the receipt of the November 2014 consensus economic forecast, and in December, 2014, made a recommendation of net tax-supported debt not to exceed $144 million for the 2016-2017 fiscal year biennium. This, coupled with a $11.4 million premium in the State's recent bond sale that is being used to fund capital projects, provides a total capacity of $155.4 million.

Independent Audit of These Financial Statements

KPMG LLP, an independent certified public accounting firm, performed an independent audit of the State's basic financial statements for the fiscal year ended June 30, 2014, with the assistance of the State Auditor's Office. The auditors have issued an unqualified opinion, the most favorable outcome of the audit process. The audit described in the auditors' 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.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Vermont for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the sixth year that Vermont has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report involved the dedicated work of staff in the Department of Finance and Management, the Office of the State Treasurer, the Office of the Auditor of Accounts, 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 18, 2014

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

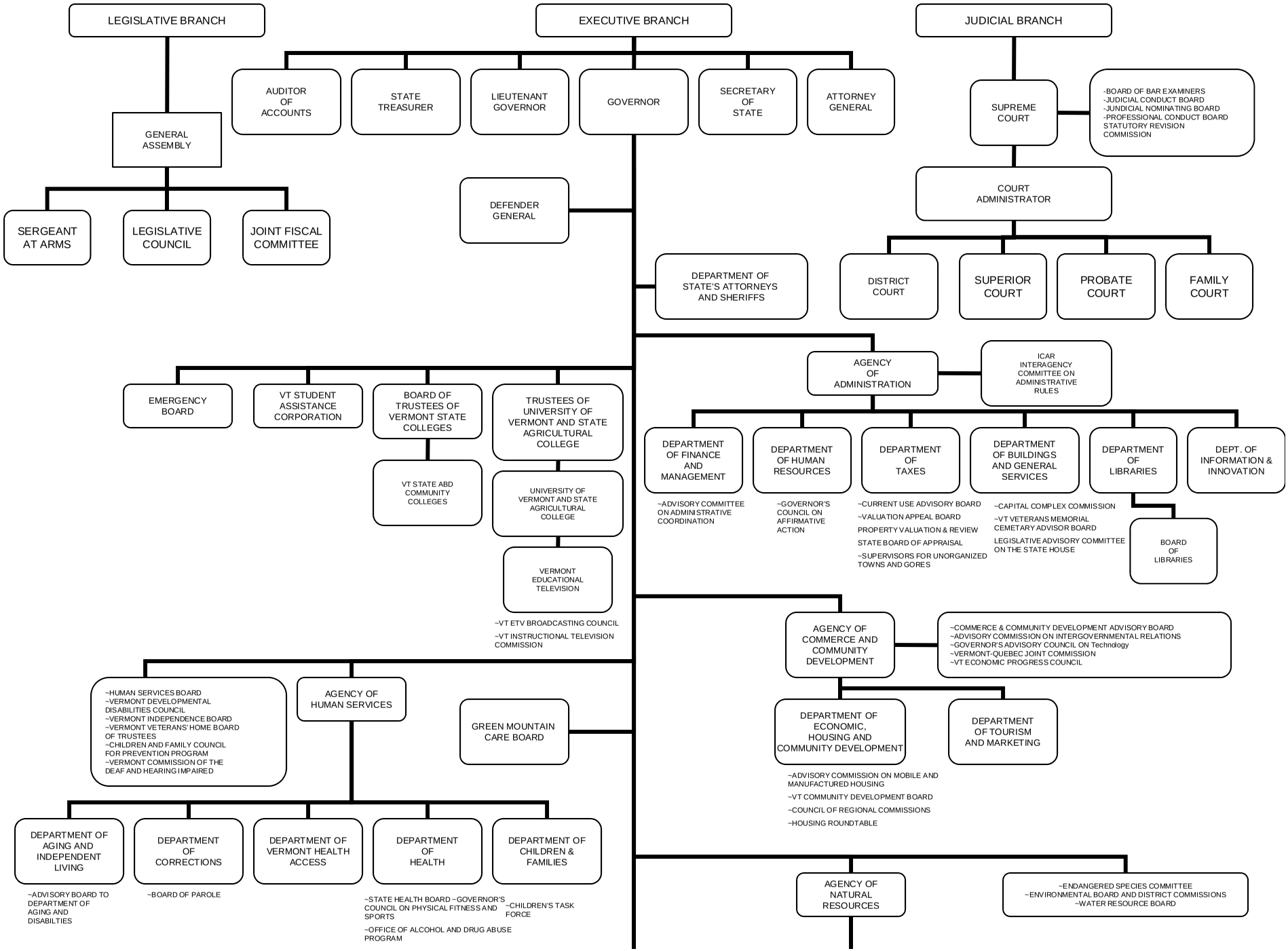
Presented to

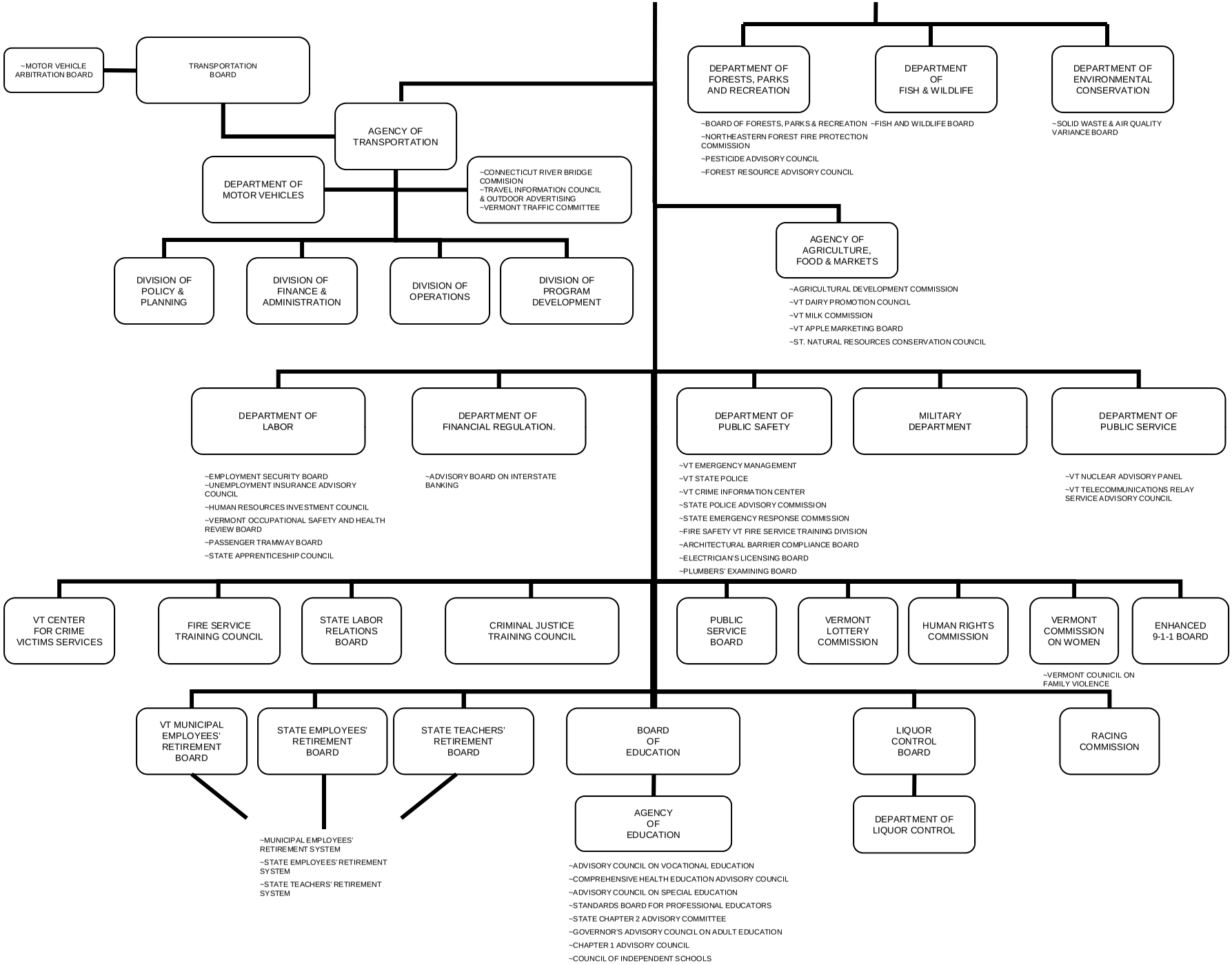
State of Vermont

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO


LEGISLATIVE BRANCH
GENERAL ASSEMBLY
SERGEANT AT ARMS
LEGISLATIVE COUNCIL
JOINT FISCAL COMMITTEE
EXECUTIVE BRANCH
AUDITOR OF ACCOUNTS
STATE TREASURER
LIEUTENANT GOVERNOR
GOVERNOR
SECRETARY OF STATE
ATTORNEY GENERAL
DEFENDER GENERAL
DEPARTMENT OF STATE'S ATTORNEYS AND SHERIFFS
EMERGENCY BOARD
VT STUDENT ASSISTANCE CORPORATION
BOARD OF TRUSTEES OF VERMONT STATE COLLEGES
VT STATE ABD COMMUNITY COLLEGES
TRUSTEES OF UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE
VERMONT EDUCATIONAL TELEVISION
~VT ETV BROADCASTING COUNCIL
~VT INSTRUCTIONAL TELEVISION COMMISSION
~HUMAN SERVICES BOARD
~VERMONT DEVELOPMENTAL DISABILITIES COUNCIL
~VERMONT INDEPENDENCE BOARD
~VERMONT VETERANS' HOME BOARD OF TRUSTEES
~CHILDREN AND FAMILY COUNCIL FOR PREVENTION PROGRAM
~VERMONT COMMISSION OF THE DEAF AND HEARING IMPAIRED
AGENCY OF HUMAN SERVICES
GREEN MOUNTAIN CARE BOARD
DEPARTMENT OF AGING AND INDEPENDENT LIVING
~ADVISORY BOARD TO DEPARTMENT OF AGING AND DISABILTIES
DEPARTMENT OF CORRECTIONS
~BOARD OF PAROLE
DEPARTMENT OF VERMONT HEALTH ACCESS
DEPARTMENT OF HEALTH
~STATE HEALTH BOARD ~GOVERNOR'S COUNCIL ON PHYSICAL FITNESS AND SPORTS
~OFFICE OF ALCOHOL AND DRUG ABUSE PROGRAM
DEPARTMENT OF CHILDREN & FAMILIES
~CHILDREN'S TASK FORCE
JUDICIAL BRANCH
SUPREME COURT
-BOARD OF BAR EXAMINERS
-JUDICIAL CONDUCT BOARD
-JUNDICIAL NOMINATING BOARD
-PROFESSIONAL CONDUCT BOARD
STATUTORY REVISION COMMISSION
COURT ADMINISTRATOR
DISTRICT COURT
SUPERIOR COURT
PROBATE COURT
FAMILY COURT
AGENCY OF ADMINISTRATION
ICAR INTERAGENCY COMMITTEE ON ADMINISTRATIVE RULES
DEPARTMENT OF FINANCE AND MANAGEMENT
~ADVISORY COMMITTEE ON ADMINISTRATIVE COORDINATION
DEPARTMENT OF HUMAN RESOURCES
~GOVERNOR'S COUNCIL ON AFFIRMATIVE ACTION
DEPARTMENT OF TAXES
~CURRENT USE ADVISORY BOARD
~VALUATION APPEAL BOARD
PROPERTY VALUATION & REVIEW
STATE BOARD OF APPRAISAL
~SUPERVISORS FOR UNORGANIZED TOWNS AND GORES
DEPARTMENT OF BUILDINGS AND GENERAL SERVICES
~CAPITAL COMPLEX COMMISSION
~VT VETERANS MEMORIAL CEMETARY ADVISOR BOARD
LEGISLATIVE ADVISORY COMMITTEE ON THE STATE HOUSE
DEPARTMENT OF LIBRARIES
BOARD OF LIBRARIES
DEPT. OF INFORMATION & INNOVATION
AGENCY OF COMMERCE AND COMMUNITY DEVELOPMENT
~COMMERCE & COMMUNITY DEVELOPMENT ADVISORY BOARD
~ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
~GOVERNOR'S ADVISORY COUNCIL ON Technology
~VERMONT-QUEBEC JOINT COMMISSION
~VT ECONOMIC PROGRESS COUNCIL
DEPARTMENT OF ECONOMIC, HOUSING AND COMMUNITY DEVELOPMENT
~ADVISORY COMMISSION ON MOBILE AND MANUFACTURED HOUSING
~VT COMMUNITY DEVELOPMENT BOARD
~COUNCIL OF REGIONAL COMMISSIONS
~HOUSING ROUNDTABLE
DEPARTMENT OF TOURISM AND MARKETING
AGENCY OF NATURAL RESOURCES
~ENDANGERED SPECIES COMMITTEE
~ENVIRONMENTAL BOARD AND DISTRICT COMMISSIONS
~WATER RESOURCE BOARD


~MOTOR VEHICLE ARBITRATION BOARD
TRANSPORTATION BOARD
AGENCY OF TRANSPORTATION
DEPARTMENT OF MOTOR VEHICLES
~CONNECTICUT RIVER BRIDGE COMMISION
~TRAVEL INFORMATION COUNCIL & OUTDOOR ADVERTISING
~VERMONT TRAFFIC COMMITTEE
DIVISION OF POLICY & PLANNING
DIVISION OF FINANCE & ADMINISTRATION
DIVISION OF OPERATIONS
DIVISION OF PROGRAM DEVELOPMENT
DEPARTMENT OF FORESTS, PARKS AND RECREATION
~BOARD OF FORESTS, PARKS & RECREATION
~NORTHEASTERN FOREST FIRE PROTECTION COMMISSION
~PESTICIDE ADVISORY COUNCIL
~FOREST RESOURCE ADVISORY COUNCIL
DEPARTMENT OF FISH & WILDLIFE
~FISH AND WILDLIFE BOARD
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
~SOLID WASTE & AIR QUALITY VARIANCE BOARD
AGENCY OF AGRICULTURE, FOOD & MARKETS
~AGRICULTURAL DEVELOPMENT COMMISSION
~VT DAIRY PROMOTION COUNCIL
~VT MILK COMMISSION
~VT APPLE MARKETING BOARD
~ST. NATURAL RESOURCES CONSERVATION COUNCIL
DEPARTMENT OF LABOR
~EMPLOYMENT SECURITY BOARD
~UNEMPLOYMENT INSURANCE ADVISORY COUNCIL
~HUMAN RESOURCES INVESTMENT COUNCIL
~VERMONT OCCUPATIONAL SAFETY AND HEALTH REVIEW BOARD
~PASSENGER TRAMWAY BOARD
~STATE APPRENTICESHIP COUNCIL
DEPARTMENT OF FINANCIAL REGULATION.
~ADVISORY BOARD ON INTERSTATE BANKING
DEPARTMENT OF PUBLIC SAFETY
~VT EMERGENCY MANAGEMENT
~VT STATE POLICE
~VT CRIME INFORMATION CENTER
~STATE POLICE ADVISORY COMMISSION
~STATE EMERGENCY RESPONSE COMMISSION
~FIRE SAFETY VT FIRE SERVICE TRAINING DIVISION
~ARCHITECTURAL BARRIER COMPLIANCE BOARD
~ELECTRICIAN'S LICENSING BOARD
~PLUMBERS' EXAMINING BOARD
MILITARY DEPARTMENT
DEPARTMENT OF PUBLIC SERVICE
~VT NUCLEAR ADVISORY PANEL
~VT TELECOMMUNICATIONS RELAY SERVICE ADVISORY COUNCIL
VT CENTER FOR CRIME VICTIMS SERVICES
FIRE SERVICE TRAINING COUNCIL
STATE LABOR RELATIONS BOARD
CRIMINAL JUSTICE TRAINING COUNCIL
PUBLIC SERVICE BOARD
VERMONT LOTTERY COMMISSION
HUMAN RIGHTS COMMISSION
VERMONT COMMISSION ON WOMEN
~VERMONT COUNICIL ON FAMILY VIOLENCE
ENHANCED 9-1-1 BOARD
VT MUNICIPAL EMPLOYEES' RETIREMENT BOARD
STATE EMPLOYEES' RETIREMENT BOARD
STATE TEACHERS' RETIREMENT BOARD
~MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
~STATE EMPLOYEES' RETIREMENT SYSTEM
~STATE TEACHERS' RETIREMENT SYSTEM
BOARD OF EDUCATION
AGENCY OF EDUCATION
~ADVISORY COUNCIL ON VOCATIONAL EDUCATION
~COMPREHENSIVE HEALTH EDUCATION ADVISORY COUNCIL
~ADVISORY COUNCIL ON SPECIAL EDUCATION
~STANDARDS BOARD FOR PROFESSIONAL EDUCATORS
~STATE CHAPTER 2 ADVISORY COMMITTEE
~GOVERNOR'S ADVISORY COUNCIL ON ADULT EDUCATION
~CHAPTER 1 ADVISORY COUNCIL
~COUNCIL OF INDEPENDENT SCHOOLS
LIQUOR CONTROL BOARD
DEPARTMENT OF LIQUOR CONTROL
RACING COMMISSION

SELECTED STATE OFFICIALS
As of June 30, 2014

EXECUTIVE

Peter Shumlin
Governor

Phil Scott
Lieutenant Governor

James C. Condos
Secretary of State

William H. Sorrell
Attorney General

Douglas R. Hoffer
Auditor of Accounts

Elizabeth Pearce
State Treasurer

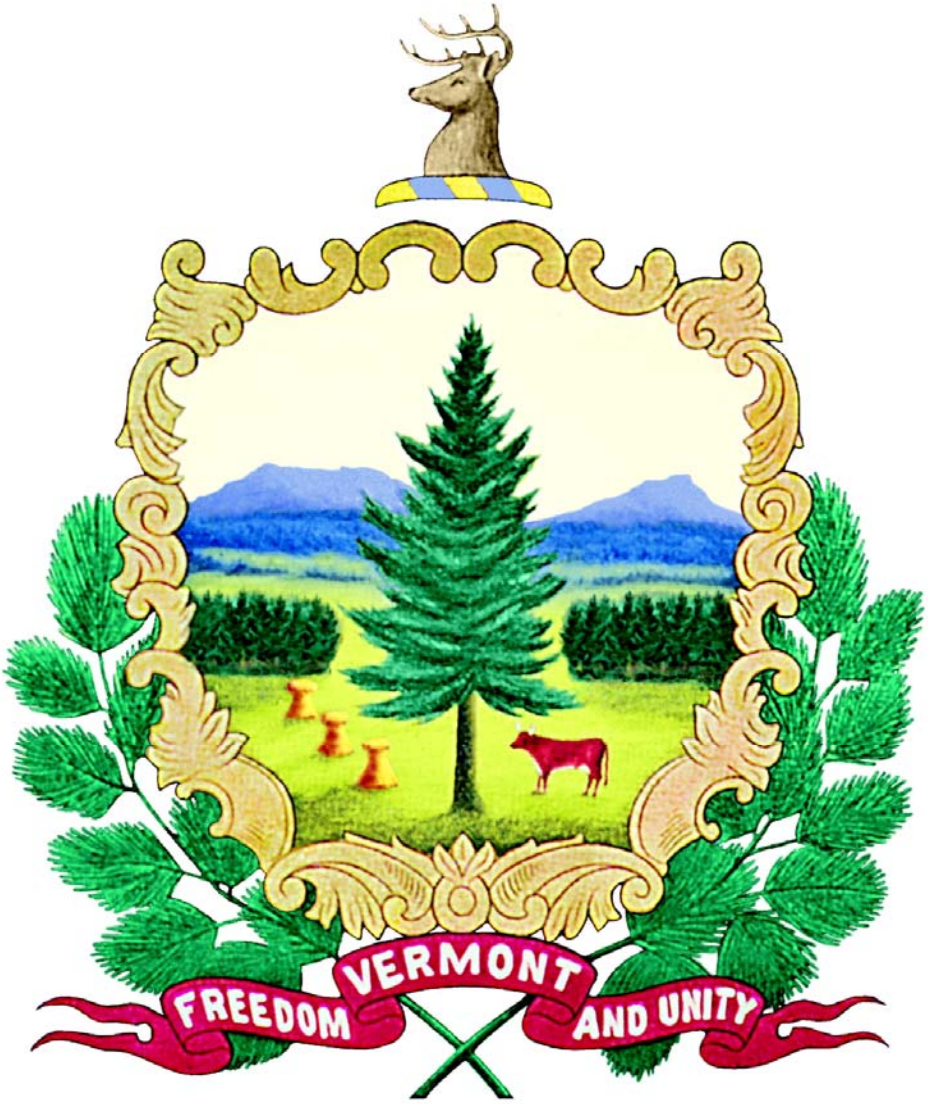
JUDICIAL

Paul L. Reiber
Chief Justice

LEGISLATIVE

John F. Campbell
President Pro Tempore of the State Senate
(30 Senators)

Shap Smith
Speaker of the House of Representatives
(150 Representatives)



FINANCIAL SECTION

KPMG LLP
Suite 400
356 Mountain View Drive
Colchester, VT 05446

Independent Auditors' Report

The Speaker of the House of Representatives,
President Pro-Tempore of the Senate
And the Governor of the State of Vermont:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain discretely presented component units identified in Note IA. We also did not audit the financial statements of the Vermont Lottery Commission, the Special Environmental Revolving Fund, the Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund, or the Tri-State Lotto Commission. The discretely presented component units identified in Note IA represent 95% of the total assets and 99% of the total revenues of the aggregate discretely presented component units. The Vermont Lottery Commission represents 100% of the total assets and total revenues of the Vermont Lottery Commission Fund and 5% of the total assets and 32% of the total revenues of the business-type activities. The Special Environmental Revolving Fund represents 65% of the total assets and 5% of the total revenues of the Federal Revenue Fund. The Vermont Energy Efficiency Utility Fund and the Vermont Universal Service Fund collectively represent 15% of the total assets and 10% of the total revenues of the Special Fund and collectively represent 10% of the total assets and 2% of the total revenues of the governmental activities. The Tri-State Lotto Commission represents 100% of the information disclosed in Note VE. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the discretely presented component units, the Vermont Lottery Commission, the Special Environmental Revolving Fund, the Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund, and the Tri-State Lotto Commission are based solely 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 from material misstatement.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

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

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

Opinions

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, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As disclosed in Note VF to the financial statements, during the year, the State adopted the provisions of Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans* and the Vermont State Colleges and the Vermont Municipal Bond Bank, discretely presented component units, adopted the provisions of GASB No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, the schedules of funding progress, employer contributions, net pension liability, investment returns and methods and assumptions for the defined pension plans and other postemployment benefit plans, and the budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The Introduction, Other Supplementary Information-Combining and Individual Fund Statements and Schedules and the Statistical Section 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 Other Supplementary Information-Combining and Individual Fund Statements and Schedules is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the Other Supplementary Information-Combining and Individual Fund Statements and Schedules is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introduction and Statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

KPMG LLP

Colchester, Vermont
December 18, 2014

INTRODUCTION

We are pleased to present this analysis and discussion of Vermont's financial performance for the fiscal year ending June 30, 2014. This Management Discussion & Analysis (MD&A) section is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to assist the reader in focusing on significant financial matters, provide an easily readable overview of the State's financial activities, identify any material changes from the original budget, and highlight financial matters that occurred during fiscal year 2014. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

Government-wide

- Vermont reported net position of $1.891 billion, comprised of $3.892 billion in total assets and $6.9 million in deferred outflows offset by $2.008 billion in total liabilities at June 30, 2014 (Table 2). Of this net position amount, $2,012 million represents the net investment in capital assets, $728.7 million is restricted for various purposes, and $849.4 million represents deficit unrestricted net position. The reasons for the negative unrestricted net position are discussed in the Government-wide Financial Analysis below.

- The primary government's net position has increased by $168.4 million as a result of this year's operations. The net position for governmental activities increased $104.5 million and net position for business activities increased by $63.9 million (Table 3). The increase in net position for business activities was primarily due to improvements in the financial position of the Unemployment Compensation Trust Fund.

Fund level

- The State's governmental funds reported a combined ending fund balance of $907.7 million, a decrease of $26.6 million or 2.8 percent below last year. Of this ending fund balance $100.0 million is in nonspendable form, $570.0 million is restricted for specific purposes, and $237.7 million is available for spending at the State's discretion (committed, assigned, and unassigned fund balance). The decrease in ending fund balance is primarily attributable to decreases in fund balances of the General Fund ($34.1 million) and Capital Projects Funds ($43.8 million), offset by increase in fund balances of the Special Fund ($13.9 million) and Federal Funds ($21.4 million).

- The State's enterprise funds reported a combined net position of $157.7 million or an increase of $64.2 million over last year.

- The State's General Fund reported an operating deficit this year of $34.1 million which decreased the accumulated fund balance to $125.1 million, of which $92.6 million is nonspendable.

Capital assets

- The carrying amount of capital assets for the primary government increased to $2,297.5 million, an increase of $286.0 million over last year. The increase is primarily in infrastructure assets and machinery and equipment.

Long-term debt

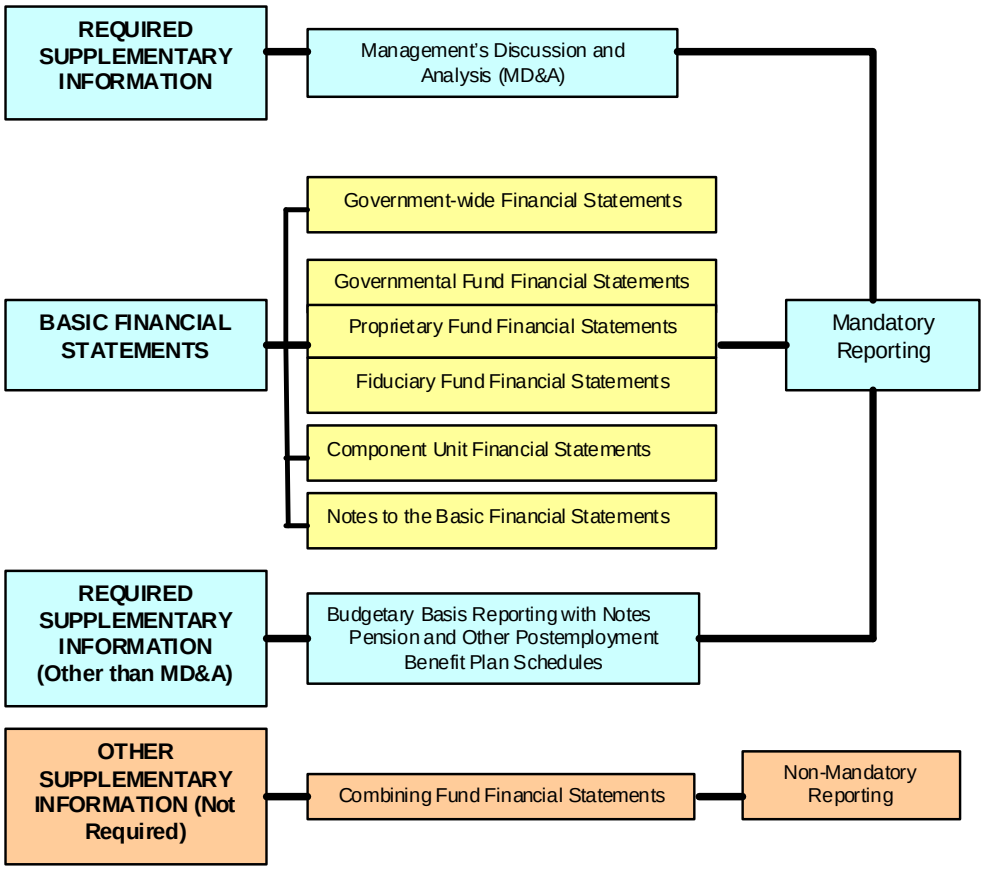
- The State's debt outstanding for general and special obligation Bonds increased $23.3 million as compared to fiscal year 2013. The State issued $86.7 million in general obligation bonds and $11.2 million in special obligation transportation infrastructure bonds. Also, the State retired $53.8 million in general obligation bonds, and $1.4 million in special obligation transportation infrastructure bonds.

More information regarding the government-wide financial statements, fund level financial statements, capital asset activity and long-term debt activity can be found beginning on page 40.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The layout of the financial section and the relationship of the financial statements and supplementary information is presented in the following diagram. Notice the relationships between the various elements of the CAFR, such as "mandatory versus non-mandatory" reporting, or "required versus not required" supplementary information. This diagram is designed to illustrate how the various elements of the state's financial activity fit together in this CAFR.



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.

Table 1 summarizes the major features of the basic financial statements with further explanations below:

Table 1 - Major Features of the State's Government-wide and Fund Financial Statements				
	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as Human Services and Transportation	Activities the State operates similar to private businesses, such as the Liquor Control Fund and Vermont Lottery Commission	Instances in which the State is the trustee or agent for someone else's resources, such as the retirement plans for public employees
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expense, and Changes in Fund Net Position Statement of Cash Flows	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, and both short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and both short-term and long-term	All assets and liabilities, both financial and capital, and both short-term and long-term
Type of inflow / outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

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 the accounting principles used by most 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 Position* presents a snapshot of both the primary government's and its component units' assets and liabilities and deferred outflows and deferred inflows, as of the date of this report, with the difference between the assets and deferred outflows, and liabilities and deferred inflows reported as "net position". Over time, increases or decreases in the primary government's net position 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 position included on the Statement of Net Position. 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 three categories: governmental activities, business-type activities, and discretely presented component unit activities. 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.

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 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. The governmental 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 primary government has the ability to impose its will on the entity, receive a benefit from activities of the entity, or could receive a financial burden due to the activities of the entity. The State's discretely presented component units are presented in the aggregate in the government-wide statements. This aggregate total consists of four major and nine non-major component units. This categorization is determined by the entity's relative significance to the State. 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 I to the financial statements.

Blended Component Units – The State has no blended component units.

Included with the basic financial statements are two schedules (pages 48 and 52) that reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with governmental activities (accrual basis of accounting) on the government-wide statements. The following summarizes some of the differences in modified accrual and accrual accounting:

- Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund statements.
- Certain revenues that are earned, but not available, are reported as revenues of governmental activities, but are reported as unavailable revenue on the governmental fund statements.
- Unless currently due and payable, long-term liabilities, such as capital lease obligations, compensated absences, net pension and other postemployment benefit obligations, and bonds and notes payable appear as liabilities in the government-wide statements but are not reported in the governmental fund statements.
- Internal service funds are reported primarily as governmental activities, but reported as proprietary funds in the fund financial statements.
- Capital outlay spending results in recording capital assets on the government-wide statements, but is reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements. Payments of bond and note principal results in a reduction in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Certain other outflows represent either increases or decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Net position balances are allocated as *net investment in capital assets* (capital assets, net of accumulated depreciation, and reduced by outstanding balances for bonds and notes attributable to those assets) *restricted net position* (those with constraints placed on their use by external sources of imposed by law through constitutional provision or enabling legislation) and *unrestricted net position* (the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not meet any of the above restrictions).

The notes to the basic financial statements provide additional information that is integral to understanding the data provided in the government-wide and fund 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. For governmental activities, the governmental funds financial statements indicate how these services are financed in the short-term as opposed to the government-wide statements, which present a long-term view of the State's finances.

In accordance with GASB Statement No. 34, the focus of governmental fund financial statements has shifted from fund types to reporting on the most significant funds of the State, or major funds. Accordingly, 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 Other Supplementary Information section present detailed non-major fund activity. Fiduciary funds are reported by fiduciary type (pension and other postemployment benefit trusts, investment trusts, private purpose trusts and agency funds) with combining schedules or statements for the individual pension, other postemployment benefit, and agency funds presented in the Other Supplementary Information section.

The three categories of funds are Governmental Funds, Proprietary Funds, and Fiduciary Funds. It is important to note that these fund categories use different accounting methods and should be interpreted differently as described below. Following is a brief overview of these three major categories of funds.

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 twenty 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, two debt service 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 Other Supplementary Information section of this report.

Fund balance (the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources) is classified as nonspendable, restricted and unrestricted (commited, assigned or unassigned).

The State budgets and controls its financial activities on the cash basis of accounting. In compliance with State law, the State records its financial transactions in either of two major categories – the General Fund or various special revenue funds. References to these funds in this report include the terms "budgetary" or "budgetary basis" to differentiate them from the GAAP funds of the same name which encompass different funding categories. The State adopts an annual appropriated budget for its budgetary general fund and each special revenue fund. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with the approved budgets. These schedules can be found as part of the required 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 Position;* a *Statement of Revenues, Expenses and Changes in Net Position*; 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 and at the fund level. 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 nine 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 six 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. These funds provide communication and information technology, facilities and property management, fleet management, printing, risk management and insurance services. The internal service fund activities are allocated proportionately between the governmental activities (predominately) and the business-type activities in the government-wide statements based on the benefit of the services provided to these activities. The reconciliation between the government-wide financial statements for business-type activities and the proprietary fund statements is presented at the end of the proprietary fund financial statements.

The State reports twenty-three internal service funds, which are reported in one consolidated column entitled "Governmental Activities – Total Internal Service Funds" on the Proprietary Funds Statement of Net Position; Statement of Revenues, Expenses, and Changes In Net Position; 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 Other Supplementary Information section of this report.

Fiduciary Funds
The fiduciary funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. Fiduciary funds are excluded from the government-wide financial statements because the State cannot use these assets to finance its operations. The fiduciary funds use the accrual basis of accounting.

The State's fiduciary funds are divided into the following four basic categories: Pension and Other Postemployment Benefit Trust Funds (includes three separate defined benefit pension plans, three separate defined contribution pension plans, one defined benefit other postemployment benefit plan, and one defined contribution other postemployment benefit plan); an Investment Trust Fund (which reports only the external portion of the Vermont Pension Investment Committee investment pool); a Private Purpose Trust Fund (which reports only the Unclaimed Property Fund); and Agency Funds (nine 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 Position;* and a *Statement of Changes in Fiduciary Net Position*.

The fiduciary funds financial statements can be found immediately following the proprietary funds financial statements. Individual pension and other postemployment benefit trust funds, and agency funds

financial statements are reported in the Other Supplementary Information section of this report.

3) Discretely Presented Component Units' Financial Statements
As mentioned previously, the State has included the net position and activities of four major component units in individual columns and nine 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 Other Supplementary Information section 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. They are an integral part of the financial statements and focus on the primary government and its activities. The notes also explain some of the information contained in the financial statements and present in more detail than is practical in the financial statements.

The notes include a summary of significant accounting policies; additional information regarding the reconciliation of government-wide and fund financial statements; discussions on stewardship, compliance and accountability; detail notes on all activities and funds; and other information. 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:

- The Schedule of Changes in Net Pension Liability and Related Ratios and a Schedule of Investment Returns for the three defined benefit pension trust funds and the Schedule of Actuarially Determined Employer Contributions (including methods and assumptions used to calculate actuarially determined contributions) for the past ten years are included in the required supplementary information section. Also, this section includes the Schedule of Funding Progress and the Schedule of Employer Contributions for the other postemployment benefit plans.

- Schedules for the General Fund and 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 III. A. 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, as well as additional information regarding the budgetary process.

Other 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 section. 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 and other postemployment benefit trust funds, and agency funds)
- Non-major component units

Statistical Section
A statistical section containing information regarding financial trends, revenue capacity, and debt capacity, as well as operating, economic and demographic information is presented immediately following the combining financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The following primary government condensed financial statement information is derived from the State's June 30, 2014 and 2013 government-wide Statement of Net Position. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

TABLE 2
State of Vermont's Net Position
(In Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
ASSETS						
Current assets	$ 1,037.1	$ 1,009.2	$ 178.7	$ 165.3	$ 1,215.8	$ 1,174.5
Other assets	375.5	450.4	3.2	3.5	378.7	453.9
Capital assets	2,296.5	2,010.8	1.0	0.7	2,297.5	2,011.5
Total assets	3,709.1	3,470.4	182.9	169.5	3,892.0	3,639.9
DEFERRED OUTFLOWS						
Total deferred outflows	6.9	7.4	-	-	6.9	7.4
LIABILITIES						
Long-term liabilities	1,461.8	1,374.0	1.2	1.4	1,463.0	1,375.4
Other liabilities	520.6	474.7	24.3	74.6	544.9	549.3
Total liabilities	1,982.4	1,848.7	25.5	76.0	2,007.9	1,924.7
NET POSITION						
Net Investment in capital assets	2,010.7	1,781.9	1.0	0.7	2,011.7	1,782.6
Restricted	579.4	605.6	149.3	86.0	728.7	691.6
Unrestricted (deficit)	(856.5)	(758.4)	7.1	6.8	(849.4)	(751.6)
Total net position	$ 1,733.6	$ 1,629.1	$ 157.4	$ 93.5	$ 1,891.0	$ 1,722.6

Totals may not add due to rounding.

The State's combined net position (governmental and business-type activities) totals $1.891 billion at the end of 2014, as shown in Table 2. Approximately $2.012 billion of the combined net position represents 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 net investment in capital assets represents resources used to provide services to citizens, and therefore is 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. Capital assets increased by $286 million primarily due to increases in infrastructure assets and machinery and equipment.

An additional portion of the primary government's net position (38.5 percent) represents resources that are subject to external restrictions on how they may be used. This increase of $37.1 million is primarily a result of additional amounts that are restricted for unemployment compensation ($63.3 million), with reductions in amounts that are restricted for general government ($23.5 million) and human services ($20.5 million).

Internally imposed designations of resources are not presented as restricted net position. The remaining balance of unrestricted net position is a deficit of $849.4 million. The governmental activities' negative unrestricted net position balance is mainly the result of three actions: 1) long-term debt issued by the State for municipal, non-profit or component unit capital purposes, $209.1 million outstanding at June 30, 2014, that does not result in a governmental activities' capital asset, 2) the amount of net position that is restricted for various purposes, and 3) the net Pension and OPEB liabilities (See Note IV. G. 4.).

Current assets increased by $41.3 million due to increase in investments ($43.1 million). Long term liabilities increased by $87.6 million primarily due to an increase in other post-employment obligations payable.

At the end of fiscal year 2014, the State reported positive total net position balances in its governmental activities, its business-type activities, and its discretely presented component units.

Changes in Net Position

The following primary government condensed financial statement information is derived from the State's June 30, 2014 and 2013 government-wide Statement of Changes in Net Position. Although the government-wide statements include discretely presented component unit activity, the component unit activity has not been included in these condensed statements.

TABLE 3
State of Vermont's Changes in Net Position
(In Millions)

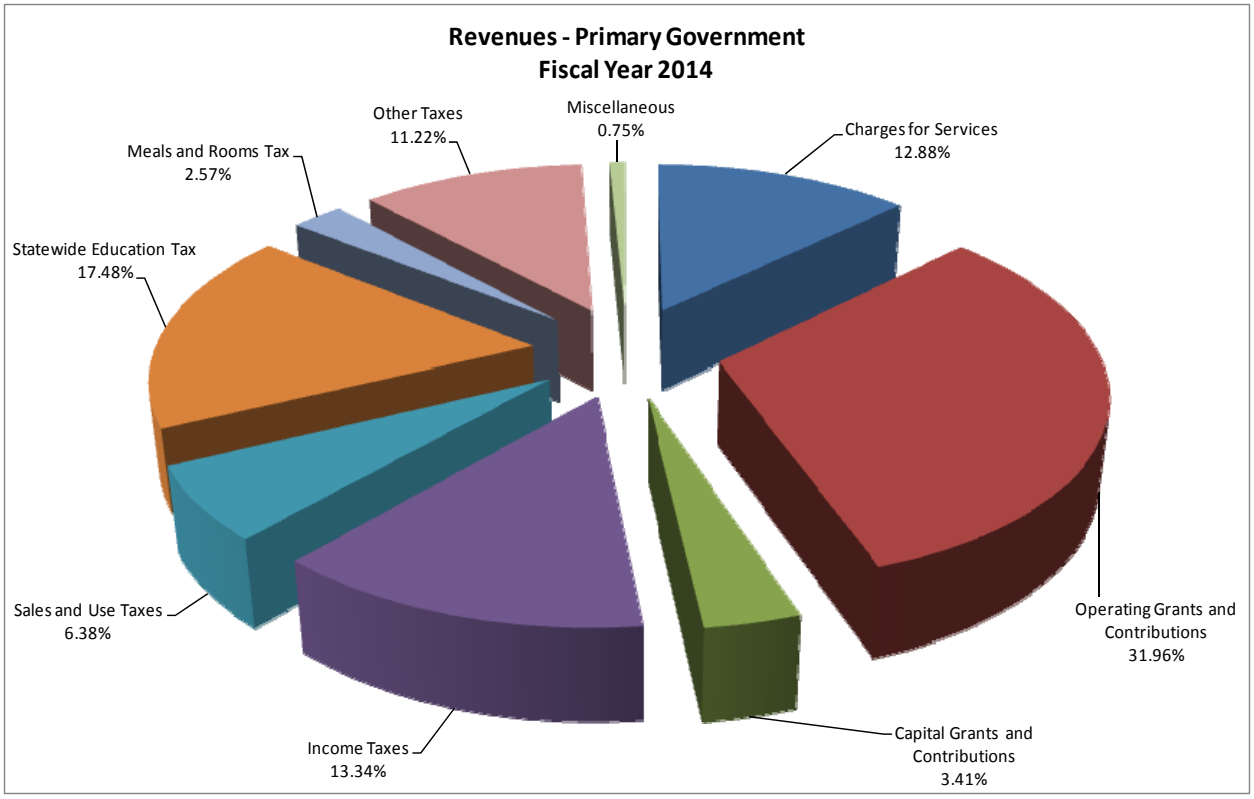
	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	407.7	432.3	310.3	311.8	718.0	744.1
Operating grants and contributions	1,775.5	1,739.2	5.9	19.7	1,781.4	1,758.9
Capital grants and contributions	190.1	152.9	-	-	190.1	152.9
General revenues						
Income taxes	743.8	760.3	-	-	743.8	760.3
Sales and use taxes	355.6	348.1	-	-	355.6	348.1
Statewide education tax						
Gross tax assessed	1,117.2	1,072.4	-	-	1,117.2	1,072.4
Income sensitivity adjustment	(142.7)	(139.4)	-	-	(142.7)	(139.4)
Meals and rooms tax	143.5	136.6	-	-	143.5	136.6
Other taxes	625.3	556.7	-	-	625.3	556.7
Miscellaneous	39.7	40.4	2.1	0.5	41.8	40.9
Total revenues	5,255.7	5,099.5	318.3	332.0	5,574.0	5,431.5
Expenses						
General government	139.9	176.5	-	-	139.9	176.5
Protection to persons and property	344.3	348.1	-	-	344.3	348.1
Human services	2,271.2	2,210.9	-	-	2,271.2	2,210.9
Labor	30.6	34.8	-	-	30.6	34.8
General educaton	1,803.0	1,735.8	-	-	1,803.0	1,735.8
Natural resources	105.6	94.6	-	-	105.6	94.6
Commerce and community development	44.0	33.8	-	-	44.0	33.8
Transportation	425.6	479.4	-	-	425.6	479.4
Interest on long-term debt	11.3	21.0	-	-	11.3	21.0
Unemployment compensation	-	-	87.8	109.2	87.8	109.2
Lottery commission	-	-	79.9	79.2	79.9	79.2
Liquor control	-	-	55.2	52.1	55.2	52.1
Other business type expenses	-	-	7.2	6.2	7.2	6.2
Total expenses	5,175.5	5,134.9	230.1	246.7	5,405.6	5,381.6
Increase (decrease) in net position before transfers	80.2	(35.4)	88.2	85.3	168.4	49.9
Transfers net in (out)	24.3	24.0	(24.3)	(24.0)	-	-
Change in net position	104.5	(11.4)	63.9	61.3	168.4	49.9
Net position, beginning of year	1,629.1	1,640.5	93.5	32.2	1,722.6	1,672.7
Net position, end of year	$ 1,733.6	$ 1,629.1	$ 157.4	$ 93.5	$ 1,891.0	$ 1,722.6

Totals may not add due to rounding.

Governmental type activities had an overall increase in net position of $104.5 million, or 6.4%, resulting from an operating profit of $80.2 million and by transfers in from business-type activities of $24.3 million, primarily from the Vermont Lottery Commission ($22.6 million) to support education. Revenues were improved from 2013, with increases in both operating and capital grants and other taxes, and decreases in income taxes and charges for services, while expenditures increased by only a small amount.

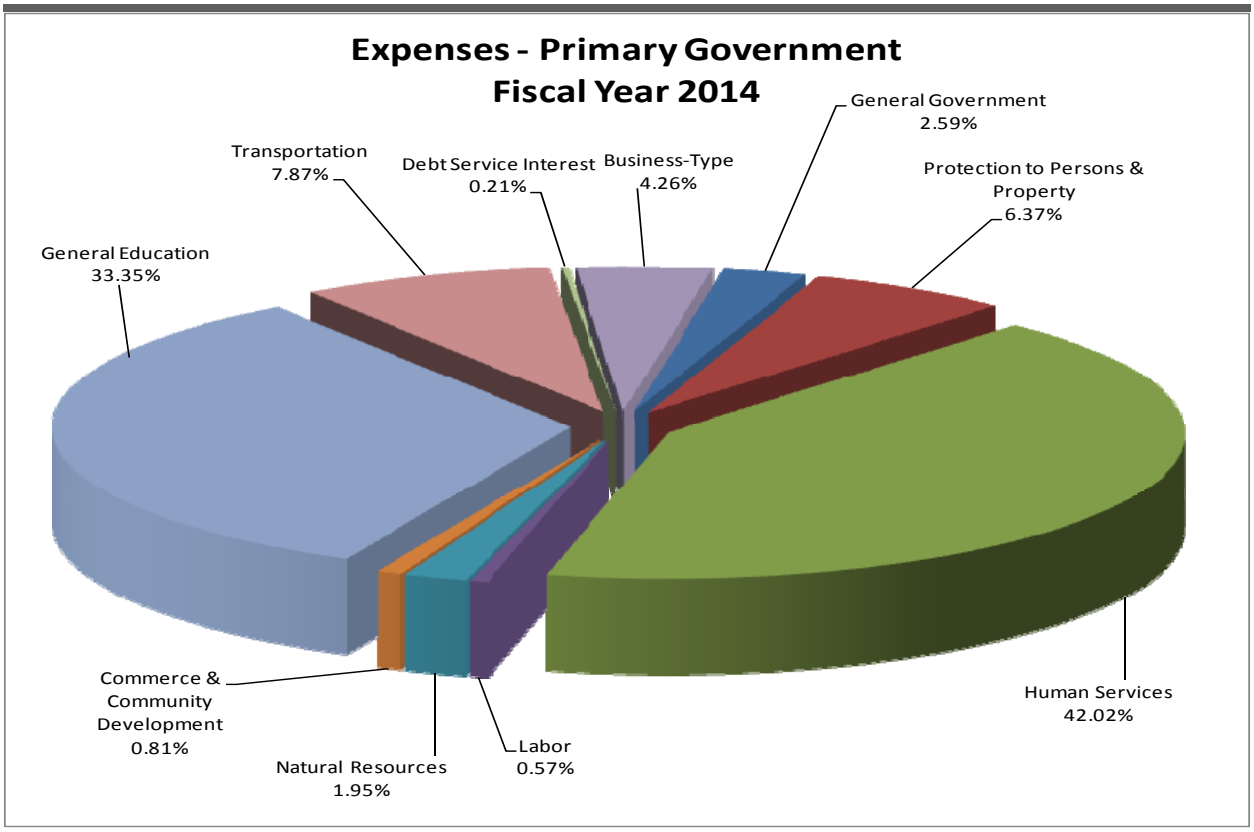
Business-type activities had an overall increase in net position of $63.9 million or 68.3%, resulting from an operating profit of $88.2 million and by transfers out of $24.3 million to governmental activities, primarily from the Lottery ($22.6 million) to support education. Revenues decreased from 2013, primarily due to a decrease in operating grants ($13.8 million), while expenses decreased by $16.6 million, primarily due to a decrease in unemployment compensation benefit payments ($21.4 million).

The following graph illustrates the revenues of Vermont's primary government for fiscal year 2014. Approximately 35.37 percent comes from other entities and governments in the form of operating and capital grants and contributions (primarily federal grant revenues). An additional 30.82 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 for fiscal year 2014. The largest category of expense is for human services (42.02 percent of total expense) which provides for Vermont's low-income, elderly care services and persons in state custody in the form of grants for selected services such as food stamps, health care, housing and child protective services. The second most significant category of expense is for general education (33.35 percent of total expenses) which provides for Vermont's support to secondary and higher education.

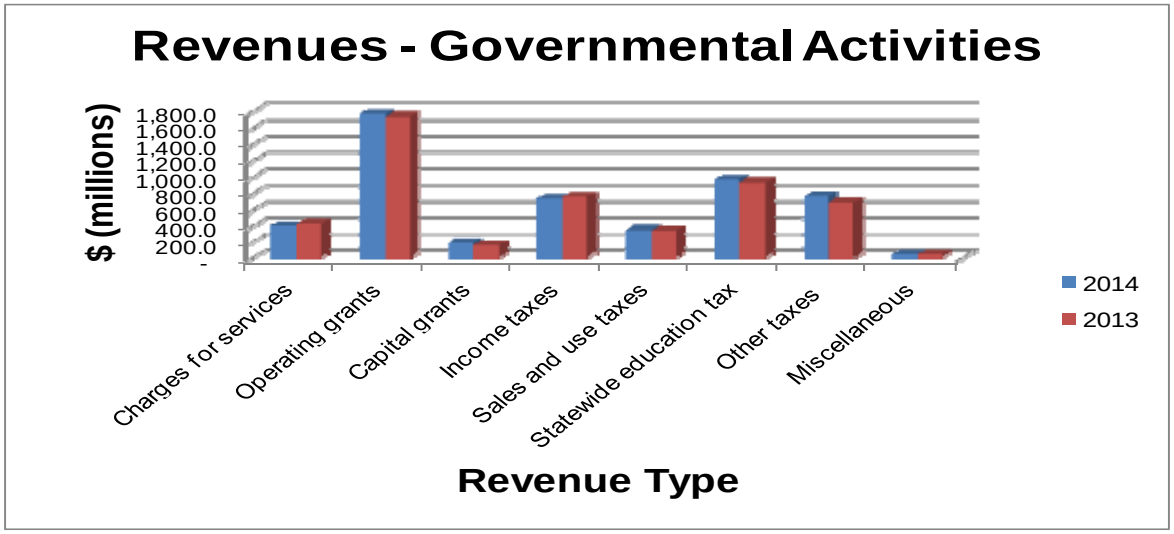


Percentages may not equal 100% due to rounding.

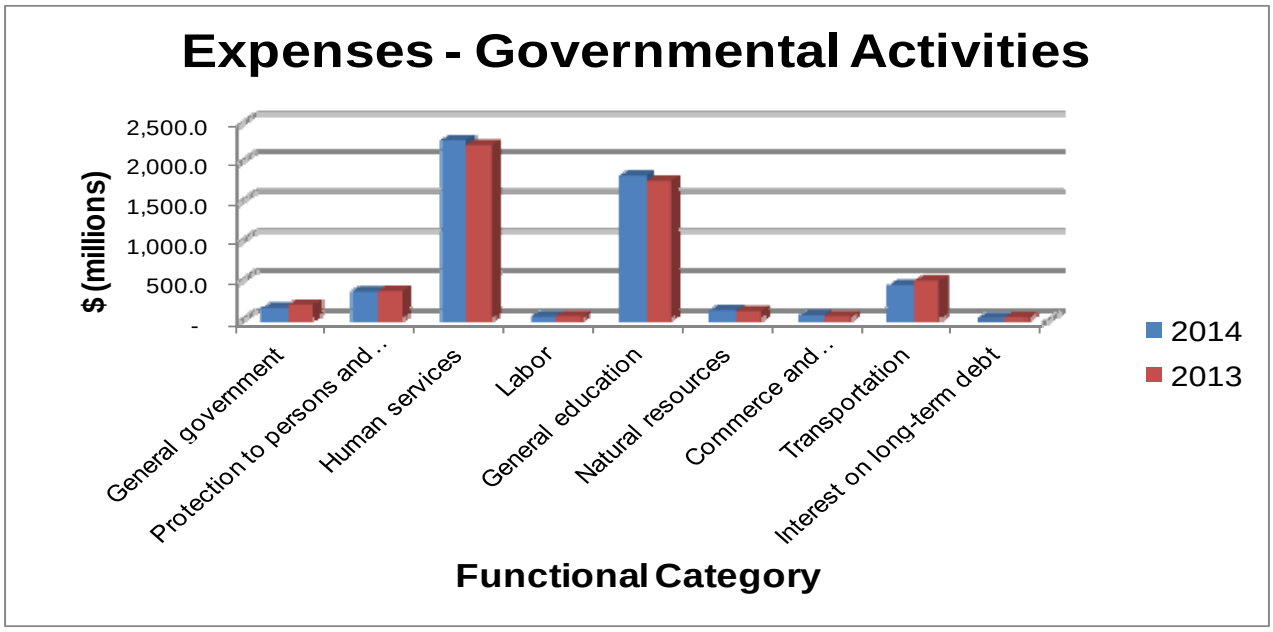
Governmental Activities

In 2014, governmental activities' revenues exceeded expenses by $80.2 million and received transfers of $24.3 million from business activities, resulting in a $104.5 million (or 6.4 percent) increase in net position. Revenues increased by $156.2 million, primarily due to an increase in operating grants and contributions ($73.5 million) while expenses increased by $40.6 million. Spending increased for human services ($60.3 million) and general education ($67.2 million) while spending decreased for general government ($36.6 million) and transportation ($53.8 million).

The following chart provides a two-year comparison of governmental activities revenues:



The following chart provides a two-year comparison of governmental activities expenses:

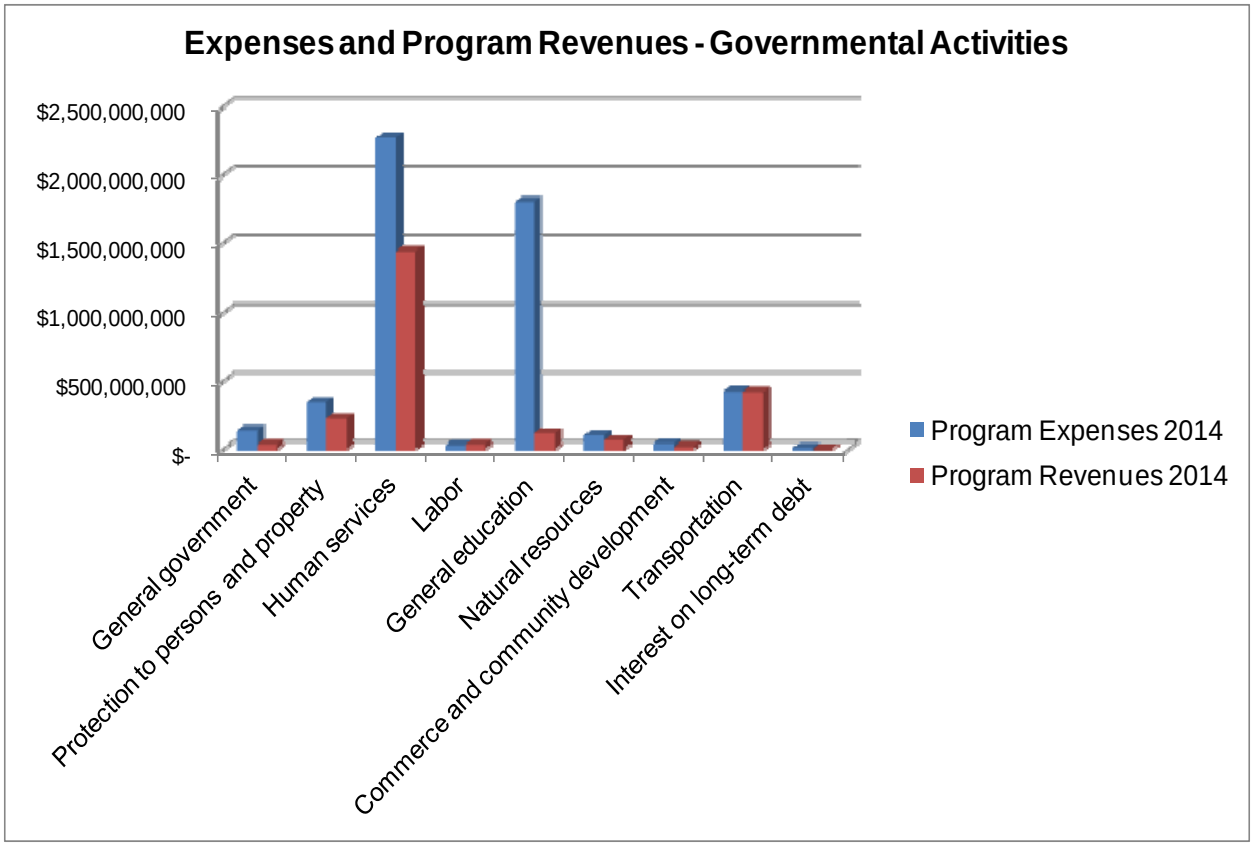


The following table shows to what extent program revenues (charges for services and grants and contributions) covered program expenses. For fiscal year 2014, program revenues covered $2.4 billion or 45.9% of $5.2 billion in program expenses. The remaining $2.8 billion or 54.1% of program expenses was paid for by state taxes and other general revenue.

TABLE 4
Net Program Revenue
For the years ended June 30, 2014 and 2013

	Program Expenses	Less Program Revenues	Net Program (Expense)/Revenue		Program Revenues as a Percentage of Program Expenses	
	2014	2014	2014	2013	2014	2013
Functions/programs						
General government	$ 139,920,315	$ 40,642,467	$ (99,277,848)	$ (133,467,764)	29.0%	24.4%
Protection to persons and property	344,315,003	226,350,894	(117,964,109)	(120,070,174)	65.7%	65.5%
Human services	2,271,232,624	1,440,258,617	(830,974,007)	(829,610,883)	63.4%	62.5%
Labor	30,580,319	37,126,049	6,545,730	8,425,085	121.4%	124.2%
General education	1,803,049,390	121,709,754	(1,681,339,636)	(1,610,138,749)	6.8%	7.2%
Natural resources	105,590,488	66,884,496	(38,705,992)	(18,331,661)	63.3%	80.6%
Commerce and community development	44,004,121	18,912,225	(25,091,896)	(19,714,051)	43.0%	41.6%
Transportation	425,563,442	420,295,782	(5,267,660)	(67,924,468)	98.8%	85.8%
Interest on long-term debt	11,259,389	1,153,761	(10,105,628)	(19,694,696)	10.2%	6.0%
	$ 5,175,515,091	$ 2,373,334,045	$ (2,802,181,046)	$ (2,810,527,361)	45.9%	45.3%

The following chart displays program expenses and program revenues for 2014:



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, *unrestricted (unassigned, assigned, and committed) fund balances* may serve as a useful measure of a government's net resources available for spending. At the end of fiscal year 2014, the unrestricted fund balance is 26.19 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 is restricted or nonspendable to indicate that it is not available for appropriation, such as the principal of the State's Permanent Funds, and other items that are nonspendable, such as advances and long-term receivables. At the end of fiscal year 2014, the State's governmental funds reported combined fund balances of $907.7 million, a decrease of $26.6 million in comparison with the prior fiscal year.

The General Fund is the chief operating fund of the State. At the end of fiscal year 2014, the General Fund's total fund balance was $125.1 million and the unassigned portion of this fund balance was $26.1 million. Its remaining fund balance was made up of nonspendable amounts totaling $92.6 million, and assigned amounts totaling $6.5 million. During 2014, total expenditures and other financing uses exceeded total revenues and other financing sources by $34.1 million.

General Fund revenues increased by $27.3 million, or 2.09%, primarily due to a $8.3 million increase in meals and rooms taxes due to an improved economy, and a $19.1 million increase in other taxes, primarily a one-time increase in inheritance and estate taxes. Expenditures increased by $47.9 million or 5.94%, primarily due to increases in protection to persons and property of $6.7 million due to increases in personnel costs; increases in human service expense of $24.8 million due to increases in medical service grants, the fuel assistance program, AHS cost allocations, and childcare related costs; increases in general education of $12.6 million due to an increase in education grants; and increases in natural resources of $6.2 million due to increases in personnel costs and facilities costs. The General Fund's statutory reserve for budgetary stabilization increased by $3.7 million to $66.2 million, the maximum allowed by statute.

The Special Fund's total fund balance at the end of fiscal year 2014 was $100.0 million, an increase of 16.2 percent in comparison with 2013. The Special Fund's total fund balance is comprised of $13.4 million as restricted, $91.4 million as committed, and $4.8 million unassigned deficit. Special Fund revenues increased $12.4 million or 2.25%, primarily due to a larger allocation of personal income taxes for the tax computer modernization fund ($2.1 million); an increase in federal grant revenues for the construction of the new Capitol District Heating Plant ($5.4 million); an increase in business licenses ($2.9 million); an increase in special assessments for the Clean Energy Development Fund ($6.0 million) and the Energy Efficiency Utility Fund ($4.5 million); and a decrease in other revenues for insurance reimbursements for Tropical Storm Irene in 2014 ($8.8 million). Expenditures decreased $2.5 million or 0.86 percent, primarily due to increases in contractor costs for protection to persons and property ($4.3 million); human services grant ($6.0 million) and health care program costs ($1.8 million); offset by decreases in general government facilities maintenance and occupancy costs ($5.5 million); human services home heating fuel assistance program costs ($7.2 million); and transportation equipment rental costs ($0.8 million) and grant expenses ($0.6 million). This resulted in an increase in "excess of revenues over expenditures" of $14.9 million from last fiscal year. Fiscal year 2014 transfers out to other funds exceeded transfers in from other funds by $256.4 million. The Special Fund received transfers in of $92.4 million, consisting of FEMA funds for construction on the Waterbury Office Complex ($21.0 million); federal fund monies for the earned income tax credit ($20.1 million); matching funds for school based Medicare services ($22.0 million); and funds for supplemental property tax relief ($13.0 million). Transfers out of $348.8 million consisted primarily of payments for a portion of the State's payment for Medicaid coverage under the Global Commitment to Health Medicaid waiver ($324 million).

The Federal Revenue Fund accounts for all federal grants except those federal grants that are awarded to the Agency of Transportation (which are included in the Transportation Fund), the Global Commitment to Health Medicaid waiver (which are included in the Global Commitment Fund) and the Department of Fish and Wildlife (which are included in the Fish and Wildlife Fund, a non-major governmental fund). The Federal Revenue Fund's federal grant revenues for fiscal year 2014 were $881.0 million, an increase of $4.0 million over fiscal year 2013's federal grant revenues. Expenditures were $832.9 million, an increase of $23.8 million over 2013, primarily due to in increase in contracted services for human services ($39.8 million), offset by a decrease in general government grant expenses ($8.9 million). The Federal Revenue Fund's total fund balance at the end of fiscal year 2014 ($413.9 million) was a increase of $21.4 million as compared to the total fund balance at the end of fiscal year 2013.

The fiscal year 2014 ending total fund balance for the Global Commitment Fund was $101.6 million. Revenues and net transfers in of $1,214.9 million exceeded expenditures of $1,208.1 million by $6.8 million. The primary changes were an increase in federal grants of $51.6 million and an increase in human services expenses of $47.8 million, primarily due to increased base budgeting expenses attributable to the Vermont Psychiatric Care Hospital ($53.3 million)

The Education Fund at June 30, 2014 had a total fund balance of $62.3 million, which represents a $4.1 million decrease over fiscal year 2013's ending balance. General education costs increased by $69.4 million, primarily due to an increase in grants to school districts ($67.0 million). This increase was funded by increases in the statewide education tax ($41.5 million); sales and use taxes ($9.2 million);

purchase and use taxes ($2.8 million) and the electric energy education tax ($3.3 million). The Education Fund's statutory reserve for budget stabilization increased $1.1 million to $30.3 million, the maximum allowed by statute.

The Transportation Fund's total fund balance was $26.9 million at June 30, 2014, an increase of $5.0 million from the fiscal year 2013 ending total fund balance. Transportation Fund revenues increased by $38.8 million, primarily due to the motor fuel tax assessment effective May 1, 2013 ($19.0 million) and an increase in Federal Highway Administration grants ($16.0 million). Expenditures increased by $13.7 million, primarily due to increased expenditures for transportation projects ($15.5 million) and transfers to Special Funds for FEMA related projects ($18.2 million). The Transportation Fund's statutory reserve for budget stabilization increased by $0.7 million to $11.5 million, the maximum allowed by statute.

See Note I, Section E for more information regarding these funds.

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's total net position balance increased from $86.0 million at June 30, 2013 to $149.3 million at June 30, 2014, an increase of $63.3 million in one year. Expenditures from the fund for unemployment benefits decreased by $21.4 million over 2013.

The State's *internal service funds'* total net position at June 30, 2014 was a deficit of $12.3 million, a $27.0 million decrease from June 30, 2013. This decrease is primarily due to a reduction in net position of $25.2 million in the medical insurance fund due to a large increase in utilization of the services provided by the medical fund. The deficit will be recovered through a rate increase in FY2015. 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 State government. The *pension and other postemployment benefit trust funds'* net position increased by 11.44 percent to $4.07 billion at June 30, 2014. For more information regarding the State's retirement and other postemployment benefit plans, see Note IV. G. 4. to the financial statements. The Unclaimed Property Fund's total assets balance at June 30, 2014 is $9.2 million, and total liabilities balance is $7.0 million, including the escheat property claims liability estimated at $6.9 million, resulting in ending net position of $2.2 million. The Investment Trust Fund's total net position at June 30, 2014, were $152.4 million. Net position of all fiduciary funds are reported as held in trust for particular purposes.

GENERAL FUND BUDGET HIGHLIGHTS

The State ended fiscal year 2014 with General Fund revenues of $1.328 billion, expenditures of $1.015 billion, and net transfers to other funds of $320.5 million (non-GAAP budgetary basis). This was a $39.8 million increase in revenues over the previous year. The fiscal year 2014 General Fund consensus revenue forecast initially approved by the Emergency Board in July, 2013 was subsequently revised upward by the Emergency Board at their January 2014 meeting. Compared to target, the revenues were 0.32 percent above the July, 2013 revenue forecast of $1,324.2 million, and 0.32 percent below the January, 2014 revised revenue forecast of $1,332.6 million. Personal income tax receipts were $22.1 million below target, and sales and use tax receipts were $1.6 million below target. Inheritance and estate taxes were $15.1 million above target, corporate income taxes were $5.6 million above target, and meals and rooms taxes were $2.6 million above target. Business licenses were $1.9 million below target as three business license types are now accounted for in the Special Fund. The General Fund results allowed for a fully funded General Fund Budget Stabilization Reserve of $66.2 million, representing the statutory maximum of 5 percent of the prior year appropriations level.

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, 2014, was $2.297 billion, a total increase of 14.2 percent (Table 4). 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 organizations' capital construction projects and acquisitions are financed by the State, but the assets are actually owned by these other entities. Therefore, these capital assets are recorded on the financial statements of those entities and not 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, 2014, the State had $209.1 million of general obligation bonds outstanding related to capital assets of these other entities. Additional information on the State's capital assets can be found in Note IV. E. of the notes to the financial statements.

TABLE 4
Capital Assets at Fiscal Year End
(Net of depreciation, amounts in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land, Land Use Rights, and Land Improvements	$ 128,374	$ 127,485	$ -	$ -	$ 128,374	$ 127,485
Construction in Progress	534,629	525,205	389	-	535,018	525,205
Works of Art	136	136	-	-	136	136
Buildings and Improvements	252,039	246,336	5	10	252,044	246,346
Machinery and Equipment	149,266	63,810	591	672	149,857	64,482
Infrastructure	1,232,028	1,047,780	-	-	1,232,028	1,047,780
Totals	$ 2,296,471	$ 2,010,752	$ 985	$ 682	$ 2,297,457	$ 2,011,434

Totals may not add due to rounding.

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. Annually, the General Assembly passes appropriations for capital purposes and authorizes the State Treasurer to issue general obligation bonds to provide the financing for all or a portion of the appropriations. 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 2014, the State of Vermont's outstanding general and special obligation bond debt increased by approximately $23.3 million. This increase can be accounted for by the issuance of $86.7 million of general obligation bonds, $11.2 million of special obligation bonds, and accretion of $0.05 million in principal on the State's capital appreciation bonds offset by the redemption of $53.8 million in general obligation bonds, $1.4 million in special obligation bonds, and defeasance of $19.5 million in general obligation bonds. Additional information on the State's bonded debt is contained in Note IV. G. 1. of the notes to the financial statements.

The State's general obligation bond ratings are as follows: Aaa by Moody's Investor Service (since February 2007), AA+ by Standard & Poor's Ratings Services (since September 2000), and AAA by Fitch Ratings (since April 2010).

ECONOMIC FACTORS AFFECTING THE STATE

Capital Debt Affordability

Annually the Capital Debt Affordability Advisory Committee (CDAAC) completes a review of the size and affordability of the State tax-supported general obligation debt. By October 1, the CDAAC submits to the Governor and to the General Assembly an estimate of the maximum amount of new long-term general obligation debt that prudently may be authorized for the next two fiscal years. In September 2012, the CDAAC proposed that the maximum amount of long-term general obligation debt authorized to be issued by the State for fiscal years 2014 and 2015 not exceed $159.9 million. At its September 2014 meeting, the Committee issued an interim report that delayed its formal recommendations pending the receipt of the November 2014 consensus economic forecast, and in December, 2014, made a recommendation of net tax-supported debt not to exceed $144 million for the 2016-2017 fiscal year biennium. This, coupled with a $11.4 million premium in the State's recent bond sale that is being used to fund capital projects, provides a total capacity of $155.4 million.

Economic Outlook

The Vermont near-term economic outlook includes a Vermont economy that will follow a similar path to the U.S. economy's progression throughout the calendar year 2014-2018 period. The updated forecast calls for the current State economic upturn to continue for real output, for inflation-adjusted or real personal income, and for the labor market. It is also expected that the pace of recovery-expansion will continue to be moderate, due to the less than average decline in output, income and jobs that the State experienced during the Great Recession compared to the U.S. and New England.

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 I to the State's financial statements.

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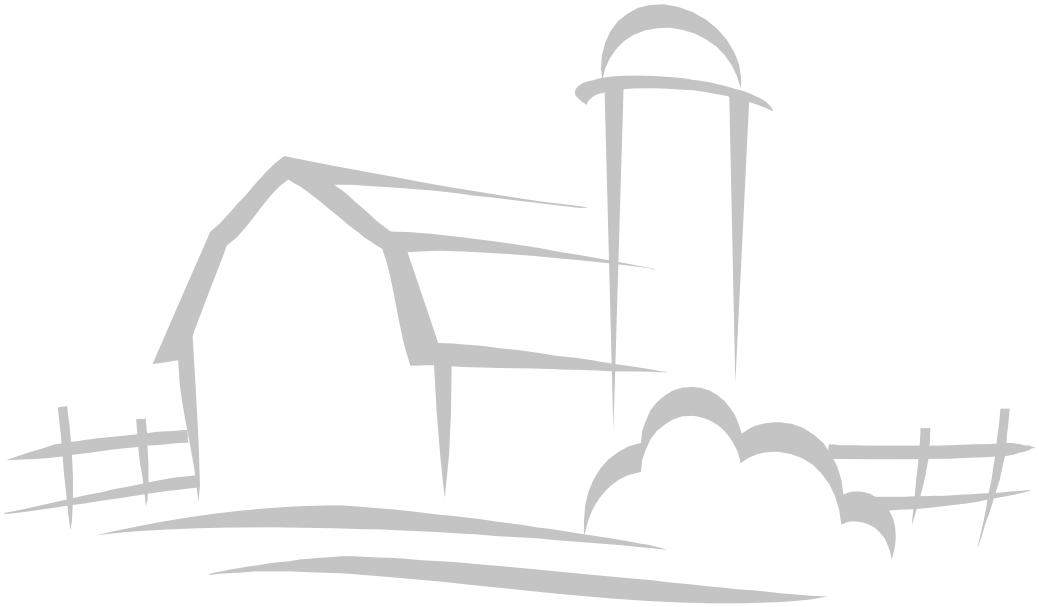

Vermont

BASIC FINANCIAL STATEMENTS

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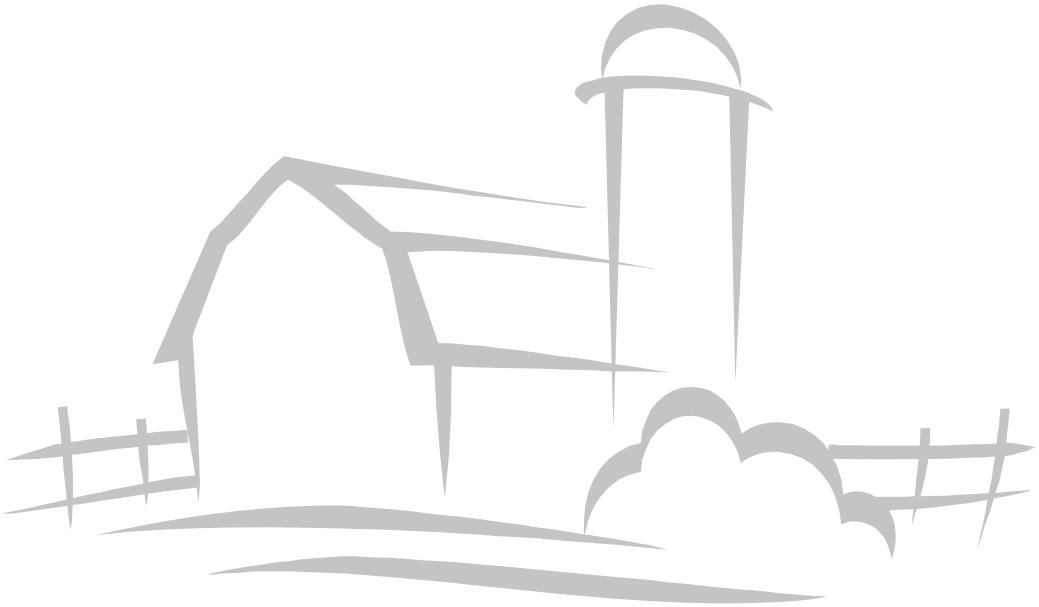
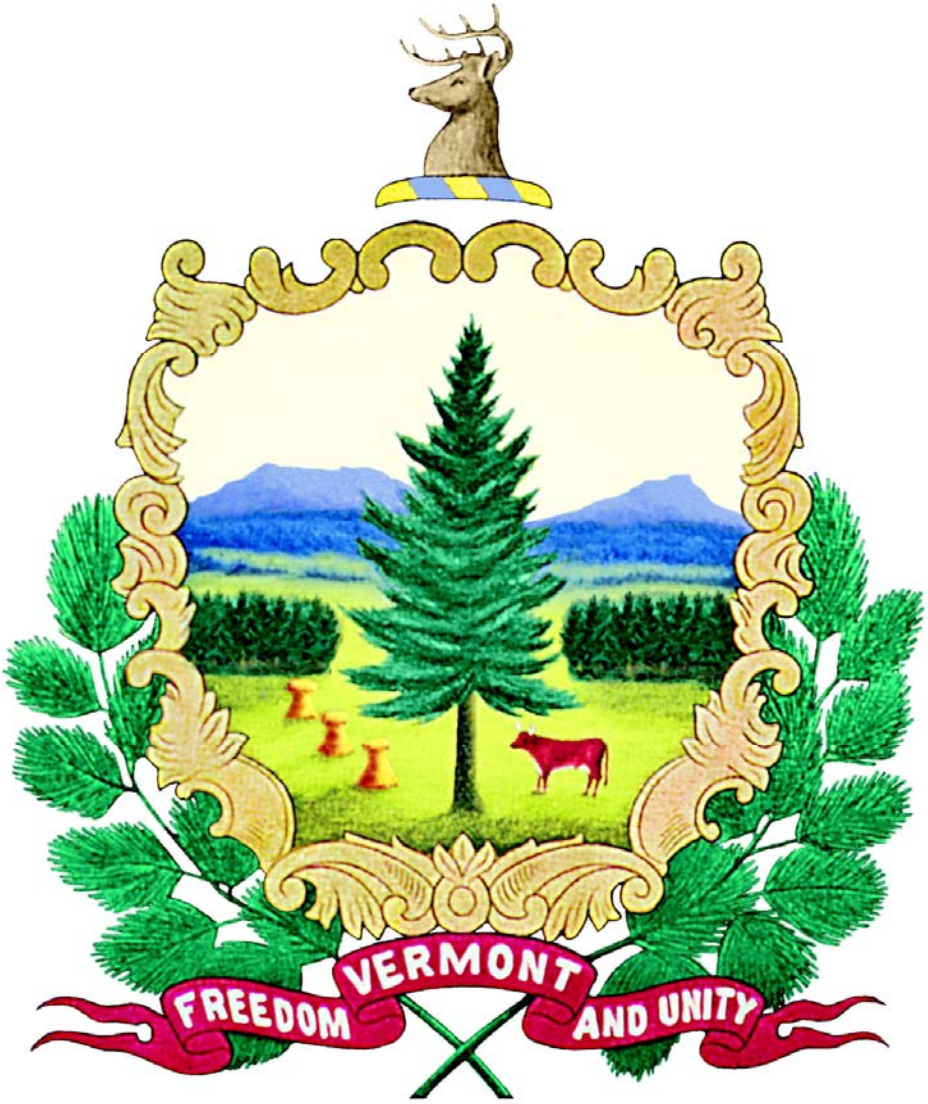


Vermont



GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Discretely Presented
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets				
Cash and cash equivalents	$ 502,786,048	$ 130,945,172	$ 633,731,220	$ 166,922,335
Taxes receivable, net	115,067,225	37,215,684	152,282,909	-
Loans and notes receivable, net	41,151,841	742,475	41,894,316	251,593,566
Federal grants receivable	243,113,485	449,257	243,562,742	24,113,000
Other receivables, net	50,071,013	5,650,588	55,721,601	50,973,967
Investments	64,877,564	-	64,877,564	148,320,289
Inventories	2,093,639	6,652,680	8,746,319	2,277,339
Internal balances	3,052,834	(3,052,834)	-	-
Receivable from primary government	-	-	-	393,000
Receivable from component units	9,658,043	-	9,658,043	-
Other current assets	5,234,838	113,266	5,348,104	12,631,790
Total current assets	1,037,106,530	178,716,288	1,215,822,818	657,225,286
Noncurrent Assets				
Cash and equivalents	-	439,826	439,826	119,868,033
Taxes receivable	118,250,047	-	118,250,047	-
Other receivables	30,659,181	5,828	30,665,009	-
Loans and notes receivable	226,618,647	1,262,167	227,880,814	2,262,360,244
Investments	-	1,532,327	1,532,327	701,471,239
Other noncurrent assets	-	-	-	25,426,892
Capital assets				
Land	128,374,283	-	128,374,283	39,591,760
Construction in progress	534,628,907	388,850	535,017,757	5,945,119
Works of art	136,003	-	136,003	-
Capital assets being depreciated				
Infrastructure	2,108,290,325	-	2,108,290,325	37,955,276
Property, plant and equipment	744,306,332	2,243,512	746,549,844	1,268,825,165
Less accumulated depreciation	(1,219,264,464)	(1,646,981)	(1,220,911,445)	(601,179,348)
Total capital assets, net of depreciation	2,296,471,386	985,381	2,297,456,767	751,137,972
Total noncurrent assets	2,671,999,261	4,225,529	2,676,224,790	3,860,264,380
Total assets	3,709,105,791	182,941,817	3,892,047,608	4,517,489,666
DEFERRED OUTFLOW OF RESOURCES				
Loss on refunding of bonds payable	6,909,872	-	6,909,872	20,278,395
Interest rate swap	-	-	-	18,901,356
Total deferred outflow of resources	6,909,872	-	6,909,872	39,179,751

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

	Primary Government			Discretely Presented
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Current Liabilities				
Accounts payable and other current liabilities	321,956,600	8,847,860	330,804,460	80,424,452
Income tax refunds payable	79,624,259	-	79,624,259	-
Payable to primary government	-	-	-	9,658,043
Payable to component units	393,000	-	393,000	-
Intergovernmental payable - due to federal government	14,687,362	-	14,687,362	-
Accrued interest payable	8,649,754	-	8,649,754	6,511,812
Current portion of long-term liabilities	93,735,998	5,405,729	99,141,727	229,345,530
Unearned revenue	1,593,861	10,080,674	11,674,535	56,348,179
Total current liabilities	520,640,834	24,334,263	544,975,097	382,288,016
Long-term liabilities				
Lottery prize awards payable	-	1,054,567	1,054,567	-
Bonds, notes and leases payable	566,199,349	-	566,199,349	2,743,071,194
Compensated absences	10,460,934	137,170	10,598,104	-
Claims and judgments	37,111,039	-	37,111,039	-
Other long-term liabilities	848,067,570	-	848,067,570	238,880,771
Total long-term liabilities	1,461,838,892	1,191,737	1,463,030,629	2,981,951,965
Total liabilities	1,982,479,726	25,526,000	2,008,005,726	3,364,239,981
DEFERRED INFLOW OF RESOURCES				
Gain on refunding of bonds payable	-	-	-	50,653,000
Total deferred inflow of resources	-	-	-	50,653,000
NET POSITION				
Net investment in capital assets	2,010,723,836	985,381	2,011,709,217	163,416,848
Restricted for				
Unemployment compensation	-	149,344,532	149,344,532	-
Funds held in permanent investments				
Expendable	359,883	-	359,883	-
Nonexpendable	7,416,453	-	7,416,453	-
General government	6,109,641	-	6,109,641	27,615,581
Protection to persons and property	14,696,936	-	14,696,936	-
Human services	166,990,036	-	166,990,036	-
Labor	7,085,235	-	7,085,235	-
General education	981,480	-	981,480	493,298,761
Natural resources	332,469,469	-	332,469,469	-
Commerce and community development	2,511,124	-	2,511,124	290,260,902
Transportation	4,871,023	-	4,871,023	-
Capital projects	32,654,263	-	32,654,263	-
Debt service	3,210,701	-	3,210,701	-
Unrestricted (deficit)	(856,544,143)	7,085,904	(849,458,239)	167,184,344
Total net position	$ 1,733,535,937	$ 157,415,817	$ 1,890,951,754	$ 1,141,776,436

STATE OF VERMONT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental activities				
General government	$ 139,920,315	$ 33,744,476	$ 1,461,251	$ 5,436,740
Protection to persons and property	344,315,003	165,868,779	60,482,115	-
Human services	2,271,232,624	31,885,823	1,408,372,794	-
Labor	30,580,319	17,030,246	20,095,803	-
General education	1,803,049,390	3,916,222	117,793,532	-
Natural resources	105,590,488	32,138,974	22,775,651	11,969,871
Commerce and community development	44,004,121	2,551,616	16,360,609	-
Transportation	425,563,442	120,606,628	127,003,994	172,685,160
Interest on long-term debt	11,259,389	-	1,153,761	-
Total governmental activities	5,175,515,091	407,742,764	1,775,499,510	190,091,771
Business-type activities				
Vermont Lottery Commission	79,874,659	102,311,700	-	-
Liquor Control	55,218,154	57,343,489	-	-
Unemployment Compensation	87,782,647	143,987,300	5,927,678	-
Other	7,201,755	6,665,525	-	-
Total business-type activities	230,077,215	310,308,014	5,927,678	-
Total primary government	$ 5,405,592,306	$ 718,050,778	$ 1,781,427,188	$ 190,091,771
Component Units				
Vermont Student Assistance Corporation	$ 85,695,000	$ 55,462,000	$ 33,668,000	$ -
University of Vermont and State Agricultural College	652,107,000	374,032,000	242,917,000	1,421,000
Vermont State Colleges	201,203,712	119,476,776	65,603,946	1,798,302
Vermont Housing Finance Agency	27,165,000	1,032,000	-	-
Other	93,898,014	51,271,417	41,810,769	167,231
Total component units	$ 1,060,068,726	$ 601,274,193	$ 383,999,715	$ 3,386,533

General Revenues
Taxes
Personal and corporate income
Sales and use
Meals and rooms
Purchase and use
Motor fuel
Statewide education
Other taxes

Total taxes
Investment earnings
Tobacco litigation settlement
Additions to non-expendable endowments
Miscellaneous
Transfers

Total general revenues and transfers

Changes in net position

Net Position - Beginning, as restated

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Discretely Presented Component Units
Governmental Activities	Business-type Activities	Total	
$ (99,277,848)	$ -	$ (99,277,848)	$ -
(117,964,109)	-	(117,964,109)	-
(830,974,007)	-	(830,974,007)	-
6,545,730	-	6,545,730	-
(1,681,339,636)	-	(1,681,339,636)	-
(38,705,992)	-	(38,705,992)	-
(25,091,896)	-	(25,091,896)	-
(5,267,660)	-	(5,267,660)	-
(10,105,628)	-	(10,105,628)	-
(2,802,181,046)	-	(2,802,181,046)	-
-	22,437,041	22,437,041	-
-	2,125,335	2,125,335	-
-	62,132,331	62,132,331	-
-	(536,230)	(536,230)	-
-	86,158,477	86,158,477	-
(2,802,181,046)	86,158,477	(2,716,022,569)	-
$ -	$ -	-	3,435,000
-	-	-	(33,737,000)
-	-	-	(14,324,688)
-	-	-	(26,133,000)
-	-	-	(648,597)
-	-	-	(71,408,285)
743,818,546	-	743,818,546	-
355,569,494	-	355,569,494	-
143,472,939	-	143,472,939	-
91,921,810	-	91,921,810	-
58,051,113	-	58,051,113	-
974,466,468	-	974,466,468	-
475,367,526	-	475,367,526	14,014,000
2,842,667,896	-	2,842,667,896	14,014,000
1,228,535	2,079,300	3,307,835	98,109,680
37,277,904	-	37,277,904	-
-	-	-	1,070,322
1,158,996	-	1,158,996	2,302,671
24,321,533	(24,321,533)	-	-
2,906,654,864	(22,242,233)	2,884,412,631	115,496,673
104,473,818	63,916,244	168,390,062	44,088,388
1,629,062,119	93,499,573	1,722,561,692	1,097,688,048
$ 1,733,535,937	$ 157,415,817	$ 1,890,951,754	$ 1,141,776,436

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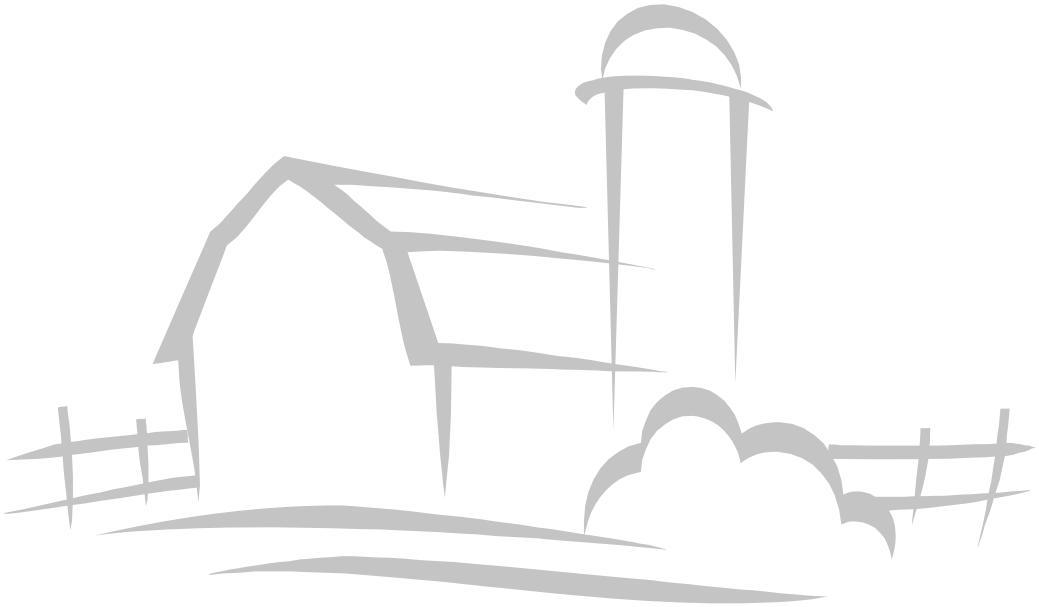
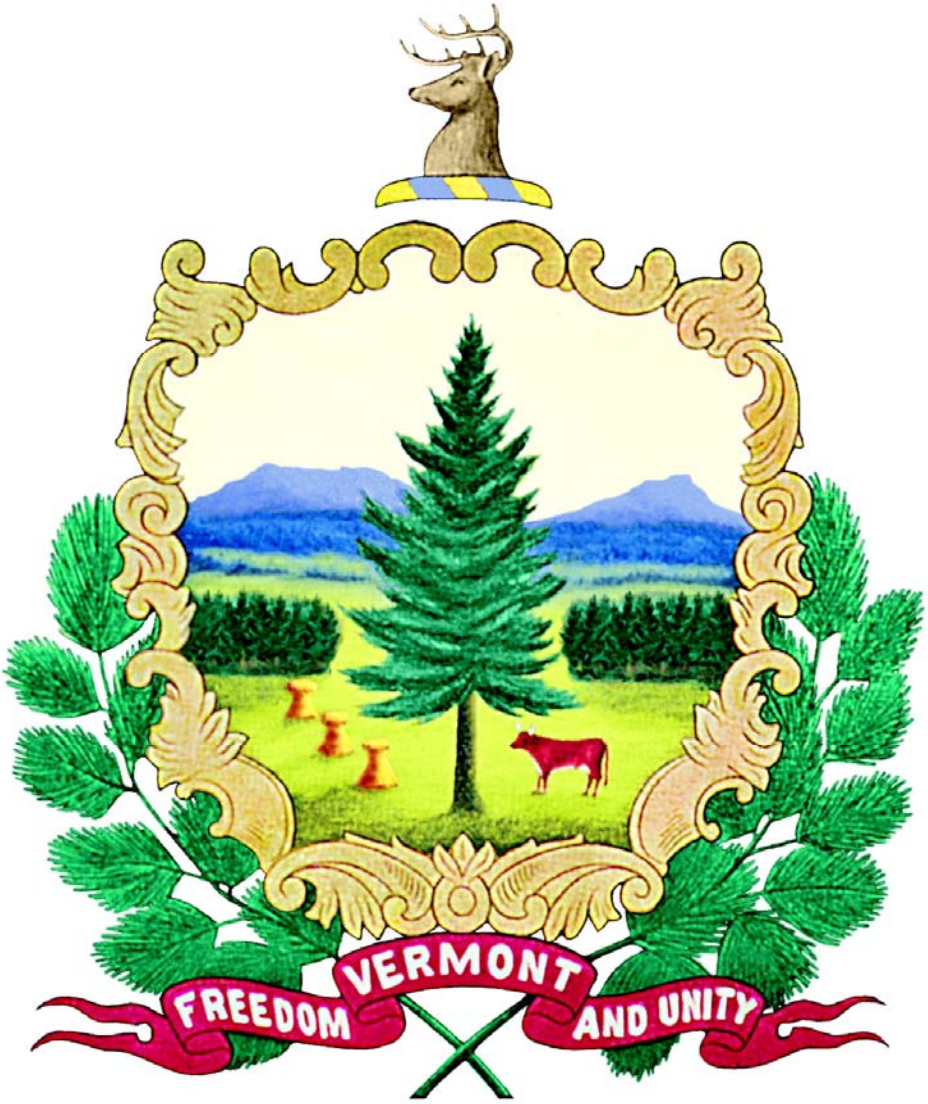


Vermont



GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF VERMONT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Transportation Fund	Education Fund	Special Fund
ASSETS				
Cash and cash equivalents	$ 12,058,814	$ 21,117,151	$ 56,977,012	$ 147,814,834
Investments	11,700,000	-	-	15,128,229
Receivables				
Taxes receivable, net	196,495,837	11,177,101	20,788,446	4,732,236
Accrued interest receivable	72,564	20,665	-	1,607
Notes and loans receivable	14,270,249	526,722	-	3,949,296
Other receivables, net	7,317,627	8,477,588	116	24,992,034
Intergovernmental receivables - federal government, net	1,226,109	37,019,321	-	4,652,054
Due from other funds	3,151,364	607,298	627	5,853,349
Due from component units	3,624,916	-	-	2,955
Interfund receivable	84,588,486	-	-	-
Advances to other funds	302,275	-	-	-
Advances to component units	5,845,785	-	-	31,369
Total assets	$ 340,654,026	$ 78,945,846	$ 77,766,201	$ 207,157,963
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 24,659,933	$ 39,194,739	$ 10,956,718	$ 31,169,331
Accrued liabilities	11,856,733	6,080,407	184,466	5,753,971
Retainage payable	192,025	200,638	-	205,020
Due to other funds	44,700,036	13,264	24,939	56,627,769
Intergovernmental payable - federal government	-	57,193	-	-
Tax refunds payable	15,935,621	-	-	10,638
Unearned revenue	-	88,603	-	861,131
Total liabilities	97,344,348	45,634,844	11,166,123	94,627,860
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue	118,178,890	6,418,872	4,271,412	12,565,853
Total deferred inflow of resources	118,178,890	6,418,872	4,271,412	12,565,853
FUND BALANCES				
Nonspendable				
Advances	6,148,060	-	-	-
Long-term receivables	86,464,743	-	-	-
Permanent Fund principal	-	-	-	-
Restricted	-	4,871,023	-	13,370,853
Committed	-	22,021,107	62,328,666	91,419,093
Assigned	6,456,034	-	-	-
Unassigned	26,061,951	-	-	(4,825,696)
Total fund balances	125,130,788	26,892,130	62,328,666	99,964,250
Total liabilities, deferred inflows and fund balances	$ 340,654,026	$ 78,945,846	$ 77,766,201	$ 207,157,963

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

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
$ 142,100,939	$ 29,476,386	$ 59,455,135	$ -	$ 469,000,271
-	-	38,049,335	-	64,877,564
-	-	123,652	-	233,317,272
14,217	-	-	-	109,053
249,024,221	-	-	-	267,770,488
2,408,981	24,564,480	587,294	-	68,348,120
102,716,884	96,913,140	585,977	-	243,113,485
2,349,968	70,785,254	-	(82,175,854)	572,006
153,018	-	-	-	3,780,889
-	-	-	-	84,588,486
-	-	-	-	302,275
-	-	-	-	5,877,154
$ 498,768,228	$ 221,739,260	$ 98,801,393	$ (82,175,854)	$ 1,441,657,063
$ 57,284,487	$ 105,185,025	$ 13,608,900	$ -	$ 282,059,133
6,584,402	3,371,827	610,994	-	34,442,800
1,117,148	267,003	5,987,210	-	7,969,044
3,974,720	4,131,723	701,218	(82,175,854)	27,997,815
14,630,169	-	-	-	14,687,362
-	-	-	-	15,946,259
624,608	-	-	-	1,574,342
84,215,534	112,955,578	20,908,322	(82,175,854)	384,676,755
670,732	7,161,695	6,925	-	149,274,379
670,732	7,161,695	6,925	-	149,274,379
-	-	-	-	6,148,060
-	-	-	-	86,464,743
-	-	7,416,453	-	7,416,453
413,881,962	101,621,987	36,224,847	-	569,970,672
-	-	34,244,846	-	210,013,712
-	-	-	-	6,456,034
-	-	-	-	21,236,255
413,881,962	101,621,987	77,886,146	-	907,705,929
$ 498,768,228	$ 221,739,260	$ 98,801,393	$ (82,175,854)	$ 1,441,657,063

STATE OF VERMONT
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total fund balances from previous page	$ 907,705,929
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 [1]	2,255,397,506
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 position	(12,074,375)
Amounts presented in the statement of net position relating to, but not in fund balances due to a different basis of accounting [1]	155,791,251
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 [1]	(1,573,284,374)
Net position of governmental activities	$ 1,733,535,937

[1] Additional information on these amounts can be found in Note II. A.

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

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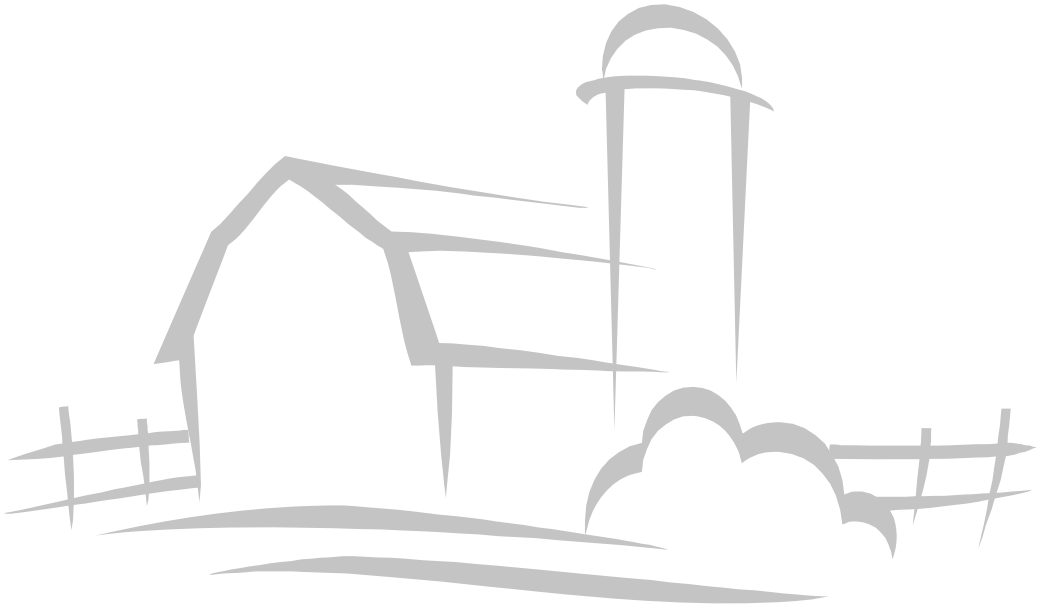

Vermont

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Transportation Fund	Education Fund	Special Fund
REVENUES				
Taxes				
Personal income tax	$ 666,627,984	$ -	$ -	$ 4,348,050
Corporate income tax	95,496,925	-	-	-
Sales and use tax	230,054,943	-	125,008,856	1,050,665
Meals and rooms tax	144,125,394	-	-	593,138
Motor fuels tax	-	55,360,580	-	1,733,957
Purchase and use tax	-	61,281,437	30,636,176	-
Statewide education tax	-	-	974,466,468	-
Other taxes	163,074,246	40,923,214	4,277,320	267,347,057
Earnings of departments				
Fees	20,667,365	27,277,450	-	57,640,965
Rents and leases	-	1,743,244	-	3,253,549
Sales of services	1,387,843	109,824	-	16,473,550
Federal grants	-	299,689,154	-	5,436,740
Fines, forfeits and penalties	3,582,925	4,539,386	-	19,638,592
Investment income	236,665	62,115	69,092	1,438,883
Licenses				
Business	1,082,043	460,246	-	17,120,272
Non-business	88,010	84,193,209	-	2,332,604
Special assessments	-	94,935	-	68,227,943
Other revenues	5,594,210	5,700,461	-	94,771,986
Total revenues	1,332,018,553	581,435,255	1,134,457,912	561,407,951
EXPENDITURES				
General government	73,481,721	3,566,209	9,904,380	37,884,252
Protection to persons and property	119,434,043	25,095,934	-	119,407,257
Human services	449,437,035	-	3,847,087	73,065,606
Labor	2,661,671	-	-	4,065,649
General education	166,001,042	-	1,446,923,773	17,906,490
Natural resources	28,176,758	-	-	30,288,667
Commerce and community development	15,118,355	-	-	6,430,416
Transportation	-	518,595,970	-	2,163,699
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	854,310,625	547,258,113	1,460,675,240	291,212,036
Excess of revenues over (under) expenditures	477,707,928	34,177,142	(326,217,328)	270,195,915
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of bonds	-	-	-	-
Premium on sale of bonds	1,111,044	-	-	97,487
Proceeds from the sale of refunding bonds	18,935,000	-	-	-
Payment to bond escrow agent	(20,046,044)	-	-	-
Transfers in	60,593,559	-	322,111,228	92,445,942
Transfers out	(572,354,266)	(29,130,483)	-	(348,803,206)
Total other financing sources (uses)	(511,760,707)	(29,130,483)	322,111,228	(256,259,777)
Net change in fund balances	(34,052,779)	5,046,659	(4,106,100)	13,936,138
Fund balances, July 1	159,183,567	21,845,471	66,434,766	86,028,112
Fund balances, June 30	$ 125,130,788	$ 26,892,130	$ 62,328,666	$ 99,964,250

The accompanying notes are an integral part of these statements.

Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Eliminations	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 670,976,034
-	-	-	-	95,496,925
-	-	-	-	356,114,464
-	-	-	-	144,718,532
-	-	904,396	-	57,998,933
-	-	-	-	91,917,613
-	-	-	-	974,466,468
-	-	-	-	475,621,837
-	-	178,259	-	105,764,039
-	-	63,131	-	5,059,924
-	-	-	-	17,971,217
881,013,266	743,921,952	8,146,903	-	1,938,208,015
-	-	15,594	-	27,776,497
414,843	-	3,353,434	-	5,575,032
-	-	915	-	18,663,476
-	-	7,415,182	-	94,029,005
-	-	-	-	68,322,878
1,856,603	13,228,723	7,016,147	-	128,168,130
883,284,712	757,150,675	27,093,961	-	5,276,849,019
1,322,669	-	-	-	126,159,231
60,198,074	205,424	-	-	324,340,732
596,321,643	1,202,708,419	25,000	-	2,325,404,790
22,258,651	-	-	-	28,985,971
118,625,114	5,203,743	1,776,856	-	1,756,437,018
18,121,407	-	15,559,418	-	92,146,250
16,006,148	-	-	-	37,554,919
-	-	-	-	520,759,669
-	-	119,775,408	-	119,775,408
-	-	76,801,391	-	76,801,391
832,853,706	1,208,117,586	213,938,073	-	5,408,365,379
50,431,006	(450,966,911)	(186,844,112)	-	(131,516,360)
-	-	78,975,000	-	78,975,000
-	-	4,291,276	-	5,499,807
-	-	-	-	18,935,000
-	-	-	-	(20,046,044)
3,876,312	479,751,319	77,399,019	(1,010,789,936)	25,387,443
(32,885,741)	(22,026,889)	(9,414,967)	1,010,789,936	(3,825,616)
(29,009,429)	457,724,430	151,250,328	-	104,925,590
21,421,577	6,757,519	(35,593,784)	-	(26,590,770)
392,460,385	94,864,468	113,479,930	-	934,296,699
$ 413,881,962	$ 101,621,987	$ 77,886,146	$ -	$ 907,705,929

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, 2014

Total net change in fund balances from the previous page	**$**	**(26,590,770)**
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period (net of internal service funds) [1]		285,041,433
Repayment of bond principal is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position [1]		75,241,044
Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position [1]		(92,974,044)
Receivables in the governmental funds that are not available to provide current financial resources are not reported as revenues in the governmental funds		(32,591,795)
Estimated personal income tax refunds and retirement incentives that are not due and payable are not reported as expenditures in the governmental funds		(12,509,044)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds [1]		(64,396,994)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities		(26,746,012)
Total changes in net position of governmental activities as reported on the statement of activities	**$**	**104,473,818**

[1] Additional information on these amounts can be found in Note II. B.

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
ASSETS			
Current Assets			
Cash and cash equivalents	$ 122,715,492	$ 2,237,125	$ 3,903,934
Receivables			
Taxes receivable, net of allowance for uncollectibles	37,215,684	-	-
Accrued interest receivable	-	-	-
Accounts receivable, net of allowance for uncollectibles	1,545,441	1,584,613	2,070,088
Loans receivable	-	-	-
Due from other funds	-	-	18,567
Intergovernmental receivables - federal government	449,257	-	-
Inventories, at cost	-	6,012,539	466,455
Prepaid expenses	-	-	4,067
Total current assets	161,925,874	9,834,277	6,463,111
Restricted and Noncurrent Assets			
Cash - subscription reserve fund	-	-	-
Investments	-	-	1,532,327
Loans receivable	-	-	-
Accounts receivable - subcriptions	-	-	-
Imprest cash and change fund - advances	-	1,075	300,000
Total restricted assets	-	1,075	1,832,327
Capital Assets			
Land	-	-	-
Construction in progress	-	388,850	-
Works of art	-	-	-
Capital assets being depreciated/amortized			
Machinery, equipment and buildings	-	1,985,316	252,387
Less accumulated depreciation	-	(1,393,923)	(247,249)
Total capital assets, net of depreciation	-	980,243	5,138
Total restricted and capital assets	-	981,318	1,837,465
Total assets	161,925,874	10,815,595	8,300,576
LIABILITIES			
Current Liabilities			
Accounts payable	1,350,290	3,918,784	703,568
Accrued salaries and benefits	-	403,494	151,577
Claims payable	-	-	-
Due to lottery winners	-	-	260,362
Due to agents	-	282,034	-
Due to other funds	72,168	264,007	-
Interfund payable	-	-	-
Future and unclaimed prizes payable	-	-	4,962,633
Unearned revenue	9,316,928	-	178,876
Capital leases payable	-	-	-
Other current liabilities	1,841,956	27,375	-
Total current liabilities	12,581,342	4,895,694	6,257,016
Long-term Liabilities			
Unexpired subscriptions	-	-	-
Due to lottery winners	-	-	1,054,567
Claims payable	-	-	-
Advances from other funds	-	1,075	300,000
Capital leases payable	-	-	-
Total long-term liabilities	-	1,075	1,354,567
Total liabilities	12,581,342	4,896,769	7,611,583
NET POSITION			
Net investment in capital assets	-	980,243	5,138
Restricted for unemployment compensation benefits	149,344,532	-	-
Unrestricted (deficit)	-	4,938,583	683,855
Total net position	$ 149,344,532	$ 5,918,826	$ 688,993

The accompanying notes are an integral part of these statements.

Business-type Activities-Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
$ 1,786,346	$ -	$ 130,642,897	$ 33,785,777
-	-	37,215,684	-
11,573	-	11,573	-
438,873	-	5,639,015	30,320,047
742,475	-	742,475	-
75,400	(72,168)	21,799	26,749,907
-	-	449,257	-
173,686	-	6,652,680	2,093,639
109,199	-	113,266	5,234,838
3,337,552	(72,168)	181,488,646	98,184,208
439,826	-	439,826	-
-	-	1,532,327	-
1,262,167	-	1,262,167	-
5,828	-	5,828	-
1,200	-	302,275	-
1,709,021	-	3,542,423	-
-	-	-	26,156
-	-	388,850	3,470,389
-	-	-	8,200
5,809	-	2,243,512	92,837,378
(5,809)	-	(1,646,981)	(55,268,243)
-	-	985,381	41,073,880
1,709,021	-	4,527,804	41,073,880
5,046,573	(72,168)	186,016,450	139,258,088
422,682	-	6,395,324	12,473,210
66,004	-	621,075	4,145,023
-	-	-	13,742,176
-	-	260,362	-
-	-	282,034	-
223	(72,168)	264,230	303,490
2,239,664	-	2,239,664	82,194,494
-	-	4,962,633	-
145,044	-	9,640,848	19,519
-	-	-	346,352
-	-	1,869,331	-
2,873,617	(72,168)	26,535,501	113,224,264
439,826	-	439,826	-
-	-	1,054,567	-
-	-	-	37,111,039
1,200	-	302,275	-
-	-	-	1,265,624
441,026	-	1,796,668	38,376,663
3,314,643	(72,168)	28,332,169	151,600,927
-	-	985,381	39,461,904
-	-	149,344,532	-
1,731,930	-	7,354,368	(51,804,743)
$ 1,731,930	$ -	157,684,281	$ (12,342,839)
Adjustment to reflect the consolidation of internal service activities related to enterprise funds.....		(268,464)	
Net Position - Business-type Activities.....		$ 157,415,817	

STATE OF VERMONT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
OPERATING REVENUES			
Charges for sales and services	$ 143,987,300	$ 52,718,204	$ -
Ticket sales	-	-	102,309,458
Rental income	-	-	-
License fees	-	1,625,905	-
Federal donated properties	-	-	-
Advertising revenues	-	-	-
Other operating revenues	-	2,999,380	2,242
Total operating revenues	143,987,300	57,343,489	102,311,700
OPERATING EXPENSES			
Cost of sales and services	-	42,612,204	76,767,736
Claims expense	87,782,647	-	-
Salaries and benefits	-	3,869,629	1,540,114
Insurance premium expense	-	31,305	3,364
Contractual services	-	932,477	133,106
Repairs and maintenance	-	79,985	7,298
Depreciation	-	271,350	5,994
Rental expense	-	119,415	189,195
Utilities and property management	-	378,434	109,778
Non-capital equipment purchased	-	127,268	11,534
Promotions and advertising	-	60,428	750,656
Administration expenses	-	63,595	35,341
Supplies and parts	-	230,040	36,930
Distribution and postage	-	34,742	18,154
Travel	-	27,774	20,413
Other operating expenses	-	6,192,761	172,581
Total operating expenses	87,782,647	55,031,407	79,802,194
Operating income (loss)	56,204,653	2,312,082	22,509,506
NONOPERATING REVENUES (EXPENSES)			
Federal grants	5,927,678	-	-
Gain on disposal of capital assets	-	-	-
Investment income	2,093,975	-	(15,008)
Total nonoperating revenues (expenses)	8,021,653	-	(15,008)
Income (loss) before other revenues, expenses, gains, losses, and transfers	64,226,306	2,312,082	22,494,498
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS			
Capital contributions	-	-	-
Transfers in	1,426	-	-
Transfers out	(888,982)	(1,135,066)	(22,560,467)
Total other revenues, expenses, gains, losses, and transfers	(887,556)	(1,135,066)	(22,560,467)
Changes in net position	63,338,750	1,177,016	(65,969)
Total net position, July 1	86,005,782	4,741,810	754,962
Total net position June 30	$ 149,344,532	$ 5,918,826	$ 688,993

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

Business-type Activities-Enterprise Funds			Governmental Activities
Non-major Enterprise Funds	Eliminations	Total Enterprise Funds	Total Internal Service Funds
$ 5,405,327	$ -	$ 202,110,831	$ 272,684,569
-	-	102,309,458	-
-	-	-	17,686,829
-	-	1,625,905	-
830,450	-	830,450	-
322,271	-	322,271	-
107,477	-	3,109,099	4,218,830
6,665,525	-	310,308,014	294,590,228
5,730,032	-	125,109,972	40,282,985
-	-	87,782,647	165,276,100
674,485	-	6,084,228	41,143,532
9,864	-	44,533	4,391,853
274,050	-	1,339,633	15,015,283
1,205	-	88,488	9,913,735
403	-	277,747	9,767,434
6,280	-	314,890	2,775,343
27,798	-	516,010	12,805,033
9,531	-	148,333	2,533,951
103,060	-	914,144	35,289
18,129	-	117,065	8,141,391
9,582	-	276,552	9,880,365
298,038	-	350,934	92,030
3,424	-	51,611	170,953
11,919	-	6,377,261	3,523,681
7,177,800	-	229,794,048	325,748,958
(512,275)	-	80,513,966	(31,158,730)
-	-	5,927,678	-
-	-	-	1,158,996
333	-	2,079,300	62,043
333	-	8,006,978	1,221,039
(511,942)	-	88,520,944	(29,937,691)
-	-		148,806
1,088,982	(890,408)	200,000	3,625,616
(827,426)	890,408	(24,521,533)	(865,910)
261,556	-	(24,321,533)	2,908,512
(250,386)	-	64,199,411	(27,029,179)
1,982,316	-	93,484,870	14,686,340
$ 1,731,930	$ -	$ 157,684,281	$ (12,342,839)

Total change in net position reported above.....	$ 64,199,411
Consolidation adjustment of internal service activities related to enterprise funds.....	(283,167)
Change in net position - business type activities..	$ 63,916,244

STATE OF VERMONT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Business-type Activities-Enterprise Funds		
	Unemployment Compensation Trust Fund	Liquor Control Fund	Vermont Lottery Commission
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 144,370,600	$ 52,666,559	$ 102,085,360
Cash paid to suppliers for goods and services	-	(44,654,181)	(6,785,828)
Cash paid to employees for services	-	(3,852,239)	(1,522,940)
Cash paid for prizes and commissions	-	-	(70,826,530)
Cash paid to claimants	(86,510,700)	-	-
Cash paid for fees, operations and other	-	-	(172,581)
Other operating revenues	-	4,625,285	2,242
Other operating expenses	-	(6,192,761)	-
Total cash provided (used) by operating activities	57,859,900	2,592,663	22,779,723
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in	-	-	-
Operating transfers out	(888,982)	(1,135,066)	(22,570,354)
Interfund loans and advances	-	1,000	-
Federal grants	6,217,562	-	-
Temporary loan from federal government	(52,880,422)	-	-
Net cash provided (used) by noncapital financing activities	(47,551,842)	(1,134,066)	(22,570,354)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(580,766)	-
Payment of capital leases	-	-	-
Proceeds from sale of capital assets	-	-	-
Net cash provided (used) by capital and related financing activities	-	(580,766)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends on investments	2,093,975	-	20,135
Proceeds from sales/maturities of investments	-	-	189,762
Net cash provided (used) by investing activities	2,093,975	-	209,897
Net increase (decrease) in cash and cash equivalents	12,402,033	877,831	419,266
Cash and cash equivalents, July 1	110,313,459	1,360,369	3,784,668
Cash and cash equivalents, June 30	$ 122,715,492	$ 2,238,200	$ 4,203,934
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	$ 56,204,653	$ 2,312,082	$ 22,509,506
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	-	271,350	5,994
(Increase) decrease in accounts/taxes receivable	383,300	(64,939)	(226,645)
(Increase) decrease in loans receivable	-	-	-
(Increase) decrease in accrued interest receivable	-	-	-
(Increase) decrease in due from other funds	-	11,054	-
(Increase) decrease in inventory	-	(606,584)	25,333
(Increase) decrease in prepaid expenses	-	-	2,502
Increase (decrease) in accounts payable	-	603,558	160,597
Increase (decrease) in accrued salaries and benefits	-	17,390	17,173
Increase (decrease) in claims payable	541,246	-	-
Increase (decrease) in due to lottery winners	-	-	(189,762)
Increase (decrease) in due to agents	-	19,137	-
Increase (decrease) in future and unclaimed prizes payable	-	-	474,980
Increase (decrease) in due to other funds	-	3,790	-
Increase (decrease) in unearned revenues	-	(1,550)	45
Increase (decrease) in other liabilities	730,701	27,375	-
Increase (decrease) in subscription reserves	-	-	-
Total adjustments	1,655,247	280,581	270,217
Net cash provided (used) by operating activities	$ 57,859,900	$ 2,592,663	$ 22,779,723
Noncash investing, capital, and financing activities:			
Contributions of capital assets to/from other funds	-	-	-
Retirement of assets not fully depreciated	-	-	-

NOTE: Total cash and 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 Position.

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
$ 6,644,413	$ 305,766,932	$ 316,799,711
(6,418,745)	(57,858,754)	(109,038,242)
(679,465)	(6,054,644)	(40,694,139)
-	(70,826,530)	-
-	(86,510,700)	(160,026,588)
-	(172,581)	-
65,937	4,693,464	4,218,830
(11,919)	(6,204,680)	(3,523,681)
(399,779)	82,832,507	7,735,891
1,088,982	1,088,982	2,996,706
(826,000)	(25,420,402)	(237,000)
249,846	250,846	(25,939,478)
-	6,217,562	-
-	(52,880,422)	-
512,828	(70,743,434)	(23,179,772)
-	(580,766)	(10,983,586)
-	-	(327,295)
-	-	1,742,245
-	(580,766)	(9,568,636)
333	2,114,443	62,043
-	189,762	-
333	2,304,205	62,043
113,382	13,812,512	(24,950,474)
2,113,990	117,572,486	58,736,251
$ 2,227,372	$ 131,384,998	$ 33,785,777
$ (512,275)	$ 80,513,966	$ (31,158,730)
403	277,747	9,767,434
(2,779)	88,937	(7,279,116)
194,716	194,716	-
9,617	9,617	-
1,476	12,530	34,547,054
(101,241)	(682,492)	316,690
(7,987)	(5,485)	(1,569,538)
(63,940)	700,215	(2,712,478)
(4,980)	29,583	449,360
-	541,246	5,249,512
-	(189,762)	-
-	19,137	-
-	474,980	-
8	3,798	131,053
97,185	95,680	(5,350)
-	758,076	-
(9,982)	(9,982)	-
112,496	2,318,541	38,894,621
$ (399,779)	$ 82,832,507	$ 7,735,891
-	-	148,806
-	-	(7,402)

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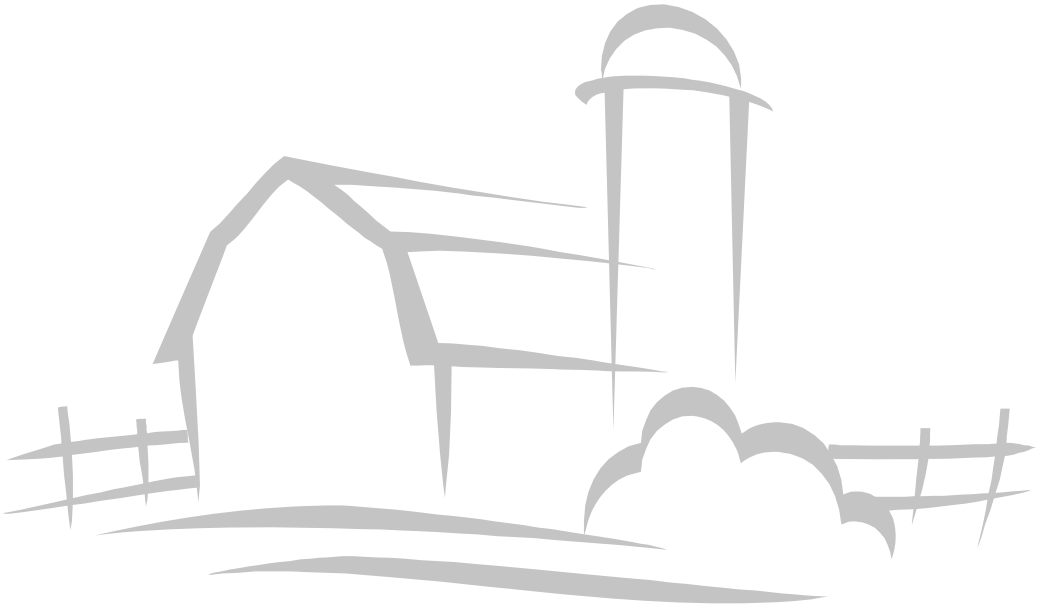

Vermont

FIDUCIARY FUNDS FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Pension and Other Postemployment Benefits Trust Funds	Investment Trust Fund	Private Purpose Trust Fund Unclaimed Property Fund	Agency Funds
ASSETS				
Cash and cash equivalents	$ 11,614,292	$ 101,822	$ 4,671,427	$ 7,740,484
Investments at fair value				
Pooled investments	3,870,907,514	152,497,702	-	-
Fixed income	-	-	-	-
Equities	62,254	-	974,930	-
Mutual and commingled funds	168,172,671	-	-	-
Receivables				
Taxes	-	-	-	2,030,344
Contributions - current	11,109,266	-	-	-
Contributions - noncurrent	6,878,299	-	-	-
Interest and dividends	354,862	-	-	-
Due from other funds	1,226,109	-	-	-
Other	113,390	-	-	1,258,103
Prepaid expenses	9,447	-	-	-
Other assets	-	-	3,584,345	-
Capital assets				
Construction in progress	4,413,674	-	-	-
Capital assets being depreciated				
Equipment	2,191,812	-	5,363	-
Less accumulated depreciation	(1,182,047)	-	(1,748)	-
Total capital assets, net of depreciation	5,423,439	-	3,615	-
Total assets	4,075,871,543	152,599,524	9,234,317	11,028,931
LIABILITIES				
Accounts payable	5,749,966	156,127	23,015	-
Accrued liabilities	-	-	30,694	-
Claims payable	-	-	6,934,667	-
Retainage payable	4,226	60	-	-
Due to other funds	768,576	-	-	-
Interfund loans payable	16,834	873	-	136,621
Due to depositories	-	-	-	21,806
Intergovernmental payable - other governments	-	-	-	6,846,357
Amounts held in custody for others	-	-	-	2,710,115
Other liabilities	-	-	-	1,314,032
Total liabilities	6,539,602	157,060	6,988,376	$ 11,028,931
NET POSITION HELD IN TRUST FOR				
Employees' pension benefits	4,037,382,049	-	-	
Employees' other postemployment benefits	31,949,892	-	-	
Pool participants	-	152,442,464	-	
Individuals, organizations and other governments	-	-	2,245,941	
Net position held in trust for benefits and other purposes.	$ 4,069,331,941	$ 152,442,464	$ 2,245,941	

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

STATE OF VERMONT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Pension and Other Postemployment Benefits Trust Funds	Investment Trust Fund	Private Purpose Trust Fund Unclaimed Property Fund
ADDITIONS			
Contributions			
Employer - pension benefit	$ 71,813,606	$ -	$ -
Employer - healthcare benefit	24,272,144	-	-
Non-employer - pension benefit	51,439,510	-	-
Non-employer - healthcare benefit	20,430,226	-	-
Plan member	78,895,398	-	-
Transfers from non-state systems	156,197	-	-
Medicare part D drug subsidy	798,677	-	-
Total contributions	247,805,758	-	-
Investment Income			
Net appreciation in fair value of investments	10,469,459	-	-
Income from pooled investments	495,577,380	19,327,397	-
Dividends	5,817,705	-	-
Interest income	627,168	-	30,065
Other income	281,491	-	-
Total investment income	512,773,203	19,327,397	30,065
Less Investment Expenses			
Investment managers and consultants	16,372,748	660,312	-
Total investment expenses	16,372,748	660,312	-
Net investment income	496,400,455	18,667,085	30,065
Escheat property remittances	-	-	883,264
Total additions	744,206,213	18,667,085	913,329
DEDUCTIONS			
Retirement benefits	268,919,322	-	-
Other postemployment benefits	47,351,610	-	-
Refunds of contributions	6,005,418	-	-
Death claims	665,330	-	-
Depreciation	198,900	-	1,245
Operating expenses	3,197,059	15,616	767,560
Pool participant withdrawal	-	1,000,000	-
Total deductions	326,337,639	1,015,616	768,805
Change in net position held in trust for			
Employees' pension benefits	413,274,194	-	-
Employees' other postemployment benefits	4,594,380	-	-
Pool participants	-	17,651,469	-
Individuals, organizations and other governments	-	-	144,524
Net Position, July 1	3,651,463,367	134,790,995	2,101,417
Net Position, June 30	$ 4,069,331,941	$ 152,442,464	$ 2,245,941

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

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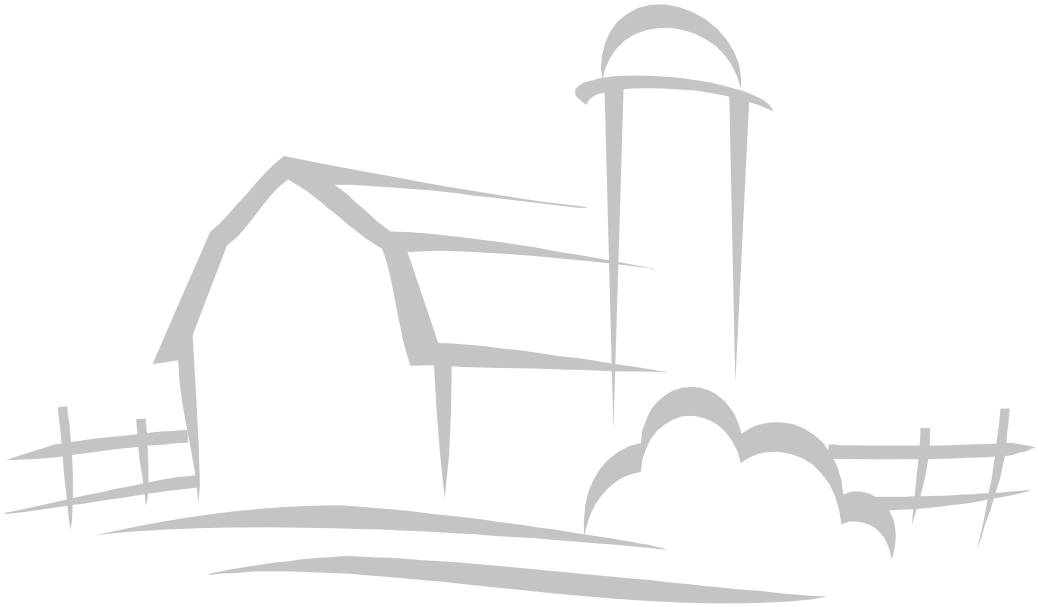

Vermont

COMPONENT UNITS FINANCIAL STATEMENTS

STATE OF VERMONT
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2014

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
ASSETS						
Current Assets						
Cash and cash equivalents	$ 38,508,000	$ 99,528,000	$ 2,451,670	$ 215,000	$ 26,219,665	$ 166,922,335
Investments	4,293,000	117,638,000	4,426,154	3,396,000	18,567,135	148,320,289
Accounts receivable, net	-	16,012,000	11,462,983	-	2,128,078	29,603,061
Accrued interest receivable - loans	9,517,000	-	-	3,299,000	2,340,387	15,156,387
Accrued interest receivable - investments	-	-	-	233,000	-	233,000
Loans and notes receivable - current portion	156,389,000	1,743,000	-	16,808,000	76,653,566	251,593,566
Other receivables	1,486,000	2,862,000	-	1,339,000	294,519	5,981,519
Due from federal government	184,000	19,397,000	-	-	4,532,000	24,113,000
Due from primary government	-	-	-	-	393,000	393,000
Inventories, at cost	-	1,686,000	452,563	-	138,776	2,277,339
Other current assets	477,000	8,998,000	2,389,683	-	767,107	12,631,790
Total current assets	210,854,000	267,864,000	21,183,053	25,290,000	132,034,233	657,225,286
Restricted and Noncurrent Assets						
Cash and cash equivalents	50,827,000	13,698,000	581,822	46,644,000	8,117,211	119,868,033
Investments	-	406,607,000	54,972,307	163,359,000	76,532,932	701,471,239
Loans and notes receivable, net	1,101,015,000	26,668,000	5,419,391	317,947,000	811,310,853	2,262,360,244
Other assets	-	802,000	52,260	2,609,000	21,963,632	25,426,892
Total restricted and noncurrent assets	1,151,842,000	447,775,000	61,025,780	530,559,000	917,924,628	3,109,126,408
Capital Assets						
Land	3,150,000	29,114,000	6,428,274	50,000	849,486	39,591,760
Construction in progress	-	1,471,000	3,197,135	-	1,276,984	5,945,119
Capital assets, being depreciated						
Buildings and leasehold improvements	17,145,000	756,154,000	251,611,297	1,761,000	32,043,519	1,058,714,816
Equipment, furniture and fixtures	9,388,000	160,405,000	31,478,282	1,304,000	7,535,067	210,110,349
Infrastructure	-	-	37,955,276	-	-	37,955,276
Less accumulated depreciation	(13,598,000)	(422,033,000)	(143,670,416)	(2,436,000)	(19,441,932)	(601,179,348)
Total capital assets, net of depreciation	16,085,000	525,111,000	186,999,848	679,000	22,263,124	751,137,972
Total assets	1,378,781,000	1,240,750,000	269,208,681	556,528,000	1,072,221,985	4,517,489,666
Deferred Outflows of Resources						
Loss on refunding of bonds payable	-	3,504,000	-	-	16,774,395	20,278,395
Interest rate swaps	-	-	10,674,356	8,227,000	-	18,901,356
Total deferred outflows of resources	-	3,504,000	10,674,356	8,227,000	16,774,395	39,179,751

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

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	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
LIABILITIES						
Current Liabilities						
Accounts payable and accrued liabilities	3,381,000	55,174,000	12,126,093	440,000	4,386,333	75,507,426
Accrued interest payable	-	-	-	3,997,000	125,000	4,122,000
Bond interest payable	336,000	-	-	-	2,053,812	2,389,812
Unearned revenue	6,075,000	38,943,000	6,663,699	-	4,666,480	56,348,179
Other current liabilities	-	-	-	891,000	896,026	1,787,026
Current portion of long-term liabilities	500,000	8,313,000	3,759,760	13,099,000	203,673,770	229,345,530
Due to primary government	-	-	-	-	3,780,889	3,780,889
Escrowed cash deposits	-	-	-	2,996,000	134,000	3,130,000
Advances from primary government	-	-	-	-	5,877,154	5,877,154
Total current liabilities	10,292,000	102,430,000	22,549,552	21,423,000	225,593,464	382,288,016
Noncurrent liabilities						
Bonds, notes and leases payable	1,147,877,000	451,748,000	127,176,209	457,601,000	558,668,985	2,743,071,194
Accounts payable and accrued liabilities	-	12,808,000	136,055	-	-	12,944,055
Accrued arbitrage rebate	1,467,000	-	-	-	758,249	2,225,249
Other liabilities	-	149,018,000	66,089,523	8,598,000	5,944	223,711,467
Total noncurrent liabilities	1,149,344,000	613,574,000	193,401,787	466,199,000	559,433,178	2,981,951,965
Total liabilities	1,159,636,000	716,004,000	215,951,339	487,622,000	785,026,642	3,364,239,981
Deferred Inflows of Resources						
Gain on refunding of bonds payable	50,653,000	-	-	-	-	50,653,000
Total deferred inflows of resources	50,653,000	-	-	-	-	50,653,000
NET POSITION						
Net investment in capital assets	16,085,000	66,977,000	60,152,724	679,000	19,523,124	163,416,848
Restricted						
Endowments - expendable	-	325,667,000	10,279,496	-	-	335,946,496
Endowments - nonexpendable	4,639,000	101,079,000	16,497,265	-	-	122,215,265
Grants and scholarships	513,000	-	-	-	-	513,000
Bond resolution	34,624,000	-	-	71,770,000	-	106,394,000
Interest rate subsidies	-	-	-	-	834,000	834,000
Investment in limited partnerships	-	-	-	-	4,176,000	4,176,000
Collateral for commercial paper program	-	-	-	-	20,070,000	20,070,000
Infrastructure investments	-	-	-	-	5,020,040	5,020,040
Project and program commitments	-	-	-	-	32,887,976	32,887,976
Loans receivable	-	-	-	-	183,118,467	183,118,467
Unrestricted	112,631,000	34,527,000	(22,997,787)	4,684,000	38,340,131	167,184,344
Total net position	$ 168,492,000	$ 528,250,000	$ 63,931,698	$ 77,133,000	$ 303,969,738	$ 1,141,776,436

STATE OF VERMONT
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2014

	Vermont Student Assistance Corporation	University of Vermont and State Agricultural College	Vermont State Colleges	Vermont Housing Finance Agency	Non-major Component Units	Total Component Units
Expenses						
Salaries and benefits	$ 20,736,000	$ 393,291,000	$ 125,286,477	$ 3,130,000	$ 21,156,381	$ 563,599,858
Other expenses	32,040,000	195,086,000	48,780,081	4,976,000	69,404,345	350,286,426
Scholarship, grants and fellowships	24,896,000	15,816,000	7,191,107	-	-	47,903,107
Depreciation	1,103,000	26,545,000	14,030,027	103,000	1,571,288	43,352,315
Interest on debt	6,920,000	21,369,000	5,916,020	18,956,000	1,766,000	54,927,020
Total expenses	85,695,000	652,107,000	201,203,712	27,165,000	93,898,014	1,060,068,726
Program Revenues						
Charges for services	55,462,000	374,032,000	119,476,776	1,032,000	51,271,417	601,274,193
Operating grants and contributions	33,668,000	242,917,000	65,603,946	-	41,810,769	383,999,715
Capital grants and contributions	-	1,421,000	1,798,302	-	167,231	3,386,533
Total program revenues	89,130,000	618,370,000	186,879,024	1,032,000	93,249,417	988,660,441
Net revenue (expense)	3,435,000	(33,737,000)	(14,324,688)	(26,133,000)	(648,597)	(71,408,285)
General Revenues						
Property transfer tax	-	-	-	-	14,014,000	14,014,000
Investment income	264,000	61,371,000	3,861,415	29,033,000	3,580,265	98,109,680
Additions to non-expendable endowments	-	-	1,070,322	-	-	1,070,322
Miscellaneous	887,000	-	-	1,171,000	244,671	2,302,671
Total general revenues	1,151,000	61,371,000	4,931,737	30,204,000	17,838,936	115,496,673
Changes in net position	4,586,000	27,634,000	(9,392,951)	4,071,000	17,190,339	44,088,388
Net position - beginning, as restated	163,906,000	500,616,000	73,324,649	73,062,000	286,779,399	1,097,688,048
Net position - ending	$ 168,492,000	$ 528,250,000	$ 63,931,698	$ 77,133,000	$ 303,969,738	$ 1,141,776,436

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

STATE OF VERMONT
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2014

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Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Vermont (State) have been prepared in accordance with generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting policies.

Newly implemented in these statements are the requirements of three new GASB statements. GASB Statement No. 66 - *Technical Corrections - 2012* - resolves conflicting guidance regarding risk financing activities by amending GASB Statement No. 10 - *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* - and regarding leasing activities and loan servicing activities by amending GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements.* GASB Statement No. 67 - *Financial Reporting for Pension Plans* - establishes the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan. GASB Statement No. 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees* - requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

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, 2014.

The following is a summary of the more significant accounting policies employed in the preparation of these financial statements.

A. Financial Reporting Entity

The State of Vermont's Primary Government is comprised of three branches: the Executive Branch, with the Governor as the chief executive officer; the Legislative Branch, with a Senate of 30 members and a House of Representatives of 150 members; and the Judicial Branch, with Supreme and Superior Courts and the Judicial Bureau.

The basic financial statements include all funds, agencies, boards, commissions and organizations of the primary government (the State), as well as component units that have been determined to meet the requirements for inclusion in the State's financial reporting entity.

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. These component units are financially accountable to the State if the State appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, or if there is a potential for the organization to provide a financial benefit or financial burden to the State. Alternatively, for those organizations where the State does not appoint a voting majority, an organization is financially accountable to the State if the organization is fiscally dependent and the organization provides a financial benefit or financial burden to the State.

Component unit activity may be "blended" into the activity of the primary government or may be reported separately. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds

of the primary government. If they are reported separately, they are called "discretely presented component units" and are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. Each discretely presented component unit's designation as either "major" or "non-major" has been determined by the entity's relative significance to the State. 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.

Discretely Presented Major Component Units

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

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. The Governor of the State appoints five of the eleven members of the Board of Directors and the State Legislature appoints two additional members. The State of Vermont has the ability to impose its will upon VSAC through its ability to change or alter the organization, structure or programs. For further information, contact their administrative offices at 10 East Allen Street, P.O. Box 2000, Winooski, Vermont 05404.

University of Vermont (UVM) - The University of Vermont's financial report includes both the University and the State Agricultural College. The State appoints twelve of the twenty-three voting members of the Board of trustees. The State has assumed an obligation to provide financial support through its annual appropriation and is obligated to maintain the University's debt service reserves. 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
Allied Health Nursing Program
Vermont Manufacturing Extension Center

The Governor, with the advice and consent of the Senate, appoints nine of the fifteen members of the board of trustees, and the legislature appoints an additional four members. The State has assumed an obligation to provide financial support through its annual appropriations and has assumed an obligation to maintain VSC's debt service reserves. 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, PO Box 7, Montpelier VT 05601.

Vermont Housing Finance Agency (VHFA) – The VHFA was created in 1974 by an Act of the General Assembly of the State of Vermont for the purpose of financing and promoting affordable, safe and decent housing opportunities for low- and moderate-income Vermonters. The State appoints voting members of VHFA's board of commissioners. The State is able to impose its will on the organization as the Governor can remove any member of the board at will. The State also has an obligation to maintain the organization's debt reserves. Further information may be obtained by contacting the Agency's administrative offices at 164 Saint Paul Street, Burlington, VT 05401.

Discretely Presented Non-major Component Units

*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. The authority has 15 voting members consisting of the secretary of the agency of commerce and community development, the State treasurer, the secretary of agriculture, food and markets, the commissioner of forest, parks, & recreation, and the commissioner of public service or a designee of any of the above; and ten members, who are residents of the State of Vermont and appointed by the Governor with the advice and consent of the senate. The State has the ability to impose its will on the entity as the Governor can remove members at will and the State can change the structure and activities of the organization at any time. The entity's services primarily benefit the Vermont citizenry.

VEDA also administers the State Infrastructure Bank (SIB), the Drinking Water State Revolving Loan Fund – Private Loans, the Brownsfield Revitalization Fund, and the Clean Energy Development Fund. These four 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 58 East State Street, Suite 5, Montpelier, Vermont 05602.

Vermont Housing and Conservation Board (VHCB) – The Legislature created and charged this 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. The VHCB's Board of Directors is appointed by the Governor of the State of Vermont and there is a material financial relationship. Funding for the organization is provided by the Legislature, comprised of 50% of the revenue from the property transfer tax, plus other monies appropriated from time to time. The VHCB issues audited financial statements under separate cover. Additional information may be obtained by contacting them at 58 East State Street,, Suite 5 Montpelier, Vermont 05602.

Vermont Sustainable Jobs Fund, Inc. (VSJF) – 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). The majority of the voting members of the Board are indirectly appointed by the State. The State is able to impose its will on the organization as the Governor can remove any member at will, and VEDA can appoint the management of the organization. Audited financial statements and additional information may be obtained by contacting them at 58 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. The Governor appoints the four directors, and can remove members at will. VMBB is authorized, with written consent of the Governor and the State Treasurer, 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. The State is obligated annually to appropriate any funds necessary to maintain required reserves of the bond bank. The VMBB 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 20 Winooski Falls Way, Winooski VT 05404.

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 Vermont educational or health related entities. The majority of the Board of VEHBFA is appointed by the Governor of the State. The Board may appoint officers, agents, consultants and employees and fix their compensation, subject to approval of the Governor. It has a December 31 (annual) year-end and issues audited financial statements under separate cover. For additional information, they may be contacted at 20 Winooski Falls Way, Winooski VT 05404.

Vermont Center For Geographic Information (VCGI) –VCGI is a public non-profit chartered by the State of Vermont to assist the Vermont GIS Community with creating a comprehensive strategy for the development and use of a geographic information system. The State appoints all members, and has the ability to impose its will on the entity as directors serve at the pleasure of the Governor. Audited financial statements or additional information may be obtained by contacting them at 58 South Main Street, Suite 2, Waterbury, Vermont 05676.

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 State can impose its will on the entity as directors serve at the pleasure of the Governor. The Vermont Veterans' Home is financially accountable to the State as the State provides all funding and controls the finances of the 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. The Vermont Rehabilitation Corporation is included as a component unit of the State as it is closely related and financially integrated with the State of Vermont. Additional information may be obtained by contacting the Vermont State Treasurer at 109 State Street, 4th Floor, Montpelier, Vermont 05609-6200.

Vermont Telecommunications Authority – The Vermont Telecommunications Authority was created in June 2007, pursuant to 30 V.S.A. 8061, for the purposes of ensuring that all regions of the State have access to affordable broadband and mobile telecommunications services and promoting and facilitating ongoing upgrades in statewide telecommunications infrastructure in the most efficient and economically feasible manner. The State appoints all members of the Vermont Telecommunications Authority and the State has the ability to impose its will on the entity as it must approve all bonds issued by the authority. Additional information may be obtained by contacting the corporation at 100 State Street, Suite 342, Montpelier VT 05620-3205.

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. All members of the authority are appointed by the Governor, and all resources revert to the State on termination of the authority. The VTA, currently inactive, has remained in the State Statutes in case it becomes necessary to reactivate it in the future. Additional information may be obtained from the Agency of Transportation – Rail Division, National Life Building, Montpelier, Vermont 05633–5001.

∗ - Indicates entity was audited by KPMG LLP.

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 Tri-State Lotto Commission (31 V.S.A. 673) is classified as a joint venture. The financial activities' of this organization have not been included in the State's financial statements; however, see Note V. E. for additional information regarding the organization.

Jointly-governed Organizations

The following organizations are classified as jointly-governed organizations, because they represent units over which control is exercised jointly by the State along with various other governmental agencies. There is no specific ongoing financial benefit or burden for the State associated with these organizations, which distinguishes these arrangements from those classified as joint ventures. The financial activities of these organizations are not included in the State's financial statements.

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)

Related Organizations

Related organizations are separate legal entities for which the primary government appoints a voting majority of the board members, but does not have either (a) the ability to impose its will on the organization or (b) a relationship of financial benefit or burden with the organization. The Vermont State Housing Authority (24 V.S.A. 4005) has been classified as a related organization, and thus their financial activity has not been included in the State's financial statements.

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", as amended by GASB Statements No. 61.

Vermont Information Technology Leaders (VITL)
Vermont Council on the Humanities
Vermont Council on the Arts
Vermont Historical Society
Vermont Public Power Supply Authority
Connecticut River Atlantic Salmon Commission (10 V.S.A. 4654)
Texas Low Level Radioactive Waste Disposal Compact (10 V.S.A. 7013)

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. Basis of Presentation—Government-wide Financial Statements

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

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, although the latter are excluded from the government-wide financial statements.

The State of Vermont's Government-wide Financial Statements (the Statement of Net Position 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 interfund 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 discretely presented 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 position (the amount by which assets and deferred outflows exceed liabilities and deferred inflows) are reported on the Statement of Net Position in three components:

(1) Net investment in capital assets– total amount of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds and other debt that are related to the acquisition or construction of those assets, including related deferred outflows of resources and deferred inflows of resources;

(2) Restricted – for amounts when constraints placed on the net position are either externally imposed, or are imposed by constitutional provisions or enabling legislation.

(3) Unrestricted – the total net position which do not fit the two preceding categories.

When both restricted and unrestricted resources are available for use, generally it is the State's policy to use restricted assets first with unrestricted resources utilized as needed.

C. Basis of Presentation—Fund Financial Statements

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.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and discretely presented 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 and component units are combined 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 plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, 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.

The financial activities of the State 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 to be re-appropriated in the future.

Special Revenue Funds **-** These funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects, 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 construction of transportation capital facilities. The primary 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 statewide education tax income sensitivity adjustments. 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 combines many individual special revenue funds that account for proceeds or specific revenues not categorized above that are limited 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 human services as part of the global commitment to health Medicaid waiver, transportation or fish and wildlife purposes (which are recorded in the State's Global Commitment Fund, 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 Section16c of 33 V.S.A. 1901(e). It is the result of Vermont entering into a Medicaid demonstration waiver agreement with the Federal Government. The original waiver agreement was amended on January 1, 2011, was renewed on October 2, 2013, and will expire on December 31, 2016. This agreement caps Federal expenditures in Medicaid services, 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 Department of Vermont Health Access (DVHA), which serves as a publicly sponsored managed care organization, and adheres to all Federal managed care organization regulations.

In addition to the grant received from the Federal Government, General and Special Fund resources are used to fund payments from the Agency of Human Services to the managed care organization within the DVHA 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 and Special 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 DVHA, and approved by the Commissioner of Finance and Management consistent with agreements between the managed care organization within the DVHA and departments delivering eligible services under the waiver. These resources paid to the Global Commitment Fund are adjusted by the AHS each quarter to the actual expenditures paid.

Non-major governmental funds column includes the balances and activities of the following:

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

Capital Projects Funds – These funds, consisting of the General Obligation Bond Projects Fund and the Transportation Infrastructure Bond Projects Fund, are non-major governmental funds, and account for and report financial resources that are restricted, committed, or assigned to be used for expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. These capital expenditures may be for the State directly or for outside organizations such as the Vermont State College System, municipalities, etc.

Debt Service Funds—These funds, consisting of the General Obligation Debt Service Fund and the Transportation Infrastructure Debt Service Fund, are non-major governmental funds, and account for and report financial resources that are restricted, committed, or assigned to be used for expenditures for bond principal and interest.

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, and monument preservation.

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 nine 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, reporting the activities of the State's unemployment compensation program, the liquor control board, and the State's lottery program, are reported as "major funds" while the remaining six are reported as non-major funds.

Unemployment Compensation Trust Fund – accounts for federal monies and unemployment taxes collected from employers to provide payment of benefits to the unemployed (21 V.S.A. Chapter 17).

Liquor Control Fund – accounts for the operations of the Liquor Control Board which purchases, distributes, and sells distilled spirits through its agency stores (7 V.S.A. Chapter 40).

Vermont Lottery Commission – accounts for the operations of the Vermont Lottery (31 V.S.A. Chapter 14). The net profits of the Vermont Lottery Commission are used to support public education and are transferred monthly to the Education Fund.

Internal Service Funds – These twenty-three separate 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. Activities accounted for in the State's internal service funds include risk management; employee group insurance programs; equipment acquisition and maintenance; rental and maintenance of facilities; financial, human resource, audit, and information technology services; postage, copying and supply procurement services; and State vehicle fleet management. 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, or other governmental units. These funds include the following:

Pension and Other Postemployment Benefit 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 (defined benefit) System, the Vermont Municipal Employees' (defined benefit) Retirement System, the Vermont Municipal Employees' Defined Contribution Plan, the State's Single Deposit Investment Account, the State Employees' Postemployment Benefit Trust Fund and the Vermont Municipal Employees' Health Benefit Fund.

Investment Trust Fund – Under the authority granted in 3 V.S.A. 523, beginning in Fiscal Year 2009, the State Treasurer created and began accepting deposits into the Vermont Pension Investment Committee (VPIC) Investment Pool, an external investment pool. The investment trust fund is used to account for the investments of the external participants in the Pool.

Private Purpose Trust Fund – The State's only fund in this category is the *Unclaimed Property Fund*, which accounts for all abandoned property that is required to be remitted to the State. The Unclaimed Property Division in the State Treasurer's Office administers procedures for returning this property to its rightful owner if they can be located. In addition to monetary assets, from time to time, the Unclaimed Property Division may have custody of tangible property that has not been valued and therefore is not reported in the financial statements.

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

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. Statewide education property taxes are recognized as revenues in the year for which the taxes are levied. This property tax is levied by the State on July 1, is included in the property tax bills levied by municipalities, and is collected by municipalities. The municipalities, by December 1 and June 1, must make payment to the State Treasurer in the amount specified by the Commissioner of Taxes.

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.

Major revenue sources considered susceptible to accrual include federal grants, interest on investments, and sales and income taxes.

Expenditures generally are recorded when a liability is due and payable, with the following exceptions:

a. Employees' vested annual, personal, and compensatory 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 accrual-basis financial statements and does not include any accruals for the State's share of any payroll taxes that will be 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.

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.

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash balances for most funds are deposited with the State Treasurer. Except for the Pension and Vermont Municipal Employees Health Benefit Trust Funds, Investment Trust Fund, and Capital Projects Funds, 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 based on average daily balances 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 three months or less such as certificates of deposit, commercial paper, federal government agencies' discount notes, money market accounts, and repurchase agreements.

Investments

Investments are stated at fair value. Fair values of investments are based on quoted market prices. For additional information regarding types of investments and basis of valuation, see Note IV.B.—Investments.

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 and are reported net of allowance for uncollectible accounts. See Note IV.C.—Accounts Receivable for further information.

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 include 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 after year-end. Amounts estimated to be collected after the 60-day revenue recognition period are recorded as unavailable 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 V.C. – Contingent Liabilities for further information. No allowances for uncollectible amounts have been recognized in these notes receivable.

Inventories

Inventories of materials and supplies in governmental funds are recorded as expenditures when purchased. Inventories reported in the proprietary funds are valued at the lower of cost or market, except inventories reported in the Federal Surplus Property Fund (an enterprise fund) are reported at the federal acquisition cost. Cost valuation methods used in the various funds are as follows: weighted average method – Liquor Control enterprise fund, Vermont Life Magazine enterprise fund, Highway Garage internal service fund, and Offender Work Programs internal service fund; specific identification method – Vermont Lottery Commission enterprise fund, Federal Surplus Property enterprise fund, and State Surplus Property internal service fund; and first-in, first-out method – Postage internal service fund.

Prepaid Expenses

In the governmental funds, all purchases are recorded as expenditures when the invoice is entered for payment. 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.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, art and historical treasures, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide Statements of Net Position, and in the fund financial statements for the proprietary and fiduciary funds. All purchased capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated assets are valued at estimated fair market value on the date donated to the State.

Capital assets, except as stated below, have an initial cost of at least $5,000, and provide a future economic benefit for a minimum of 2 years. This includes buildings that are not considered to be part of an infrastructure asset. All land and land use rights, regardless of cost, are capitalized and are not depreciated. Infrastructure assets are defined as long-lived economic resources that are normally stationary in nature,

utilized primarily by the general public as opposed to State employees, cost at least $50,000 and provide future economic benefit for a minimum of 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. Software with a cost of at least $50,000 and a useful life of more than two years, and internally generated intangible assets with a cost of at least $150,000 and a useful life of more than one year are capitalized.

Capital assets are depreciated over their useful lives using the straight-line mid-month depreciation method. Useful lives for buildings are 5 to 50 years, equipment is 3 to 20 years, software is 3 to 10 years, and infrastructure assets are 7 to 80 years. Additional disclosures related to capital assets and assets acquired through capital leases are found in Notes IV. E. - Capital Assets - and IV. G. 3.– Lease Commitments - respectively.

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. Repairs and maintenance are recorded as expenses. Significant renewals and improvements that increase the life expectancy are capitalized and deductions are made for retirements resulting from the renewals or improvements. Interest incurred on debt issued for construction of governmental activities capital assets is not capitalized.

The majority of the historic artifacts and collections that are maintained by the various State agencies and departments are not included in the capital asset reporting. The items not reported are protected and preserved, held for public exhibition and educational purposes and the proceeds from any sales of such items are used to acquire new items for the collection.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Primary Government only has one item that qualifies for reporting in this category, the unamortized balance of losses on bond refunding reported in the government-wide Statement of Net Position. A loss on a bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is capitalized and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Primary Government has only one type of item, which only arises under the modified accrual basis of accounting, that qualifies for reporting in this category, and that is *unavailable revenue*. Governmental funds report unavailable revenue in the balance sheet for revenue that is not available under the modified accrual basis. The amount is capitalized and recognized as revenue in the period that the it becomes available.

Tax Refunds Payable

Tax refunds payable primarily represent amounts owed by the State to taxpayers because of overpayment of their 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, 2014 in the governmental funds statements is comprised of tax refunds for filed tax returns due and payable at June 30, 2014. The amount reported as tax refunds payable at June 30, 2014 in the government–wide financial statements is comprised of estimated tax liability overpayments for the first and second calendar quarters of year 2014's tax liability that will be paid out in calendar year 2015.

Arbitrage Rebate Obligations

In accordance with Section 148(f) of the U.S. Internal Revenue Code, the State must rebate to the U.S. Government the excess of interest earned from the investment of certain debt proceeds over the yield rate of the applicable debt. Arbitrage rebate, if any, is due and payable on each five-year anniversary of the respective debt issue. As of June 30, 2014, the primary government had no outstanding arbitrage rebate obligation. The arbitrage rebate liabilities reported by the discretely-presented component units are included in "Other Long-term Liabilities" in the government-wide statement of net position.

Compensated Absences

Compensated absences' liabilities include amounts for accumulated unpaid vacation, compensatory time, and personal leave credits. Classified State employees 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 the subsequent year or be forfeited.

Liabilities for compensated absences are recorded in the government-wide statement activity where the employees are assigned, and in the funds, where applicable. The amounts are calculated based on an employee's pay rate in effect as of year-end. Additional information including changes in balances may be found in Note IV. G. 5. – 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.

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. Encumbrances remaining at fiscal year-end are reported within the restricted, committed, or assigned fund balances of the governmental funds, as appropriate. The amount of the encumbrances remaining in the general fund, reported as assigned fund balances, is $6,456,034.

Fund Balances

The fund balance amounts for governmental funds have been classified in accordance with GASB Statement No. 54—*Fund Balance Reporting and Government Fund Type Definitions*. Fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

· Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portions of loans or notes receivable, or property held for resale unless the use of the proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

· Restricted fund balances have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

· Committed fund balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Vermont Legislature, the State's highest level of decision-making authority. This formal action is the passage of a law by the legislature specifying the purposes for which amounts can be used. The same type of formal action is necessary to remove or change the specified use.

· Assigned fund balance includes amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted or committed. For governmental fund types other than the General Fund, this is the residual amount within the fund that is not restricted or committed. In the General Fund, amounts are assigned by the Agency of Administration under authorization by the Legislature in the annual Budget Adjustment Act.

· Unassigned fund balance is the residual amount of the General Fund not included in the four categories above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

When both restricted and unrestricted amounts are available for use, generally it is the State's policy to use restricted amounts first, with unrestricted resources utilized as needed. In the case of unrestricted resources, it is generally the State's policy to use committed amounts first, followed by assigned amounts, then unassigned amounts as needed. Additional information may be found in Note IV. H.—Fund Balance/Net Position

Bond Discounts, Premiums and Issuance Costs

In the government-wide financial statements, bond discounts or premiums are capitalized and amortized over the term of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs other than prepaid insurance are reported as expenses.

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.

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 the 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 II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund financial statements each include a schedule that reconciles the fund balance and net changes in fund balance in the fund financial statements to the net position and changes in net position in the government-wide financial statements. Differences between the two occur because the current financial resources measurement focus and modified accrual basis of accounting that is used in governmental funds must be converted to the economic resources measurement focus and accrual basis of accounting that is used in government-wide reporting. In addition, differences will occur because balances and transactions associated with interfund activity must be eliminated in the process of preparing the government-wide financial statements, including consolidation of internal service fund data into the governmental activities in the government-wide financial statements.

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position.

One element of that reconciliation explains that "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." The details of this $2,255,397,506 are as follows:

Land	$ 128,348,127
Construction in progress	531,158,518
Works of art	127,803
Depreciable capital assets and infrastructure, net of $1,163,996,222 of accumulated depreciation	1,595,763,058
Net adjustment to increase *fund balances - total governmental funds* to arrive at *net position - governmental activities*	$ 2,255,397,506

Another element of that reconciliation explains that "amounts are presented in the Statement of Net Position but are not presented in fund balances due to a different basis of accounting." The details of this $155,791,251 are as follows:

Long-term assets are not available to pay for current period expenditures and therefore are reported as unavailable revenues in the governmental funds	149,274,379
Deferred outflow for unamortized loss on sale of refunding bonds	6,909,872
Payable to component units	(393,000)
Net adjustment to increase *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ 155,791,251

The final element of that reconciliation explains that "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." The details of this $1,573,284,374 are as follows:

Bonded and capital lease debt (net of internal service funds' liability)	$ (620,297,974)
Accrued interest payable on bonds	(8,649,754)
Compensated absences (net of internal service funds' liability)	(31,245,076)
Tax refunds payable	(63,678,000)
Other long-term liabilities	(849,413,570)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ (1,573,284,374)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period, net of internal service funds." The details of this $285,041,433 difference are as follows:

Capital outlay/functional expenditures	$ 813,457,077
Expensed net book value of disposed assets	(415,538,179)
Depreciation expense	(112,877,465)
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 285,041,433

A second element of the reconciliation states that repayment of bond principal is reported as an expenditure in governmental funds,. However, in the government wide statements, repayment of bond principal reduces long -term liabilities. The details of the $75,241,044 difference are as follows:

Principal repayment	$ 55,195,000
Payment to refunding bond escrow agent	20,046,044
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 75,241,044

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The details of this $92,974,044 difference are as follows:

Bonds issued increases long-term debt in the statement of activities	$ (78,975,000)
Refunding bonds issued increases long-term debt in the statement of activities	(18,935,000)
Bond premium is amortized over the life of the bonds in the statement of activities	7,144,607
Refunding bonds deferred outflow amortized to interest expense over life of refunded bonds	(2,184,180)
Bond discount is amortized over the life of the bond in the statement of activities	(24,471)
Net adjustment to decrease *changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ (92,974,044)

The final element of that reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $64,396,994 difference are as follows:

Increase in accrued interest payable	$ (33,814)
Accreted interest on capital appreciation bonds	(54,947)
Increase in compensated absences	(1,319,707)
Increase in payable to component units	(393,000)
Increase in employer pension and other postemployment benefit related costs	(68,308,871)
Decrease in pollution remediation related costs	4,495,283
Decrease in intergovernmental payable - federal government (accrued interest)	1,136,687
Decrease in early retirement incentives	81,375
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ (64,396,994)

Note III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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 November 15 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 and usually at the program level. 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).

The original budgets for expenditures and transfers are determined by the Legislature through the passage of the annual Appropriation Act. The Commissioner of Finance and Management (with approval from the Governor) may transfer balances of appropriations not to exceed $50,000 made under any appropriation act for the support of the government from one component of an agency, department, or other unit of State government, to any component of the same agency, department, or unit; and may transfer balances of appropriations made under any appropriation act from one department or unit of the agency of transportation to another department or unit of the agency of transportation for the specific purpose of funding authorized transportation projects which have been approved by the federal government for advance construction in which the expenditure of State funds will be reimbursed by federal funds when the federal funds become available, and the transfer is limited to funds which have been approved for reimbursement. If any receipts, including federal receipts, exceed the appropriated amounts, the receipts may be allocated and expended, subject to the approval of the Secretary of Administration. If, however, the expenditure of those receipts will establish or increase the scope of the program, which establishment or increase will at any time commit the State to the expenditure of State funds, they may be expended only upon the approval of the Legislature.

B. Deficit Fund Balances/Net Position

Business-type Proprietary Funds

Federal Surplus Property Fund ended fiscal year 2014 with both a deficit unrestricted net position and a total net position of $109,592. The program continues to suffer from a lack of inventory for sale from the federal government that could in turn be retrieved for sale by the State. In 2014, the fund received additional capital from the General Fund in the amount of $200,000. The plan going forward is to reduce the deficit by actively retrieving goods for sale to increase program sales in 2015. The program lost just over $50,000 in FY 2014. Given the program is popular with local governments further recapitalization from the General Fund would be required if sales continue to keep the program in a deficit position.

Vermont Life Magazine Fund ended fiscal year 2014 with both a deficit unrestricted net position and a total net position of $2,033,130. At the beginning of FY 2014, Vermont Life suffered the death of its publisher, which derailed the previous year's plans to balance the budget by 2015. Management has taken steps to put Vermont Life back on track to solvency. The new publishing and editorial assistant helped them develop and promote a new holiday gift guide ad sales program which contributed $14,850 worth of additional ad sales to this year's Winter issue. They eliminated the position of product sales rep, saving $16,500 in salary plus $22,787 in commission. The increases in circulation resulting from the direct mail campaign, which will take some time to materialize, will not only contribute to revenue, it will allow the ad sales people to promise more readers to potential advertisers. They have also begun developing a partnership with Hotel Vermont that will result in a revenue-generating calendar sales event. Resulting improvements to the bottom line will hopefully be evident after the end of the fiscal year.

Internal Service Funds

Single Audit Revolving Fund ended fiscal year 2014 with both a deficit unrestricted net position and a total net position of $270,617. In part, the deficit can be attributed to fiscal year 2009 budget rescissions resulting in a transfer to the General Fund of $196,000. The remaining deficit is due to FY2014 accruals that will be billed in FY2015.

Financial & HR Information Fund ended fiscal year 2014 with a deficit unrestricted net position of $1,185,158 and a deficit total net position of $1,155,591. Much of the loss is attributed to the launch and support of the new payroll system and staffing costs (VTHR). The deficit will be recovered through increased efficiencies in the program as well as adjusted rate allocations to departments in FY 2016.

Communications & Information Technology Fund ended fiscal year 2014 with a deficit unrestricted net position of $2,748,165 and a deficit total net position of $1,021,813. The fund activity grew by over a third from FY 2013 with the consolidation of the AHS IT business functions within DII. Adjustments to the statewide allocation and department bill back should address much of this deficit. The three major program components of the fund contributed to the combined deficit balance. Improved and timely financial reporting to DII management to allow real time business adjustments as well as adjustments to the annual department allocations should address this deficit going forward.

Fleet Fund ended fiscal year 2014 with a deficit unrestricted net position of $5,036,961 but with a combined net positive position of $2,525,670.The unrestricted deficit of $5,036,961 is the result of the financing of fixed assets (vehicles) that are financed through the inter-fund payables. More importantly, the total net position is positive and is expected to remain in that position as the program had a change in net position of $571,217 in FY 2014. A rate holiday, reduction of lease rates, or a possible payback of unused mileage charges is possible in 2015 to help reduce the overall program fund surplus.

Copy Center Fund ended fiscal year 2014 with a deficit unrestricted net position of $2,978,608 and a deficit total net position of $1,914,692. The Print Shop has increased its sales volume over the last few years which have helped to stabilize the fund. Sales volume is expected to continue to increase as a result of the Administrative requirement that all state entities use the Print Shop when possible. The increase volume,

however, may need to be supplemented by an increase in rates to keep with the increasing cost of goods. If this is not possible, the viability of the program will require further review. Management is aggressively pursuing additional business opportunities.

Postage Fund ended fiscal year 2014 with both a deficit unrestricted net position of $2,186,420 and a deficit net position of $2,120,973. It is the intention that the current fund deficit will be recovered through business operations. An increase in the General Fund subsidy to cover the increasing cost of internal mail delivery and bomb screening has been budgeted for FY15. Sales in FY 2014 were down 12% from FY 2013. An adjustment to staffing costs may be required to bring the program into equilibrium.

Facilities Operations Fund ended fiscal year 2014 with a deficit unrestricted net position of $3,366,647 and a deficit total net position of $3,447,139. The fund's deficit will need to be recovered through increased billings. To do this a deficit reduction amount would need to be added to the space rental rates. As part of the FY 2015 budget rescission, the program is being required to reduce costs by over $1 million. This requirement carries over into the FY 2016 budget cycle. The deficit will be addressed through increased billings to departments for space rentals.

Property Management Fund ended fiscal year 2014 with a deficit unrestricted net position of $23,960,943 and a deficit total net position of $23,958,919. The fund's deficit continues to expand due to the lack of a revenue source to cover the ongoing operating expense of the program. The Administration is exploring adding a surcharge to the existing leases to aid in covering these costs. The 20-year bonding of the three buildings in the program and the 50-year recovery period of the bond principle resulted in the lion's share of the fund's deficit. As of 2014, only one building remains with bond principal payments.

Workers' Compensation ended fiscal year 2014 with both a deficit unrestricted net position and a total net position of $7,365,087. The rates for fiscal year 2015 included an additional $750,000 to help alleviate part of this deficit net position. In 2016, the fund's deficit will continue to be addressed in the rate setting process for departments and agencies, with an additional $1 million added to the base rate. The workers' compensation program has an aggressive medical case management team that is striving to return injured employees back to work at the earliest possible signs of recovery. This goal should result in an improvement in the claims expense going forward.

Medical Insurance Fund ended fiscal year 2014 with both a deficit unrestricted net position and a total net position of $8,860,203. Rate holidays in FY 2014 combined with a large increase in utilization of the services provided by the medical fund by employees and their families resulted in this large unexpected fund deficit. The deficit amount will be recovered in CY 2015 through a significant rate increase expected to be in the 15% range as well as no rate holiday in FY 2015.

Human Resource Services Fund ended fiscal year 2014 with both a deficit unrestricted net position and a total net position balance of $275,484. This program continues to grow beyond its initial plans and initial funding amounts. As the fund has now reached a more stable situation the deficit from FY 2013 was reduced by almost half. The rates established for FY 2015 should offset much of the remaining deficit.

Governmental Fund Types

Special Fund ended fiscal year 2014 with a negative unassigned fund balance of $4,825,696. This is due mainly to the allocation of the State share of accrued liabilities pertaining to the Global Commitment Fund at June 30, 2014 and the revenues to pay for those liabilities is not available until 2015.

NOTE IV. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash and Cash Equivalents

Deposits 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. Chapter 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 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 funds 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's trust department or agent, that are not registered in the depositor – government's name. Although State statute does not require deposits to be collateralized, the Treasurer requires the State's cash deposits held in its primary bank to be collateralized with either United States Treasury securities or Vermont municipal securities or other approved money market instruments, or other collateral acceptable to the Treasurer. 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 and assets. Bank deposits in excess of the FDIC amounts and collateral agreements are uninsured and uncollateralized. Bank balances of deposits for the primary government, excluding pension trust funds, as of June 30, 2014, (including certificates of deposits) were $373,862,106. Of these, $3,489,238 was exposed to custodial credit risk as uninsured and uncollateralized.

The pension trust funds' cash deposits, outside of the pension trust funds' custodian bank, totaled $9,977,587, none of which was exposed to custodial credit risk.

B. Investments

<u>Primary Government—Excluding All Pension Trust Funds</u>

Investments for the primary government are governed by State statutes. The State has an investment policy with an overriding goal of minimizing exposure to risk and maintaining liquidity necessary for future cash needs while maximizing the return on investments. Two sections of State statute govern the investment of the State's operating and restricted cash (i.e., non-pension funds).

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 or other approved money market instruments; 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. Also, 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. These include the Tobacco Trust Fund, the Higher Education Trust Fund, the ANR Stewardship Fund, two Veterans' Home trusts, the Fish and Wildlife Trust, Vermont State Retirement OPEB Fund, and various small trusts.

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.

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. Management at the State Treasurer's Office is responsible for the fair value 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.

(*a) Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The primary government's investments, other than pension and investment trust funds' investments, at June 30, 2014 are presented as follows:

Primary Government Investments - Excluding
Pension, Other Postemployment Benefits and Investment Trust Funds
(Expressed in Thousands)

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less Than 1**	**1 to <6**	**6 to 10**	**More Than 10**
Debt Investments					
US Agencies/Treasuries	$ 1,439	$ 220	$ 569	$ 390	$ 260
Money Market Mutual Fund	212,177	212,177	-	-	-
Other	93	14	37	25	17
Total Debt Investments	213,709	$ 212,411	$ 606	$ 415	$ 277
Other Investments					
Equity Securities	1,075				
Mutual Funds	21,419				
US Treasury Trust Pool	122,267				
Total Investments	$ 358,470				

The above includes instruments that are classified as cash and short-term investments for balance sheet purposes. The following is a reconciliation of the investment types to the financial statement presentation (*in Thousands*).

Primary Government Investments - Excluding
Pension, Other Postemployment Benefits and Investment Trust Funds

Investments per maturity schedule	$ 358,470
Included in cash & cash equivalents:	
Money market mutual fund	(180,818)
Certificates of deposit	12,000
US Unemployment trust pool	(122,267)
Financial statement investments total	$ 67,385
Governmental activities total	$ 64,878
Business activities total	1,532
Fiduciary - private purpose trust fund	975
Total	$ 67,385

(b) 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. While State statute does not establish ceilings, formal investment guidelines for operating funds limit the amount invested to 10% in any one issuer of commercial paper, corporate securities, or bankers' acceptances. There are no limitations for U.S. Government and Federal Agencies. Money market funds utilized by the State Treasurer's Office are highly rated and incorporate the requisite diversification. As of June 30, 2014, no single issuer exceeded 5% for the primary government portfolios.

(c) Custodial Credit Risk
For investments, custodial credit risk is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The State has no formal policy on custodial credit risk but maintains contractual relationships with custodian banks that provide coverage and define the procedures. As of June 30, 2014 all securities were registered in the name of the State at its custodian bank. Investments in open-end mutual funds are not exposed to custodial risk because their existence is not evidenced by specific securities.

(d) Credit Risk
Credit risk is the possibility that the issuer or other counterparty to an investment may default on 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 and the use of low-risk money market instruments. The credit risk associated with the State's debt securities, money market funds, bond mutual funds, and other pools of fixed income securities, exclusive of pension fund investments, as of June 30, 2014, is presented as follows using the Moody's rating scale.

Primary Government Rated Debt Instruments Excluding
Pension, Other Postemployment Benefits and Investment Trust Funds
(Expressed in Thousands)

		Quality Ratings	
Debt Investments	**Fair Value**	**Aaa**	**Unrated**
US Agencies/Treasuries	$ 1,439	$ 1,439	$ -
Money Market Mutual Fund	212,177	180,823	31,354
Other	93	-	93
Totals	$ 213,709	$ 182,262	$ 31,447

(e) Foreign Currency Risk
Foreign currency risk is the extent to which changes in exchange rates affect the value of an investment. Vermont's operating funds are restricted, through statute and formal guidelines, to specific money market instruments and money market funds who only invest in domestic instruments. In the Trust Investment Account portfolio, total exposure to foreign currency risk as of June 30, 2014, was $0.

Primary Government—Pension , Other Postemployment Benefits and Investment Trust Funds

The State has three defined benefit plans (Vermont State Retirement System (VSRS), State Teachers Retirement System (STRS), and Vermont Municipal Employees' Retirement System (MERS)); three defined contribution plans (VSRS, MERS, and Single Deposit Investment Account); and two other postemployment benefit funds. Additional information on these plan benefit and actuarial valuations may be found in Note IV.G.4.—Pension and Other Postemployment Benefits.

By statute, the assets of the three defined benefit plans are invested on behalf of each plan's Trustees through the Vermont Pension Investment Committee (VPIC), which was established by the Vermont Legislature (Title 3 V.S.A. Chapter 17), effective July 1, 2005, to combine the assets of the VSRS, STRS and MERS defined benefit plans for the purpose of (i) investment in a manner that is more cost- and resource-efficient; (ii) improving the effectiveness of the oversight and management of the assets of the Retirement Systems; and (iii) maintaining the actuarial, accounting, and asset allocation integrity of the Retirement Systems. The majority of these assets have been pooled for investment purposes. Effective May 31, 2006, legislation amended VPIC's authority allowing VPIC to enter into agreements with municipalities administering their own retirement systems to invest retirement funds for those municipal plans.

On November 1, 2007, the City of Burlington, Vermont pooled its investments with the majority of the assets of the State, Teachers and Municipal defined benefit plans pursuant to a change in State statute permitting Vermont municipalities to pool their funds with the VPIC thereby creating an "external investment pool." An "external investment pool" is defined by GASB 31 as the commingling and investing of the monies of more than one legally separate entity, on the participants' behalf, in an investment portfolio. In this case, one of the participants, the City of Burlington, is not part of the State's reporting entity. Each of the participating funds has an equity position in the external pool and individual investment securities are not specifically identified to any of the participating funds. As a result, the "pooled investment" is a net equity position, incorporating the results of the underlying securities, receivables and liabilities. Earnings in each pooled investment are allocated based on the month-end balances of each of the respective systems.

The three defined benefit plans and the City of Burlington's assets managed by VPIC are externally managed in the pool established July 1, 2005 with a startup share price of $1,000. Ownership in the pool is based on the number of shares held by each member. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction.

The pool's net position and statement of changes in net position are as follows.

VERMONT PENSION INVESTMENT COMMITTEE
INVESTMENT POOL
STATEMENT OF NET POSITION
June 30, 2014
(Expressed in Thousands)

Assets	
Cash and short term investments	$ 26,254
Receivables	
Interest and dividends	9,690
Investments sold	35,243
Total receivables	44,933
Investments at Fair Value	
Fixed income	809,759
Equities	967,354
Mutual funds	1,632,006
Real estate and venture capital	630,699
Total investments	4,039,818
Total assets	4,111,005
Liabilities	
Accounts payable	157
Payable for investments purchased	87,498
Total liabilities	87,655
Net position held in trust for investment pool participants	$ 4,023,350

VERMONT PENSION INVESTMENT COMMITTEE
INVESTMENT POOL
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

Additions	
Investment income	
Net appreciation (depreciation) in fair value of investments.....	$ 442,465
Dividends.....	47,383
Interest income.....	24,631
Other income.....	129
Total investment gain and additions.....	514,608
Deductions	
Net pool participant withdrawals.....	84,534
Operating expenses.....	385
Total deductions.....	84,919
Change in net position.....	429,689
Net position held in trust for pool participants	
July 1, 2013.....	3,593,661
June 30, 2014.....	$ 4,023,350
Pool participants	
Vermont State Retirement System.....	$ 1,649,879
State Teacher's Retirement System.....	1,698,896
Vermont Municipal Employees' Retirement System.....	522,133
City of Burlington.....	152,442
Totals - June 30, 2014.....	$ 4,023,350

All three defined benefit plans managed by the State have adopted a common asset allocation as determined by the Vermont Pension Investment Committee. As of October 29, 2009, 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.

The State's Single Deposit Investment Account (SDIA), a non-contributory defined contribution plan, is invested in a commingled stable bond fund. The investment policy governing the SDIA portfolios includes a minimum average credit quality of double-A, no bonds rated below investment grade, and limitations on asset-backed, mortgage-backed, collateralized Mortgage Obligations, corporate bonds, and single issuers of non-treasury/government agency backed bonds.

The Vermont State Retirement's defined contribution plan's trustee is the State Treasurer. The Vermont Municipal Employees' Retirement System Board of Trustees is the trustee for the Vermont Municipal Employees' defined contribution plan. Both plans are administered by Fidelity Investments Institutional Operations Company. Investment choices are made by participants from a range of funds approved by the trustees' for the plans. Investment options are Fidelity and non-Fidelity mutual funds including large and small market capitalization equities (actively managed and indexed), international equities, fixed income securities, balanced funds, target retirement date age based funds, and a stable value fund. Funds included in the plans were selected based on consideration of fund performance for one and multi-year periods, performance ranked against peer group funds in asset class, management fee expense ratios, fund asset class and investment objectives, historical annual returns, Morningstar ratings, performance in various stages of the capital market cycle, and consultant recommendations as to the optimal number of funds and appropriate asset classes. Fidelity provides quarterly investment reports and analysis that are reviewed by Treasury staff, the State Treasurer and Vermont Municipal Employees' Retirement's Board.

The State has two other postemployment benefit funds, the Vermont State Postemployment Benefits Trust Fund (State OPEB) and the Vermont Municipal Employees Health Benefit Fund (Muni OPEB). The "State OPEB" is invested in the Trust Investment Account utilized as an investment vehicle by many of the State's primary funds, exclusive of pension funds, and is included in the cash and investment disclosures for the primary government as is its cash deposits. The "Muni OPEB" in invested under the authority of the Municipal Retirement Board of Trustees and utilizes an outside administrator, ICMA-RC employing mutual funds.

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 is carried at the net asset value of each retirement system's real estate fund investments, 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 value 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.

a) Interest Rate Risk

As pension trust funds have a different investment term horizon based on a long average liability term, the VPIC manages exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its debt securities with Core, Core Plus and Global Fixed Income investment managers, requiring that the duration be within a specified percentage of the duration band of the appropriate benchmark index. In the case of domestic Core Fixed Income managers the average duration (interest rate sensitivity) of an actively managed portfolio shall not differ from the appropriate passive benchmark's duration by more than +/- 25 percent. The Core Plus portfolio restriction is +/- two years around the passive benchmark duration. With respect to Global Fixed Income portfolios, current portfolio durations are restricted to a range of one to ten years. High yield fixed income portfolios prices and yields are not as directly correlated with the general level of interest rates and are duration monitored but not duration restricted. The calculation of the duration of mortgage backed securities involves assumptions as to the expected future prepayment rate for the security. The Managers are required to calculate duration at the time of initial purchase and on a routine basis to maintain compliance with these guidelines. Fixed income managers are required to report portfolio characteristics quarterly inclusive of portfolio duration as a measure of portfolio interest rate sensitivity. Pension, Other Postemployment Benefits and Investment Trust Funds investments are as follows:

Pension, Other Postemployment Benefits, and
Investment Trust Funds' Investments
(Expressed in Thousands)

Investment Type	Fair Value	Less Than 1	1 to <6	6 to 10	More Than 10
Debt Investments					
US Agencies/Treasuries	$ 222,164	$ 4,545	$ 35,115	$ 163,161	$ 19,343
Corporate Debt	359,117	55,051	170,435	110,875	22,756
Money Market Mutual Fund	30,476	30,476	-	-	-
Repurchase Agreements	6,400	6,400	-	-	-
Municipals	6,453	-	-	205	6,248
Asset Backed Securities	6,889	-	-	760	6,129
Mortgage Backed Securities	53,178	-	309	86	52,783
Sovereign Debt	149,428	23,008	66,951	50,349	9,120
Certificates of Deposit	11,667	6,571	5,096	-	-
Total Debt Investments	845,772	$ 126,051	$ 277,906	$ 325,436	$ 116,379
Other Investments					
Mutual & Commingled Funds	1,790,543				
Equity Securities	967,416				
Real Estate - Venture Capital	630,699				
Fixed Income - Derivatives	864				
Total	$ 4,235,294				

(b) Concentration of Credit Risk
Formal guidelines for 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. No limitations on issues and issuers shall apply to obligations of U.S. Government and Federal Agencies. As of June 30, 2014, no issuer exceeded 5%.

(c) Custodial Credit Risk
Custodial credit risk for investments is the risk that a government will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The VPIC manages exposure to custodial credit risk by requiring all relevant investment managers to hold investments in separate accounts with VPIC's custodian. VPIC guidelines specify the custodial requirements for these accounts and the duties of the Managers and the custodian. As of June 30, 2014, all securities were registered in the name of the State at its custodian bank. Investments in pools, open-end mutual funds, and other investments not evidenced by specific securities are not categorized.

(d) Credit Risk
Detailed pension guidelines by asset class and supplemental requirements by investment manager are used to set risk parameters and are stated in written contracts. These guidelines are reviewed and adopted by VPIC. Treasury staff and independent investment consultants are utilized to assure compliance. The credit risks associated with these securities are as follows:

Pension, Other Postemployment Benefits, and
Investment Trust Funds' Investments
(Expressed in Thousands)

Debt Investments	Fair Value	Quality Ratings Aaa	Aa	A
US Agencies/Treasuries	$ 222,164	$ 203,167	$ -	$ -
Corporate Debt	359,117	1,007	7,202	40,544
Money Market Mutual Fund	30,476	-	-	-
Repurchase Agreements	6,400	-	-	-
Municipals	6,453	-	3,681	2,772
Asset Backed Securities	6,889	1,157	954	325
Mortgage Backed Securities	53,178	17,432	2,102	122
Sovereign Debt	149,428	46,949	22,882	15,176
Certificates of Deposit	11,667	-	700	2,599

continued below

Debt Investments	Quality Ratings Baa	Ba	B and below	Unrated
US Agencies/Treasuries	$ -	$ -	$ -	$ 18,997
Corporate Debt	77,347	66,043	98,824	68,150
Money Market Mutual Fund	-	-	-	30,476
Repurchase Agreements	-	-	-	6,400
Municipals	-	-	-	-
Asset Backed Securities	3,159	503	31	760
Mortgage Backed Securities	3,400	1,193	8,590	20,339
Sovereign Debt	32,482	8,655	-	23,284
Certificates of Deposit	1,900	-	-	6,468

e) Foreign Currency Risk

Unless VPIC stipulates specific exceptions to the guidelines, the global bond portfolio may hold no more than 30% of its assets, at market value, or 120% of each country‘s benchmark weight (whichever is greater) in the debt securities of any single foreign government or non-U.S. government entity. For the purposes of this calculation, all countries within the European Single Currency shall count as one country. Single non-government debt security limitations are also set for the global bond portfolio. In the case of equities, the investment manager is afforded flexibility in the number of issues held and their geographic or industry distribution, provided that equity holdings are within the lesser of established percentage ranges in relative to single holding limitations and a stock‘s weighting in the style benchmark against which the manager is measured. Most foreign currency exposure is in the pension and investment trust funds’ portfolios. The value in US dollars by foreign currency denomination and type of investment is as follows:

Pension, Other Postemployment Benefits, and
Investment Trust Funds' Investments
Foreign Currency Risk - International Securities at Fair Value
(Expressed in Thousands)

Currency	Total	Short Term	Debt	Equity	Derivatives
Australian Dollar	$ 32,889	$ 313	$ 23,182	$ 9,696	$ (302)
Brazilian Real	(414)	-	-	-	(414)
Canadian Dollar	13,706	84	4,671	9,054	(103)
Danish Krone	3,076	-	-	3,076	-
Euro Currency	184,939	307	77,575	107,385	(328)
Hong Kong Dollar	2,333	84	-	2,249	-
Hungarian Forint	1	1	-	-	-
Israeli Shekel	80	-	-	80	-
Japanese Yen	79,146	562	16,219	62,364	1
Malaysian Ringgit	109	-	-	109	-
Mexican Peso	12,379	339	11,524	618	(102)
New Turkish Lira	76	5	-	71	-
New Zealand Dollar	418	1	-	417	-
Norwegian Krone	5,890	140	-	5,750	-
Philippine Peso	1	1	-	-	-
Polish Zloty	9,400	-	9,221	179	-
Pound Sterling	62,209	462	8,054	53,842	(149)
Singapore Dollar	10,150	40	-	10,110	-
South African Rand	352	-	-	325	27
South Korean Won	2,968	-	-	2,968	-
Swedish Krona	17,935	-	11,176	6,754	5
Swiss Franc	23,566	-	-	23,566	-
Thailand Baht	173	3	-	170	-
Total	$ 461,382	$ 2,342	$ 161,622	$ 298,783	$ (1,365)

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 and facilitate securities transaction settlements rather than leverage portfolio risk exposure. In global fixed income accounts, 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 net short any currency, or net long more than 100% of the portfolio. VPIC has funds allocated to a global allocation 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.

Derivative Financial Instruments

Vermont Pension Investment Committee (VPIC) policy authorizes certain investment managers (Managers) to invest in derivative financial investments. Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed upon benchmark. Disclosures related to derivatives positions required under Governmental Accounting Standards Board Statement No. 53 – "Accounting and Financial Reporting for Derivative Instruments" (GASB No. 53) apply only to those derivative instruments held directly by the VPIC on behalf of the defined benefit plans and the external investment trust

and not those held within commingled fund investment vehicles. The Pension and Other Postemployment Benefit Trust Funds do not have hedgeable assets or liabilities, and all derivative instruments are considered investment derivatives, with corresponding changes in fair value reported in investment income. The fair value of all derivative financial instruments are reported in the Statement of Fiduciary Net Position. All of the derivatives reported at June 30, 2014, are at fair value.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2014, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

	Changes in Fair Value		Fair Value at June 30, 2014		
	Classification	Amount	Classification	Amount	Notional
Fiduciary Funds					
Investment derivatives					
Futures					
Fixed income futures	Investment revenue	$ (134,030)	Investment	$ -	$ 1,638
Currency forwards					
FX forwards	Investment revenue	(1,206,841)	Investment	-	(402,757,507)
Options					
Fixed income options	Investment revenue	1,620,557	Investment	(1,398,610)	(403,400,000)
Foreign currency options	Investment revenue	29,035	Investment	(62,877)	(14,600,000)
Swaps					
Credit default swaps	Investment revenue	963,477	Investment	948,585	55,450,000
Fixed interest rate swaps	Investment revenue	1,058,948	Investment	1,058,948	656,120,770

Derivative instruments may be used for any of the following purposes;

- To gain market exposure.
- To convert financial exposure in a given currency to that of another currency (e.g., to hedge Japanese Yen exposure back to the U.S. dollar). Any and all international Managers may enter into foreign exchange contracts on currency provided that: a) such contracts are one year or less, and b) use of such contracts is limited solely and exclusively to hedging currency exposure existing within the Manager's portfolio. There shall be no foreign currency speculation or any related investment activity, with the exception of currency hedging Managers who enter into currency hedging will be guided by specific risk parameters in their contracts.
- To adjust the duration of a bond portfolio in a manner that is consistent with the accepted approach of the Manager and other contract terms applicable to the Manager.
- To make portfolio adjustments that are consistent with other elements of the VPIC's investment policies and that do not systematically increase risk or expected volatility of the rate-of-return of the total portfolio.
- For trading purposes which are intended to enhance investment returns. This purpose is subject to the requirement that it be consistent with other elements of the VPIC's investment policies and that it does not systematically increase the risk or expected volatility of the rate of return of the total portfolio.

All other uses of derivatives are prohibited unless specifically approved by the VPIC. Managers are expected to have internal risk management programs in place to ensure that derivatives-based strategies do not result in inappropriate risks to the VPIC Portfolio. Separately managed funds include the following reporting requirements: a list of all derivative positions as of quarter-end; an assessment of how the derivative positions affect the risk exposures of the total portfolio; an explanation of any significant pricing discrepancies between the Manager and custodian bank; an explanation of any non-compliance. Commingled funds provide the VPIC with a quarterly list of derivative positions and assessment of the effect on the risk exposure of the portfolio.

For derivative securities, the Custodian Bank is required to obtain two independent prices, or to notify the VPIC that two independent prices are not available. Managers are required to reconcile the valuations of all derivatives positions on a monthly basis with the Custodian Bank. Derivatives, which are futures contracts, are Commodity Futures Trading Commission approved and exchange-traded. Options may either be exchange-traded or traded over-the-counter (OTC).

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 Fiduciary Net Position.

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 in the Statement of Changes in Fiduciary Net Position.

Only forward currency contracts are defined as derivatives per GASB No. 53 are reported above; currency spot contracts are not included.

Risk of loss arises from changes in currency exchange rates. At June 30, 2014, currency forward positions consisted of unrealized losses on pending foreign exchange sales of $(1,139,735) and pending foreign exchange purchases of $(67,106).

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.

Swaps represent an agreement between two or more parties to exchange sequences of cash flows over a period in the future. At June 30, 2014, the VPIC had two different types of swap arrangements; interest rate 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 long term variable interest investments into fixed interest rate investments. Credit default swaps are used to manage credit exposure without buying securities outright. Gains and losses on swaps are determined based on market values and are recorded in the Statement of Changes in Fiduciary Net Position.

Counter-party creditworthiness, for non-exchange traded derivatives, shall be at a minimum of "A3" as defined by Moody's Investor Service, "A-" by Standard & Poor's, and "A-" by Fitch. The use of counter-parties holding a split rating with one of the ratings below A3/A– is prohibited. The use of unrated counter-parties is prohibited. Individual counter-party exposure, for non-exchange traded commodity derivatives, is limited to 50% of the notional amount of the VPIC Portfolio commodity derived exposure. An exception is allowed if the total commodity derivative exposure is less than $3 million. Any entity acting as counter-party must be regulated in either the United States or the United Kingdom. All other uses of derivatives are prohibited unless specifically approved by the VPIC. Managers are expected to have internal risk management programs in place to ensure that derivatives-based strategies do not result in inappropriate risks to the VPIC portfolio. For fiscal year 2014 all counterparties for derivatives met the VPIC counterparty risk rating requirements.

The following shows the market value of credit exposure per Moody's ratings at June 30, 2014.

Moody's Rating	Market Value
Aa3	$ 2,215
A1	1,083,736
A2	1,734,947
A3	583,909
Baa1	211,337
Baa2	3,815
Total	$ 3,619,959

In addition, Manager credit research teams are tasked with evaluating potential counterparties for their creditworthiness as counterparties, not relying on ratings agencies alone. Managers evaluate individual counterparties using various methods of credit analysis: company visits, reports, earnings updates and take into account other factors, including the broker's/dealer's reputation for sound management, the past experience of the manager with the broker/dealer, market levels for its debt and equity, its quality of liquidity provided and its share of market participation. At June 30, 2014, risk concentrations are as follows:

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
Credit Suisse	27%	A1	A	A
Citibank NA	23%	A2	A	A
Barclays	22%	A2	A	A
Morgan Stanley	12%	A3	A	A
Royal Bank of Scotland	6%	Baa1	A-	A-
Deutsche Bank	4%	A3	A	A+
BNP Paribas	3%	A1	A+	A+
Goldman Sachs	2%	A2	A	A
Bank of America	1%	A2	A	A
HSBC Bank	0%	A1	AA-	AA-
Nomura Global Financial	0%	Baa1	BBB+	A-
JP Morgan Chase	0%	Aa3	A+	A+
Citigroup Global	0%	Baa2	A	A

VPIC's Managers use master agreements and may receive additional protection through the collateralization requirements, which helps to mitigate a party's exposure to another party in the event of a default or termination event by requiring the pledging/posting of assets to the other party to secure any outstanding obligations under certain transactions. By regular, generally daily, movement of collateral on forward settling trades, VPIC's exposure to any particular counterparty can be reduced. Collateral movement threshold for securities under the master forward agreements typically ranges from $0 to $250,000 per account, depending on the particular counterparty. Managers require daily posting of collateral with many of our counterparties.

VPIC does not have a formal policy regarding master netting arrangements. As a general practice, Managers use industry standardized contracts, generally known as "master agreements" or "netting agreements," counterparty risk is reduced by providing parties to a transaction the ability to close out and net its total exposure to a counterparty in event of a default with respect to all transactions governed under that particular agreement. These agreements (ISDA Master Agreement and Credit Support Annex, Master OTC Options Agreement, Master Securities Forward Transaction Agreement, Global/Master Repurchase Agreement) allow

parties to a transaction to know their legal rights and obligations, in addition to an ability to net. Managers generally put master agreements in place on behalf of each account it manages and each separate counterparty legal entity with which it transacts. The maximum amount of loss VPIC would face in case of default of all counterparties as of June 30, 2014, consists of the aggregated fair value of OTC positions in the amount of $3,619,959.

Derivative instruments often contain credit-risk-related contingent features that could result in an immediate payment to the counterparty. For example, a material adverse change clause could provide the counterparty with the right to early terminate the derivative agreement. Alternatively, it could provide a basis for renegotiating the agreement if specific events occur, such as a downgrade of the entity's credit rating below investment grade. These provisions may include an obligation to post additional collateral in instances where the credit-risk contingent feature is triggered or the counterparty is provided the right to terminate the agreement early.

The VPIC funds 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-through, 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 though 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 pre-payment varies with the underlying assets. Risk is minimized through the purchase of high quality instruments with limited default or prepayment risk.

C. Receivables

Accounts receivable at June 30, 2014 are summarized as follows:

	Governmental Funds		Internal	Total Governmental
	Major	Non-major	Service Funds	Activities
Governmental activities				
Taxes				
Personal and corporate income	$ 209,517,875	$ -	$ -	$ 209,517,875
Sales and use	70,609,427	-	-	70,609,427
Meals and rooms	34,483,759	-	-	34,483,759
Purchase and use	511,936	-	-	511,936
Motor Fuel	8,119,787	123,652	-	8,243,439
Other taxes	25,573,216	-	-	25,573,216
Subtotal	348,816,000	123,652	-	348,939,652
Allowance for uncollectibles	(115,622,380)	-	-	(115,622,380)
Taxes receivable, net	$ 233,193,620	$ 123,652	$ -	$ 233,317,272
		Current receivable		$ 115,067,225
		Non-current receivable		118,250,047
		Total taxes receivable, net		$ 233,317,272
Loans and notes				
Loans and notes receivable	$ 268,531,588	$ -	$ -	$ 268,531,588
Allowance for uncollectibles	(761,100)	-	-	(761,100)
Loans and notes receivable, net	$ 267,770,488	$ -	$ -	$ 267,770,488
		Current receivable		$ 41,151,841
		Non-current receivable		226,618,647
		Total loans and notes receivable, net		$ 267,770,488
Federal grants				
Human services	$ 162,782,911	$ -	$ -	$ 162,782,911
Protection to Persons and Property	16,600,072	-	-	16,600,072
Transportation	37,019,321	-	-	37,019,321
Other	26,125,204	585,977	-	26,711,181
Federal grants	$ 242,527,508	$ 585,977	$ -	$ 243,113,485
Other				
Accrued interest and other receivables	$ 92,953,614	$ 591,144	$ 30,411,432	$ 123,956,190
Allowance for uncollectibles	(25,083,735)	(3,850)	(91,385)	(25,178,970)
Other receivables, net	$ 67,869,879	$ 587,294	$ 30,320,047	98,777,220
Interfund loans receivable from Fiduciary Funds				158,614
Less Internal Service Funds' receivables from Governmental Funds				(18,205,640)
Other receivables, net				$ 80,730,194
		Current receivable		$ 50,071,013
		Non-current receivable		30,659,181
		Total other receivable, net		$ 80,730,194

	Enterprise Funds		Total Business-type
	Major	Non-major	Activities
Business-type activities			
Taxes			
Unemployment	$ 42,881,478	$ -	$ 42,881,478
Allowance for uncollectibles	(5,665,794)	-	(5,665,794)
Taxes receivable, net	$ 37,215,684	$ -	$ 37,215,684
Loans and notes receivable	$ -	$ 2,004,642	$ 2,004,642
Current receivable			$ 742,475
Non-current receivable			1,262,167
Total loans and notes receivable, net			$ 2,004,642
Federal grants	$ 449,257	$ -	$ 449,257
Other			
Accrued interest and other receivables	$ 5,263,556	$ 479,712	$ 5,743,268
Allowance for uncollectibles	(63,414)	(23,438)	(86,852)
Other receivables, net	$ 5,200,142	$ 456,274	$ 5,656,416
Current receivable			$ 5,650,588
Non-current receivable			5,828
Total other receivable, net			$ 5,656,416

D. Interfund Balances

1. 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, 2014, are as follows.

Due From Other Funds	Due to Other Funds: Governmental Funds: General Fund	Transportation Fund	Education Fund	Special Fund
General Fund	$ -	$ 8,506	$ -	$ 73,372
Transportation Fund	1,762	-	-	111,389
Education Fund	-	-	-	-
Special Fund	2,164,186	4,270	6,372	-
Federal Revenue Fund	156,463	-	-	892,262
Global Commitment Fund	41,150,865	-	-	28,800,846
Vermont Lottery Commission	-	-	18,567	-
Non-major Enterprise Funds	644	488	-	-
Internal Service Funds	7	-	-	26,749,900
Fiduciary Funds	1,226,109	-	-	-
Total	$ 44,700,036	$ 13,264	$ 24,939	$ 56,627,769

continued below

Due From Other Funds	Due to Other Funds: Governmental Funds: Federal Revenue Fund	Global Commitment Fund	Non-major Governmental Funds	Proprietary Funds: Internal Service Funds
General Fund	$ 51,921	$ 2,735,959	$ 2,187	$ 10,903
Transportation Fund	461,109	-	-	33,038
Education Fund	-	-	-	627
Special Fund	2,626,047	286,087	519,556	246,831
Federal Revenue Fund	-	1,109,677	179,475	12,091
Global Commitment Fund	833,543	-	-	-
Vermont Lottery Commission	-	-	-	-
Non-major Enterprise Funds	2,100	-	-	-
Internal Service Funds	-	-	-	-
Fiduciary Funds	-	-	-	-
Total	$ 3,974,720	$ 4,131,723	$ 701,218	$ 303,490

continued below

Due From Other Funds	Due to Other Funds: Proprietary Funds: Unemployment Compensation Trust Fund	Liquor Control Fund	Non-major Enterprise Funds	Fiduciary Funds	Total
General Fund	$ -	$ 264,007	$ 223	$ 4,286	$ 3,151,364
Transportation Fund	-	-	-	-	607,298
Education Fund	-	-	-	-	627
Special Fund	-	-	-	-	5,853,349
Federal Revenue Fund	-	-	-	-	2,349,968
Global Commitment Fund	-	-	-	-	70,785,254
Vermont Lottery Commission	-	-	-	-	18,567
Non-major Enterprise Funds	72,168	-	-	-	75,400
Internal Service Funds	-	-	-	-	26,749,907
Fiduciary Funds	-	-	-	-	1,226,109
Total	$ 72,168	$ 264,007	$ 223	$ 4,286	$ 110,817,843

2. Advances To/From Other Funds

The General Fund has made cash advances to certain proprietary funds for imprest petty cash disbursements needs. The General Fund advances to other funds at June 30, 2014, are summarized below.

Proprietary Funds		
Vermont Lottery Fund	$	300,000
Liquor Control Fund		1,075
Non-major Proprietary Funds		1,200
Total	$	302,275

3. Interfund Receivables/Payables

The primary government cash in most funds is pooled in the State Treasurer's accounts. When a fund has a deficit cash balance, this amount is reclassified to a liability account - interfund payable. The General Fund reports the corresponding interfund receivable for the cash borrowed from the pool. The following funds at June 30, 2014, reported interfund payables. It is expected that certain amounts due the General Fund from the Internal Service Funds will not be repaid within one year. It is expected that these interfund payables will be reduced in future years through changes to billing rates and management of operations.

Proprietary Funds		
Non-major Enterprise Funds	$	2,239,664
Internal Service Funds		82,194,494
Fiduciary Funds		
Pension and OPEB Trust Funds		16,834
Investment Trust Fund		873
Agency Funds		136,621
Total	$	84,588,486

4. Inter - Primary Government/Component Unit Balances

Advances to component units consist of the amounts advanced under various agreements with component units to use the funds for specific programs. As the component unit uses the funds, the advance is reduced and expenditures are recognized by the State. At June 30, 2014, the General Fund advances to component units was $5,845,785 advanced to the Vermont Development Authority for interest rate subsidies and grants to be issued at the direction of State agencies. The Special Fund advance was $31,369 to VEDA for emergency flood relief loans.

Due from component units/Due to primary government 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. Due from primary government/Due to component units consist of amounts appropriated from the primary government's funds to the component units that had not been disbursed by fiscal year end.

At June 30, 2014, these account balances are as follows.

	Vermont Housing & Conservation Board	Vermont Economic Development Authority	Vermont Veteran's Home	Total
Due from Component Units				
General Fund	$ 2,125,287	$ -	$ 1,499,629	$ 3,624,916
Special Fund	-	2,955	-	2,955
Federal Fund	-	-	153,018	153,018
Total	$ 2,125,287	$ 2,955	$ 1,652,647	$ 3,780,889

5. 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.

The Education Fund received transfers from the General Fund and the Vermont Lottery Commission to support the general State grant for local education. The Special Fund received transfers from the General Fund for Emergency Relief Assistance and Home Heating Fuel Assistance Funds, from the Transportation Fund for FEMA related projects, from the Federal Revenue Fund for the earned income tax credit for the year, and from the Global Commitment Fund for education Medicaid reimbursements. The Global Commitment Fund received transfers from the General and Special Funds for Medicaid related services provided under the Vermont Global Commitment to Health Medicaid waiver.

Interfund transfers for the fiscal year ending June 30, 2014, are on the following page.

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	Transfers Out				
	Governmental Funds				
Transfers in	General Fund	Transportation Fund	Education Fund	Special Fund	Federal Revenue Fund
General Fund	$ -	$ -	$ -	$ 43,046,006	$ 10,675,487
Education Fund	288,921,564	-	-	10,629,197	-
Special Fund	25,156,680	22,650,854	-	-	21,056,609
Federal Revenue Fund	-	-	-	61,345	-
Global Commitment Fund	185,360,229	-	-	294,391,090	-
Non-major Governmental Funds	70,210,177	5,359,629	-	675,568	1,153,645
Unemployment Compensation Trust Fund	-	-	-	-	-
Non-major Enterprise Funds	200,000	-	-	-	-
Internal Service Funds	2,505,616	1,120,000	-	-	-
Total	$ 572,354,266	$ 29,130,483	$ -	$ 348,803,206	$ 32,885,741

continued below

	Transfers Out				
	Governmental Funds		Proprietary Funds		
Transfers in	Global Commitment Funds	Non-major Governmental Funds	Unemployment Compensation Trust Funds	Liquor Control Fund	Vermont Lottery Commission
General Fund	$ -	$ 5,500,000	$ -	$ 1,135,066	$ -
Education Fund	-	-	-	-	22,560,467
Special Fund	22,026,889	100,000	-	-	-
Federal Revenue Fund	-	3,814,967	-	-	-
Global Commitment Fund	-	-	-	-	-
Non-major Governmental Funds	-	-	-	-	-
Unemployment Compensation Trust Fund	-	-	-	-	-
Non-major Enterprise Funds	-	-	888,982	-	-
Internal Service Funds	-	-	-	-	-
Total	$ 22,026,889	$ 9,414,967	$ 888,982	$ 1,135,066	$ 22,560,467

continued below

	Transfers Out			
Transfers in	Non-major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General Fund	$ -	$ 237,000	$ -	$ 60,593,559
Education Fund	-	-	-	322,111,228
Special Fund	826,000	628,910	-	92,445,942
Federal Revenue Fund	-	-	-	3,876,312
Global Commitment Fund	-	-	-	479,751,319
Non-major Governmental Funds	-	-	-	77,399,019
Unemployment Compensation Trust Fund	1,426	-	-	1,426
Non-major Enterprise Funds	-	-	-	1,088,982
Internal Service Funds	-	-	-	3,625,616
Total	$ 827,426	$ 865,910	$ -	$ 1,040,893,403

E. Capital Assets

1. Capital Asset Activity

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

Primary Government

Governmental Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, not being depreciated					
Land, land use rights, and land improvements	$ 127,485,005	$ 1,071,878	$ (182,600)	$ -	$ 128,374,283
Construction in process	525,204,864	420,320,395	(400,154,232)	(10,742,120)	534,628,907
Works of art	136,003	-	-	-	136,003
Total capital assets, not being depreciated	652,825,872	421,392,273	(400,336,832)	(10,742,120)	663,139,193
Capital assets, being depreciated					
Buildings and improvements	460,547,956	28,928,668	(28,379,974)	-	461,096,650
Machinery and equipment	184,664,719	110,234,563	(11,689,600)	-	283,209,682
Infrastructure	1,859,793,568	270,554,124	(22,057,367)	-	2,108,290,325
Total capital assets, being depreciated	2,505,006,243	409,717,355	(62,126,941)	-	2,852,596,657
Less accumulated depreciation for					
Buildings and improvements	(214,211,727)	(12,886,756)	18,040,609	-	(209,057,874)
Machinery and equipment	(120,855,131)	(23,451,563)	10,362,580	-	(133,944,114)
Infrastructure	(812,013,261)	(86,306,582)	22,057,367	-	(876,262,476)
Total accumulated depreciation	(1,147,080,119)	(122,644,901)	50,460,556	-	(1,219,264,464)
Capital assets, being depreciated, net	1,357,926,124	287,072,454	(11,666,385)	-	1,633,332,193
Governmental activities capital assets, net	$ 2,010,751,996	$ 708,464,727	$ (412,003,217)	$ (10,742,120)	$ 2,296,471,386

Business-type Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, not being depreciated					
Construction in process	$ -	$ 388,850	$ -	$ -	$ 388,850
Total capital assets, not being depreciated	-	388,850	-	-	388,850
Capital assets, being depreciated					
Buildings and improvements	59,935	-	-	-	59,935
Machinery and equipment	2,234,256	191,916	(242,595)	-	2,183,577
Total capital assets, being depreciated	2,294,191	191,916	(242,595)	-	2,243,512
Less accumulated depreciation for					
Buildings and improvements	(49,590)	(5,294)	-	-	(54,884)
Machinery and equipment	(1,562,239)	(272,453)	242,595	-	(1,592,097)
Total accumulated depreciation	(1,611,829)	(277,747)	242,595	-	(1,646,981)
Capital assets, being depreciated, net	682,362	(85,831)	-	-	596,531
Business-type activities capital assets, net	$ 682,362	$ 303,019	$ -	$ -	$ 985,381

Fiduciary Activities	Beginning Balance	Additions	Deletions	Reclassifications	Ending Balance
Capital assets, not being depreciated					
Construction in process	$ 3,523,712	$ 889,962	$ -	$ -	$ 4,413,674
Total capital assets, not being depreciated	3,523,712	889,962	-	-	4,413,674
Capital assets, being depreciated					
Machinery and equipment	2,203,388	11,438	(17,651)	-	2,197,175
Total capital assets, being depreciated	2,203,388	11,438	(17,651)	-	2,197,175
Less accumulated depreciation for					
Machinery and equipment	(1,001,139)	(200,145)	17,489	-	(1,183,795)
Total accumulated depreciation	(1,001,139)	(200,145)	17,489	-	(1,183,795)
Capital assets, being depreciated, net	1,202,249	(188,707)	(162)	-	1,013,380
Fiduciary activities capital assets, net	$ 4,725,961	$ 701,255	$ (162)	$ -	$ 5,427,054

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

Governmental Activities		Business-type Activities	
General Government	$ 11,797,495	Liquor Control	$ 271,350
Protection to Persons and Property	4,582,852	Vermont Lottery Commission	5,994
Human Services	7,389,818	Vermont Life Magazine	403
Labor	78,548		
General Education	8,474	**Total**	$ 277,747
Natural Resources	1,657,761		
Commerce & Community Development	328,545	**Fiduciary Activities**	
Transportation	87,033,972		
Depreciation on capital assets held by Internal Service Funds	9,767,436	Pension Trust Funds	$ 200,145
Total	$ 122,644,901		

2. Impairment of Capital Assets

During the fiscal year ended June 30, 2012, the State recognized impairment losses for damage caused by Tropical Storm Irene. In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, insurance recoveries during the year were used to offset the amount of loss that was recognized. During the fiscal year ended June 30, 2014, additional insurance recoveries in the amount of $5.8 million were received and recorded as revenues . This amount represents an initial settlement with the insurance company. Additional recoveries are expected; however the amounts are subject to negotiations with the company and cannot be reasonably estimated at this time.

F. Deferred Outflows and Deferred Inflows

Deferred outflows in the government-wide Statement of Net Position consist of the unamortized balance of losses related to refunding of debt. The difference between the reacquisition price (the amount placed in escrow to pay for advance refunding) and the net carrying amount of the old debt, is reported as a deferred outflow and recognized as a component of interest over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Balance, July 1, 2013	$ 7,425,908
Deferred amount on new refundings	459,613
Current year amortization	(975,649)
Balance, June 30, 2014	$ 6,909,872

Deferred inflows in the governmental funds Balance Sheet consist of unavailable amounts related to revenue recognition. Revenues and other governmental fund financial resources are recognized in the accounting period in which they become both available and measurable. When an asset is recorded in governmental fund financial statements but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

G. Long-term Liabilities

1. General Obligation & Special 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, assistance to municipalities for construction of water and sewage systems, and local schools.

Once authorized by the Legislature, the State Treasurer, with the approval of the Governor, may issue general obligation 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.

Special obligation transportation infrastructure bonds are limited obligations of the State of Vermont payable from and secured solely by a pledge of funds held in trust by the Peoples United Bank in accordance with the terms of a Trust Agreement. Funding sources for the pledged funds are funds to be received from the Motor Fuel Infrastructure Assessments as authorized by Act 50 of the 2009 legislative session. The proceeds from this issue are expected to be expended for transportation infrastructure purposes, namely the rehabilitation or replacement of State bridges, construction of roadway capacity projects.

The changes in bonds principal payable for fiscal year 2014 are summarized in the following schedule.

	General Obligation Bonds	Special Obligation Bonds	Total Obligation Bonds
Balance, July 1, 2013	$ 547,335,053	$ 23,090,000	$ 570,425,053
Additions:			
Issuances	86,745,000	11,165,000	97,910,000
Accretions	54,947	-	54,947
Total	86,799,947	11,165,000	97,964,947
Deductions:			
Redemptions	(53,805,000)	(1,390,000)	(55,195,000)
Defeasance	(19,480,000)	-	(19,480,000)
Total	(73,285,000)	(1,390,000)	(74,675,000)
Balance, June 30, 2014	$ 560,850,000	$ 32,865,000	$ 593,715,000

General obligation and special obligation transportation infrastructure bonds outstanding at June 30, 2014, are shown on the following page:

General Obligation and Special Obligation Transportation Infrastructure Bonds Outstanding at June 30, 2014

Date Issued	Date Series Matures	Interest Rates %	Amount of Original Issue	Maturity Value Sources of Payments: General Fund	Transportation Fund	Special Fund	Maturity Value of Bonds Outstanding Total
General Obligation Current Interest Bonds:							
3/2/2005	3/1/2025	3.0 to 4.0	26,000,000	$ 550,000	$ -	$ -	$ 550,000
4/13/2005	3/1/2015	2.4 to 4.0	15,000,000	1,400,000	100,000	-	1,500,000
6/7/2005	3/1/2020	2.65 to 5.0	20,805,000	15,006,195	398,805	880,000	16,285,000
11/22/2005	7/15/2025	3.5 to 5.0	30,000,000	1,500,000	-	-	1,500,000
12/13/2005	7/15/2015	3.1 to 4.0	15,000,000	3,000,000	-	-	3,000,000
2/21/2007	7/15/2026	4.0 to 5.0	30,000,000	11,250,000	-	-	11,250,000
3/15/2007	7/15/2016	3.375 to 4.0	9,500,000	2,850,000	-	-	2,850,000
3/15/2007	7/15/2016	3.375 to 4.0	5,000,000	1,500,000	-	-	1,500,000
11/28/2007	7/15/2027	3.50 to 5.25	35,000,000	20,900,000	-	-	20,900,000
12/20/2007	7/15/2017	3.0 to 4.0	11,000,000	4,400,000	-	-	4,400,000
12/20/2007	7/15/2017	3.0 to 5.0	29,195,000	1,400,828	34,172	-	1,435,000
3/11/2009	3/1/2029	2.0 to 5.0	50,500,000	28,975,000	8,900,000	-	37,875,000
2/3/2010	8/15/2016	2.0 to 5.0	11,200,000	4,800,000	-	-	4,800,000
2/3/2010	8/15/2029	3.75 to 4.5	40,800,000	40,800,000	-	-	40,800,000
3/11/2010	8/15/2019	2.0 to 2.8	20,000,000	12,000,000	-	-	12,000,000
3/11/2010	8/15/2021	2.0 to 5.0	29,155,000	29,155,000	-	-	29,155,000
3/11/2010	8/15/2021	2.0 to 5.0	9,675,000	9,420,000	-	-	9,420,000
10/26/2010	8/15/2030	1.45 to 4.7	46,250,000	46,250,000	-	-	46,250,000
11/30/2010	8/15/2020	1.5 to 5.0	25,000,000	17,500,000	-	-	17,500,000
3/21/2012	8/15/2022	0.6 to 3.0	25,000,000	18,700,000	-	-	18,700,000
3/21/2012	8/15/2030	3.0 to 3.5	28,000,000	28,000,000	-	-	28,000,000
3/21/2012	8/15/2016	1.0 to 2.0	10,000,000	6,850,000	-	-	6,850,000
3/21/2012	8/15/2025	0.6 to 5.0	69,060,000	67,639,621	1,420,379	-	69,060,000
10/11/2012	8/15/2024	2.0 to 5.0	26,765,000	26,765,000	-	-	26,765,000
10/11/2012	8/15/2032	2.0 to 5.0	66,420,000	61,760,000	-	-	61,760,000
11/14/2013	8/15/2028	2.0 to 5.0	25,000,000	25,000,000	-	-	25,000,000
11/14/2013	8/15/2033	2.0 to 5.0	42,810,000	42,810,000	-	-	42,810,000
11/14/2013	8/15/2024	3.0 to 5.0	18,935,000	18,345,000	-	590,000	18,935,000
Total General Obligation Current Interest Bonds				**548,526,644**	**10,853,356**	**1,470,000**	**560,850,000**
Special Obligation Transportation Infrastructure Bonds:							
8/3/2010	6/15/2030	2.0 to 4.0	14,400,000	-	12,075,000	-	12,075,000
8/9/2012	6/15/2032	2.0 to 3.0	10,820,000	-	9,965,000	-	9,965,000
8/8/2013	6/15/2033	3.0 to 4.25	11,165,000	-	10,825,000	-	10,825,000
Total Special Obligation Transportation Bonds				**-**	**32,865,000**	**-**	**32,865,000**
Total General Obligation and Special Obligation Bonds				**$ 548,526,644**	**$ 43,718,356**	**$ 1,470,000**	**$ 593,715,000**

At June 30, 2014, there remains $101,695,860 of authorized but unissued general obligation bonds.

Future general and special obligation debt service requirements at June 30, 2014 are as follows:

Fiscal Year	General Obligation Current Interest Bonds Principal	General Obligation Current Interest Bonds Interest	Special Obligation Current Interest Bonds Principal	Special Obligation Current Interest Bonds Interest	Total
2015	$ 48,240,000	$ 21,049,125	$ 1,470,000	$ 1,032,313	$ 71,791,438
2016	45,060,000	18,732,099	1,510,000	994,913	66,297,012
2017	41,815,000	17,256,746	1,545,000	956,413	61,573,159
2018	39,140,000	15,748,678	1,590,000	913,738	57,392,416
2019	38,240,000	14,352,514	1,635,000	869,687	55,097,201
2020-2024	168,280,000	50,689,130	8,910,000	3,601,212	231,480,342
2025-2029	127,100,000	21,659,912	10,340,000	2,163,412	161,263,324
2030-2034	52,975,000	3,444,563	5,865,000	468,112	62,752,675
Totals	$ 560,850,000	$ 162,932,767	$ 32,865,000	$ 10,999,800	$ 767,647,567

2. Bond Refundings

During the 2014 fiscal year, the State issued general obligation refunding bonds 2013 Series C in the amount of $18,935,000 to be used solely to refund portions of the State's general obligation bonds. Through advanced refunding, portions of the 2004 Series A Bonds, and 2005 Series A Bonds were refunded with proceeds from the 2013 Series C Bonds on a current basis of $19,480,000. The total refunded amount of $19,480,000 results in defeasance of debt and the liabilities have been removed from the State's financial statements. Total proceeds inclusive of premium for the 2013 Series C is $20,143,531, after paying $95,046 in refunding bond issuance costs, $20,046,044 was paid to the bond escrow agent. The net carrying value of the refunded debt was $19,586,431. The State has taken advantage of lower interest rates; and has decreased its aggregate debt service payments by $1,361,719 over the twelve years ending June 2025. The economic gain (the present value of the debt service savings) for the State through this transaction is $984,458 using a discount rate of 2.9165429%.

During fiscal years 2014, 2012, and 2010, the State defeased "in-substance" certain general obligation bonds by issuing new bonds and by placing the proceeds of these new bonds in an irrevocable trust. 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.

The total amount of defeased bonds remaining outstanding at June 30, 2014, is $63,400,000.

3. 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.

Total lease payments paid by the primary government in fiscal year 2014 was $16,276,117 for operating leases of which $16,157,026 was paid for property leases, $87,873 for equipment leases and $31,218 for

cancellable land rentals.
The following is a summary of the estimated future minimum rental commitments under operating leases for real property and equipment at June 30, 2014:

	Primary Government		
Fiscal Year	Non-Cancelable Leases	Cancelable Leases	Total
2015	$ 13,563,875	$ 20,777	$ 13,584,652
2016	9,573,018	12,290	9,585,308
2017	7,662,555	11,680	7,674,235
2018	7,088,913	7,040	7,095,953
2019	6,653,575	545	6,654,120
2020 - 2024	25,132,349	2,725	25,135,074
2025 - 2026	2,187,897	1,090	2,188,987
Totals	$ 71,862,182	$ 56,147	$ 71,918,329

B. Capital Leases

The State has entered into capital lease arrangements to acquire various items of machinery and equipment and building improvements with a gross asset value totaling $3,805,498. The majority of the gross value total is from a lease with HLFB, Inc., for energy efficiency projects for State buildings located in Montpelier, Waterbury and Middlesex.

Capital lease payments for the primary government in 2014 totaled $392,419, with $9,081 for machinery and equipment, and $383,338 for building improvements.

The future minimum lease obligation and the net present value of the minimum lease payments at June 30, 2014 are as follows:

Fiscal Year	Primary Government
2015	$ 399,116
2016	407,322
2017	414,363
2018	419,298
2019	105,338
Total minimum lease payments	1,745,437
Less interest	(115,208)
Present value of minimum lease payments	$ 1,630,229

4. Retirement Plans and Other Postemployment Benefits

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. In addition to providing pension benefits, the State also offers other postemployment medical insurance benefit plans to retirees of the Vermont State Retirement System and State Teachers' Retirement System. Disclosures relating to defined benefit pension plans are included in 4. A. below, those relating to defined contribution pension plans are included in 4. B. below, and those relating to other postemployment benefits (OPEB) are included in 4. C. below.

These systems are considered part of the State's reporting entity and are included in the accompanying financial statements as pension and other postemployment benefit trust funds in the fiduciary fund type. There are no separate stand-alone financial statements issued for these plans.

Summary of significant accounting policies – basis of accounting and valuation of investments
The financial statements for the pension and other postemployment benefit trust funds are prepared using the accrual basis of accounting. Plan members' contributions are recognized in the period in which the contributions are due. The employers' contributions are recognized when legally due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. All investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on June 30, 2014. Securities without an establish market are reported at estimated fair value. Additional information on the plans' investments may be found in Note IV. B. - Investments.

A. Defined Benefit Retirement Plans

The State has implemented GASB Statement No. 67, *Financial Reporting for Pension Plans* for the fiscal year ending June 30, 2014. This statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan. GASB Statement No. 67 requires plans to calculate a net pension liability (or NPL) to be measured as the total pension liability less the amount of the pension plan's fiduciary net position.

GASB Statement No. 68, *Accounting and Reporting for Pensions*, is effective for periods beginning after June 15, 2014. This Statement will be implemented in fiscal year 2015, and will require employers and nonemployer contributing entities to report their net pension liability on their financial statements. Under current standards (GASB Statement No. 27, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*), the employer reports a net pension obligation (or NPO) which allows the employer to amortize the past service cost of the pension liability over a period of time. Implementing GASB Statement No. 68 will result in a change in the amount of the liability that will be reported and disclosures about that liability.

Neither of these new Statements affects the way that a government may chose to fund their pension obligations. While GASB Statement No. 68 changes the amount of the pension liability that is reported on the financial statements, governments may continue to fund their plans by calculating an actuarially determined contribution and measuring their funded status as it relates to that actuarially determined contribution.

In order to provide the necessary disclosures that are required under the various GASB Statements, the disclosures below are separated into three sections. The first section (Disclosures about the Defined Benefit Retirement Plans) offers disclosures about the plans themselves - descriptions of the plans and who is covered; an analysis of the membership of the various groups of the various plans as of the end of the fiscal year; a discussion of benefits provided by each of the plans, and the financial statements of each of the three defined benefit plans. The second section (Net Pension Liability and Disclosures required by GASB Statement No. 67) provides the information that is required by GASB Statement No. 67 - the calculation of the net pension liability; the actuarial assumptions and census data that were used in calculating that NPL; the

discount rate that was used in the calculations; and the sensitivity of the NPL to changes in the discount rate. The third section (Funding the Plans and the Actuarial Accrued Liability) provides funding information based on the actuarially determined contribution - calculation of the annual pension cost and net pension obligation, including current year calculations and three year trend information; actuarial assumptions and census data that were used to calculate the NPO; and the funded status and funding progress of the three plans.

1. Disclosures about the Defined Benefit Retirement Plans

This first section provides the disclosures about the defined benefit retirement plans required by GASB Statement No. 67, including the Statement of Net Plan Position and the Statement of Changes in Plan Net Position for the fiscal year ended June 30, 2014.

Plan Descriptions

The Vermont State Retirement System (VSRS) (3 V.S.A. Chapter 16) is a single-employer defined benefit pension plan 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.

Management of the plan is vested in the VSRS Retirement Board, which consists of an appointee of the governor; treasurer; commissioner of human resources; commissioner of finance and management; three members of the Vermont state employees' association who are active members of the system (each chosen by such association in accordance with its articles of association) and one retired state employee who is a beneficiary of the system (to be elected by the Vermont retired state employees' association).

The State Teachers' Retirement System (STRS) (16 V.S.A. Chapter 55) is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation. 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. During the year ended June 30, 2014, the retirement system consisted of 287 participating employers.

Management of the plan is vested in the STRS Board of Trustees, which consists of the secretary of education (ex-officio); the state treasurer (ex-officio); the commissioner of financial regulation (ex-officio); two trustees and one alternate who are members of the system (each elected by the system under rules adopted by the board) and one trustee and one alternate who are retired members of the system receiving retirement benefits (who are elected by the Association of Retired Teachers of Vermont).

The Vermont Municipal Employees' Retirement System (MERS) (24 V.S.A., Chapter 125) is a cost-sharing, multiple-employer defined benefit pension plan 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 who meets the minimum hourly requirement is required to join the system. During the year ended June 30, 2014, the retirement system consisted of 447 participating employers.

Management of the plan is vested in the MERS Retirement Board of Trustees, which consists of the treasurer; two employee representatives who at all times during their term of office are contributing members and have completed five years of creditable service (each elected by the membership of the system); one employer representative who shall at all times during their term of office be a member of the governing body, chief executive officer or supervisor of a participating employer (elected by the membership of the system) and one employer representative who shall at all times during their term of office be a member of the governing body, chief executive officer or supervisor of a participating employer (appointed by the governor from candidates jointly submitted by the Vermont League of Cities and Towns and the Vermont School Boards Association).

Copies of each individual defined benefit retirement plan's annual actuarial valuation report, and information describing each defined benefit plan's provisions in greater detail, are available for inspection at the Retirement Division, Office of the State Treasurer, 109 State Street, Montpelier, Vermont 05609-6901.

The Statement of Plan Net Position and Statement of Changes in Plan Net Position are as follows:

Statement of Plan Net Position
Defined Benefit Plans
June 30, 2014

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Assets			
Cash and short term investments	$ 3,053,450	$ 3,826,600	$ 2,419,054
Receivables			
Contributions - current	4,688,581	3,327,312	2,477,353
Contributions - non-current	-	-	6,878,299
Interest and dividends	3	1,900	352,954
Due from other funds	59,061	-	76,329
Other	-	71,304	29,677
Investments at Fair Value			
Pooled investments	1,649,878,805	1,698,896,108	522,132,601
Equities	62,254	-	-
Prepaid expenses	-	-	156
Capital assets, net of depreciation	2,100,967	2,480,617	841,855
Total assets	1,659,843,121	1,708,603,841	535,208,278
Liabilities			
Accounts payable	2,307,822	2,884,502	534,779
Retainage payable	281,687	343,592	143,297
Due to other funds	1,555	3,793	1,429
Interfund loans payable	6,189	7,349	3,296
Total liabilities	2,597,253	3,239,236	682,801
Net position held in trust for employees' pension benefits	$ 1,657,245,868	$ 1,705,364,605	$ 534,525,477

Statement of Changes in Plan Net Position
Defined Benefit Plans
For the Fiscal Year Ended June 30, 2014

	Vermont State Retirement Fund	State Teachers' Retirement Fund	Vermont Municipal Employees' Retirement Fund
Additions			
Contributions			
Employer - pension benefit	$ 56,482,985	$ -	$ 12,805,737
Non-employer - pension benefit	-	51,439,510	-
Non-employer - healthcare benefit	-	20,430,226	-
Plan member	31,745,692	32,558,584	13,233,728
Transfers from other pension trust funds	453,852	410,501	2,142,868
Medicare part D drug subsidy	-	798,677	-
Total contributions	88,682,529	105,637,498	28,182,333
Investment Income			
Net appreciation in fair value of investments	61,363	50,055	14,369
Income from pooled investments	210,228,072	219,388,858	65,960,450
Dividends	-	6,702	1,842
Interest income	12,152	13,291	470,455
Other income	191,353	73,738	14,484
Total investment income	210,492,940	219,532,644	66,461,600
Less Investment Expenses			
Investment managers and consultants	6,771,192	7,194,449	2,115,484
Total investment expenses	6,771,192	7,194,449	2,115,484
Net investment income	203,721,748	212,338,195	64,346,116
Total additions	292,404,277	317,975,693	92,528,449
Deductions			
Retirement benefits	101,436,005	138,484,665	18,153,649
Other postemployment benefits	-	24,640,986	-
Refunds of contributions	2,461,242	1,870,988	1,673,188
Death claims	204,111	319,988	141,231
Transfers to other pension trust funds	391,195	171,196	633,312
Depreciation	73,531	89,444	35,925
Administration expenses	1,084,652	1,385,384	552,097
Total deductions	105,650,736	166,962,651	21,189,402
Change in net position	186,753,541	151,013,042	71,339,047
Net position held in trust for employees' pension benefits			
July 1, 2013	1,470,492,327	1,554,351,563	463,186,430
June 30, 2014	$ 1,657,245,868	$ 1,705,364,605	$ 534,525,477

Membership of the Vermont State Retirement System is made up of the following:

- general employees who did not join the non-contributory system on July 1, 1981 (Group A);
- State police, law enforcement positions, and airport firefighters (Group C);
- judges (Group D);
- terminated vested members of the non-contributory system (Group E); and
- all other general employees (Group F).

Membership of the State Teachers' Retirement System is made up of the following:

- general teachers who did not join the non-contributory system on July 1, 1981 (Group A);
- terminated vested members of the non-contributory system (Group B); and
- all other general teachers (Group C).

Membership of the Vermont Municipal Employees' Retirement System is made up of the following:

- general employees whose legislative bodies have not elected to become a member of Group B or Group C (Group A);
- general employees whose legislative bodies have elected to become members of Group B or Group C (Group B & C);
- sworn police officers, firefighters and emergency medical personnel (Group D);

At June 30, 2014, VSRS, VTRS, and MERS membership consisted of the following:

Vermont State Retirement System	**Total**	**Group A**	**Group C**	**Group D**	**Group F *Hired Before 7/1/08***	**Group F *Hired After 7/1/08***
Vested Active Members	5,637	6	330	38	5,053	210
Non-vested Active Members	2,688	-	129	13	26	2,520
Total Active Members	8,325	6	459	51	5,079	2,730
Retirees and beneficiaries currently receiving benefits	5,980	256	385	56	5,278	5
Terminated employees entitled to benefits but not yet receiving them (vested)	732	6	22	1	703	-
Inactive members	867	-	30	-	290	547
Total Members	15,904	268	896	108	11,350	3,282

Vermont State Teachers Retirement System	Total	Group A	Group C - Group #1	Group C - Group #2
Vested Active Members	7,720	10	1,488	6,222
Non-vested Active Members	2,232	-	25	2,207
Total Active Members	9,952	10	1,513	8,429
Retirees and beneficiaries currently receiving benefits	8,086	411	7,579	96
Terminated employees entitled to benefits but not yet receiving them (vested)	740	6	91	643
Inactive members	2,416	2	105	2,309
Total Members	21,194	429	9,288	11,477

Vermont Municipal Employees Retirement System	Total	Group A	Group B	Group C	Group D
Vested Active Members	4,129	1,632	1,954	451	92
Non-vested Active Members	2,535	994	1,222	273	46
Total Active Members	6,664	2,626	3,176	724	138
Retirees and beneficiaries currently receiving benefits	2,359	954	1,127	256	22
Terminated employees entitled to benefits but not yet receiving them (vested)	692	385	285	17	5
Inactive members	1,817	912	818	77	10
Total Members	11,532	4,877	5,406	1,074	175

Benefits provided

Details of the pension benefits provided by each of the retirement plans are as follows:

Vermont State Retirement System	Group A	Group C	Group D	Group F *Hired Before 7/1/08*	Group F *Hired After 7/1/08*
Benefit Formula	1.67% X creditable service	2.5% X creditable service	3.33% X creditable service (after 12 years in Group D)	1.25% X service prior to 12/31/90 + 1.67% X service after 1/1/91	Same
Maximum Benefit Payable	100% of AFC	50% of AFC	100% of Final Salary	50% of AFC	60% of AFC
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave payoff	Highest 2 consecutive years, including unused annual leave payoff	Final salary at retirement	Highest 3 consecutive years, excluding unused annual leave payoff	Same
Normal Retirement (no reduction)	Age 65 or 62 with 20 years of service	Age 55 (mandatory) with 5 years of service	Age 62 with 5 years of service	Age 62 or with 30 years of service	Age 65 or a combination of age & service credit that equals 87
Early Retirement Eligibility	Age 55 with 5 years of service or 30 years of service (any age)	Age 50 with 20 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service	Same
Early Retirement Reduction	Actuarially reduced benefit if under 30 years of service	No reduction	3% per year from age 62	6% per year from age 62	Monthly Reduction based on years of service: 35+ years - 1/8th of 1%; 30-34 years - 1/4th of 1%; 25-29 years - 1/3rd of 1%; 20-24 years - 5/12th of 1%; less than 20 years - 5/9th of 1%
Post-Retirement COLA	Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement	Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement	Full CPI, from a minimum of 1% up to a maximum of 5%, after 12 months of retirement	50 % of CPI until 1/1/2014; 100% of CPI thereafter, from a minimum of 1% up to a maximum of 5%, after reaching age 62, or (if retired after June 30, 1997) 30 years of service	50 % of CPI until 1/1/2014; 100% of CPI thereafter, from a minimum of 1% up to a maximum of 5%, after reaching age 65 or age and service to equal 87
Disability Benefit	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC, with children's benefit of 10% of AFC to maximum of three concurrently	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC	Same
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	70% of accrued benefit with no actuarial reduction applied, plus children's benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Same

Benefit terms are established or amended in accordance with 3 V.S.A. Chapter 16.

Vermont State Teachers Retirement System	Group A	Group C - Group #1 *	Group C - Group #2 ++
Benefit Formula	1.67% X creditable service	1.25% X service prior to 6/30/90 + 1.67% X service after 7/1/90	1.25% X service prior to 6/30/90 + 1.67% X service after 7/1/90, 2% after attaining 20.0 years
Maximum Benefit Payable	100% of AFC	53.34% of AFC	60% of AFC
Average Final Compensation (AFC)	Highest 3 consecutive years, including unused annual leave, sick leave, and bonus/incentives	Highest 3 consecutive years, excluding all payments for anything other than service actually performed	Highest 3 consecutive years, excluding all payments for anything other than service actually performed
Normal Retirement (no reduction)	Age 60 or with 30 years of service	Age 62 or with 30 years of service	Age 65 or when the sum of age and service credit equals 90
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Reduction	Actuarial reduction	6% per year from age 62	Actuarial reduction
Post-Retirement COLA	Full CPI, up to a maximum of 5%, after 12 months of retirement; minimum of 1%	50% CPI, up to a maximum of 5% after 12 months of retirement or with 30 years; minimum of 1%	50% CPI, up to a maximum of 5% minimum of 1% after 12 months of normal retirement or age 65
Disability Benefit	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC	Unreduced, accrued benefit with minimum of 25% of AFC
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefit up to maximum of three concurrently	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied plus children's benefits up to maximum of three concurrently

* Group #1 are members who were within 5 years of normal retirement (age 62 or 30 years of service) on June 30, 2010.

++ Group #2 members who were under 57 years of age or had less than 25 years of service on June 30, 2010.

Benefit terms are established or amended in accordance with 16 V.S.A. Chapter 55.

Vermont Municipal Employees Retirement System	Group A	Group B	Group C	Group D
Benefit Formula	1.4% X creditable service X AFC	1.7% X creditable service X AFC + previous service:1.4% X Group A X AFC	2.5% X creditable service X AFC + previous service:1.4% X Group A X AFC; 1.7% X Group B X AFC	2.5% X creditable service X AFC + previous service:1.4% X Group A X AFC; 1.7% X Group B X AFC; 2.5% X Group C X AFC
Maximum Benefit Payable	60% of AFC	60% of AFC	50% of AFC	50% of AFC
Average Final Compensation (AFC)	Highest 5 consecutive years	Highest 3 consecutive years	Highest 3 consecutive years	Highest 2 consecutive years
Normal Retirement (no reduction)	Age 65 with 5 years of service or 55 with 35 years of service	Age 62 with 5 years of service or 55 with 30 years of service	Age 55 with 5 years of service	Age 55 with 5 years of service
Early Retirement Eligibility	Age 55 with 5 years of service	Age 55 with 5 years of service	N/A	Age 50 with 20 years of service
Early Retirement Reduction	6% per year from age 62 **	6% per year from age 65 **	N/A	No reduction
Post-Retirement COLA	50 % of CPI, up to 2% per year	50 % of CPI, up to 3% per year	50 % of CPI, up to 3% per year	50 % of CPI, up to 3% per year
Disability Benefit	Unreduced, accrued benefit	Unreduced, accrued benefit	Unreduced, accrued benefit	Unreduced, accrued benefit plus children's benefit representing 10% of AFC to maximum of three concurrently
Death-in-Service Benefit	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied	Disability benefit or early retirement benefit, whichever is greater, with 100% survivorship factor applied	70% of accrued benefit with no actuarial reduction applied, plus children's benefit

** A special early retirement factor of 3% per year only for municipal police officers who have attained age 60.

Benefit terms are established or amended in accordance with 24 V.S.A. Chapter 125.

Contributions

Vermont State Retirement System. Title 3 VSA Chapter 16 of Vermont Statutes grant the authority to the retirement board to review annually the amount of state contribution recommended by the actuary of the retirement system as necessary to achieve and preserve the financial integrity of the fund, and submit this recommendation to the Governor and both houses of the Legislature. Employee contributions are established in Chapter 16. Contribution rates for the fiscal year ended June 30, 2014 for the various groups are as follows:

Vermont State Retirement System	Group A	Group C	Group D	Group F *Hired Before 7/1/08*	Group F *Hired After 7/1/08*
Employee Contributions	6.40% of gross payroll	8.28% of gross payroll	6.40% of gross payroll	6.40% of gross payroll	Same
Employer Contributions	10.04% of gross payroll	10.04% of gross payroll	10.04% of gross payroll	10.04% of gross payroll	Same

State Teachers' Retirement System. Title 16 VSA Chapter 55 of Vermont Statutes grant the authority to the board of trustees of the system to annually review the amount of State contribution recommended by the actuary of the retirement system to achieve and preserve the financial integrity of the fund, and submit this recommendation to the Governor and both houses of the Legislature. The board of trustees also certifies the rates of contribution payable by employees. Contribution rates for the fiscal year ended June 30, 2014 for the various groups are as follows:

Vermont State Teachers Retirement System	Group A	Group C - Group #1	Group C - Group #2
Employee Contributions	5.50% of gross payroll	5.00% of gross payroll	5.00% of gross payroll
Non-employer Contributions	Appropriation based on June 2012 actuarial recommendation of amount needed to fund benefits earned during the year (1.92% of projected payroll), plus amount needed to liquidate the accrued liability over the remaining amortization period ($57,093,324)		

Vermont Municipal Employees Retirement System. Title 24 VSA Chapter 125 of Vermont Statutes grant the authority to the retirement board to annually review the amount of municipalities contribution recommended by the actuary of the retirement system to achieve and preserve the financial integrity of the fund, and certify the rates of contributions payable by employers. The board of trustees also certifies the rates of contribution payable by employees. Contribution rates for the fiscal year ended June 30, 2014 for the various groups are as follows:

Vermont Municipal Employees Retirement System	Group A	Group B	Group C	Group D
Employee Contributions	2.5% of gross payroll	4.75% of gross payroll	9.625% of gross payroll to 12/31/14; 9.75% of gross payroll to 6/30/15	11.125% of gross payroll
Employer Contributions	4% of gross payroll	5.375% of gross payroll	6.875% of gross payroll to 12/31/14; 7.0% of gross payroll to 6/30/15	9.75% of gross payroll

2. Net Pension Liability and Disclosures required by GASB Statement No. 67

This section includes the information that is required to be presented by GASB Statement No. 67. Separate valuations were performed by the State's actuary to calculate the net pension liability (NPL) in accordance with this new standard for financial reporting by pension plans. The plans elected to base the valuations on plan data as of June 30, 2013 and used update procedures to roll forward the total pension liability to the pension plan's fiscal year end. In addition to presenting the NPL, this section also includes information on the actuarial assumptions and census data used in the valuation, the discount rate that was used to calculate the NPL, and disclosures as to the sensitivity of the NPL to changes in the discount rate.

GASB Statement No. 67 requires that pension plans disclose the net pension liability and other related disclosures; however, the reporting of the net pension liability in the financial statements of the employer and noncontributing employer entity are not required until implementation of GASB Statement No. 68 in fiscal year 2015.

Net Pension Liabilities

The components of the net pension liabilities of the various retirement systems at June 30, 2014, were as shown as follows with amounts in thousands:

	Vermont State Retirement System	Vermont State Teachers' Retirement System	Vermont Municipal Employees Retirement System
Total pension liability	$ 2,008,888	$ 2,663,802	$ 543,652
Plan fiduciary net position	(1,657,246)	(1,705,365)	(534,525)
Net pension liability	$ 351,642	$ 958,437	$ 9,127
Plan fiduciary net position as a percentage of total pension liability	82.50%	64.02%	98.32%

Additional information regarding changes in the net pension liability for the year ended June 30, 2014 can be found in the Required Supplementary Information section of these financial statements.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

	VSRS	STRS	MERS
Valuation date	6/30/2013	6/30/2013	7/1/2013
Inflation assumptions	3.00% - 3.25%	3.00% - 3.25%	3.00% - 3.25%
Investment rate of return	6.25% - 9.00%	6.25% - 9.00%	6.25% - 9.00%
Projected salary increases	3.00% - 7.79%	4.25% - 8.40%	5%
Cost of living adjustments	1.5% - 3.0%	1.5% - 3.0%	Group A - 1.5%; Groups B, C, & D - 1.8%
Post Retirement Adjustments			
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 increased on January 1 by one-half of the percentage increase in the CPI but not in excess of percentage indicated	Group F - 5%	Group C - 5%	Group A - 2%, Groups B,C & D - 3%
Assumed annual rate of cost-of-living increases	For those eligible for increases of 100% of CPI change - 3%	For those eligible for increases of 100% of CPI change - 3%	
	for increases of 50% of CPI change - 1.5%	for increases of 50% of CPI change - 1.5%	

Mortality rates are based as follows for the various retirement systems:

Vermont State Retirement System. Mortality rates for active employees were based on the RP-2000 Mortality Table for Employees, with adjustments for mortality improvements based on Scale AA, to 2016; rates for retirees and beneficiaries were based on the RP-2000 Mortality Tables for Employees and Healthy Annuitants projected with Scale AA, to 2010; and rates for disabled retirees were based on the RP-2000 Combined Mortality Tables for Employees and Healthy Annuitants with a three-year set-forward.

State Teachers' Retirement System. Mortality rates for active employees were based on the RP-2000 Mortality Table for Employees, with adjustments for mortality improvements based on Scale AA, to 2016;

rates for retirees, terminated vested members and beneficiaries were based on the 1995 Buck Mortality Tables set back three years for males and one year for females; and rates for disabled retirees were based on the RP-2000 Disabled Life Table projected with Scale AA, to 2016.

Vermont Municipal Employees' Retirement System. Mortality rates for active employees were based on 50% of the probabilities in the 1995 Buck Mortality Tables for Males and Females; rates for non-disabled retirees and terminated vested members were based on the 1995 Buck Mortality Tables with no set back for males and one year set-back for females; rates for beneficiaries are based on the 1995 Buck Mortality Tables for Males and Females; and rates for disabled retirees were based on the RP-2000 Disabled Life Tables.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2005, through June 30, 2010. Actuarial valuations attempt to estimate costs associated with the pension system based on a number of demographic, economic, and retirement experience assumptions. To the extent assumptions are at variance to experience, this can result in actuarial gains and losses ultimately impacting contribution rates and the development of the actuarially required contribution. Experience studies are required by statute to be conducted every five years to review actual experience in comparison to these assumptions and to provide recommended changes to assumptions.

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future nominal rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. To reflect this in the rate-of-return assumption, a Select and Ultimate assumption setting approach, which is cited in Section 3.6.4 of Actuarial Standard of Practice No. 27 as an alternative to a single assumed rate of return, is employed. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Equity	31.50%	6.70%
Fixed Income	33.00%	2.94%
Alternatives	15.50%	6.26%
Multi-Strategy	20.00%	5.98%

Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%.

Discount Rate

The discount rate used to measure the total pension liability was 8.22% for the VSRS, 8.15% for the VTRS, and 8.23% for MERS. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current System members, through the fiscal year ending June 30, 2109. Therefore, a blended rate incorporating a municipal bond rate is not needed. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 67.

The annual money-weighted rate of return on pension plan investments calculated as the internal rate of return on pension plan investments, net of pension plan investment expenses for the year ended June 30, 2014 was 14.05% for VSRS, 13.83% for STRS, and 14.13% for MERS. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the various retirement systems, calculated using the discount rates determined above, as well as what the systems' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage point higher than the current rate:

	VSRS	STRS	MERS
One-percent decrease			
Discount rate	7.22%	7.15%	7.23%
Net pension liability	$ 587,188	$ 1,258,726	$ 76,886
Net pension liability, as reported			
Discount rate	8.22%	8.15%	8.23%
Net pension liability	$ 351,642	$ 958,437	$ 9,127
One-percent increase			
Discount rate	9.22%	9.15%	9.23%
Net pension liability (asset)	$ 153,107	$ 706,364	$ (47,722)

3. Funding the Plans and the Actuarially Accrued Liability

The State's actuary prepared separate valuations of the retirement plans to determine the actuarially determined contribution necessary to fund the plans. The State has no liability to fund the MERS plan. This section includes information on the funding valuation, including the annual pension cost and net pension obligation, as well as funded status and funding progress of the unfunded actuarial accrued liability for the VSRS and STRS plans that the State is required to fund.

Annual Pension Cost and Net Pension Obligation

GASB Statement No. 68, *Accounting and Reporting for Pensions*, which determines how employers and nonemployer contributing entities will report their pension liabilities on their financial statements, is effective for years beginning after June 15, 2014. Until that statement is implemented, the State continues to report its annual pension cost and net pension obligation in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

The following is a summary of System participants as of June 30, 2014, the date of the funding valuation:

	VSRS	STRS
Active employees		
Vested	5,637	7,720
Non-vested	2,688	2,232
Total active employees	8,325	9,952
Retirees and beneficiaries of deceased retirees currently receiving benefits	5,980	8,086
Terminated employees entitled to benefits but not yet receiving them (vested)	732	740
Inactive members	867	2,416
Total participants	15,904	21,194

Contributions consist of a normal contribution and an accrued liability contribution. The normal contribution represents the contributions needed to fund the benefits attributed by the funding method to services rendered in the coming year. The accrued liability contribution represents the amount necessary to amortize the unfunded accrued liability as of June 30, 2014, over a period ending on June 30, 2038.

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, 2014 were as follows:

	VSRS	STRS
Annual Required Contribution (ARC)	$ 42,786,326	$ 68,352,825
Interest on NPO	2,496,170	10,969,269
Amortization of ARC	(2,353,218)	(10,341,051)
Annual Pension Cost (APC)	42,929,278	68,981,043
Employer Contribution Made	(56,482,985)	(72,668,412)
Increase (Decrease) in NPO	(13,553,707)	(3,687,369)
NPO - July 1, 2013	39,938,721	175,508,311
NPO - June 30, 2014	$ 26,385,014	$ 171,820,942
Percentage of APC contributed	131.57%	105.35%

Year Ended 6/30	Annual Pension Cost	Percentage Contributed	NPO Balance
VSRS			
2012	$ 29,143,475	138.29%	$ 51,661,301
2013	39,647,727	129.57%	39,938,721
2014	42,929,278	131.57%	26,385,014
STRS			
2012	52,394,531	107.17%	179,515,842
2013	61,078,789	106.56%	175,508,311
2014	68,981,043	105.35%	171,820,942

Funded Status and Funding Progress
The following is funded status information for the two defined benefit plans as of the most recent valuation date, with amounts in thousands:

Actuarial Valuation Date	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)
VSRS						
6/30/14	$ 1,566,076	$ 2,010,090	$ 444,014	77.9%	$ 437,676	101.4%
STRS						
6/30/14	1,610,286	2,687,049	1,076,763	59.9%	567,074	189.9%

Actuarial Methods and Assumptions
Methods and assumptions used to determine the annual pension cost and net pension obligation are based on a valuation date of June 30, 2014 for VSRS and STRS, including no changes to the assumptions on page 125 from the June 30, 2013 valuation.

	VSRS	STRS	MERS
Valuation date	6/30/2014	6/30/2014	7/1/2014
Actuarial cost method	Entry age Normal	Entry age Normal	Projected benefit cost
Amortization method	Level percentage of payroll	Level percentage of payroll	Installments increasing 5% per year
Remaining amortization period (all closed basis)	24 years	24 years	24 years
Asset valuation method	Fair value	Fair value	Fair value

B. Defined Contribution Retirement Plans

Retirement Plan Descriptions

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

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. During the fiscal year ending June 30, 2014, member contributions totaled $762,604 with State employer contributions at $1,872,314. As of June 30, 2014, the Vermont State Defined Contribution Plan's net position totaled $57,903,631 and there were 455 participants.

The Vermont Municipal Employees' Defined Contribution Plan (24 V.S.A. 5070), a multiple employer defined contribution pension plan, was implemented by the Vermont Municipal Employees' Retirement System's Board of Trustees on July 1, 2000, and is reported as a pension trust fund. 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, 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% of earnable compensation. Effective July 1, 2008, employers began contributing 5.125% while employee contribution percentages remain unchanged. Employees become vested in the plan after 12 months of service. During the fiscal year ending June 30, 2014, member contributions totaled $594,790 and employer contributions at $652,570. As of June 30, 2014, the Municipal Employees' Defined Contribution Plan's net position totaled $20,056,878, and there were 293 participants.

The Single Deposit Investment Account (SDIA), a non-contributory multiple employer defined contribution pension plan reported as a Pension Trust Fund, was established according to the provisions of Public Act 41 of the 1981 Session. The Act 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 STRS's members in the Group A contributory plan could have elected 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:

- have both their accumulated employee contributions and accumulated interest returned to them; or
- have their accumulated contributions returned to them and only their accumulated interest invested by the retirement board in the SDIA; or
- 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 have elected 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:

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

· 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, 2014 there were 1,676 members, with net position of $62,285,590 in the Single Deposit Investment Account.

The defined contribution plans' financial statements are as follows:

Statement of Plan Net Position
Defined Contribution Plans
June 30, 2014

	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
Assets			
Cash and short term investments	$ 63,481	$ 998,912	$ 85,371
Receivables			
Contributions - current	116,007	-	27,636
Interest and dividends	-	5	-
Due from other funds	-	-	-
Investments at fair value			
Mutual and commingled funds	57,771,386	61,286,673	20,020,398
Prepaid expenses	9,291	-	-
Total assets	57,960,165	62,285,590	20,133,405
Liabilities			
Accounts payable	24	-	198
Due to other funds	56,510	-	76,329
Total liabilities	56,534	-	76,527
Net position held in trust for employees' pension benefits	$ 57,903,631	$ 62,285,590	$ 20,056,878

Statement of Changes in Plan Net Position
Defined Contribution Plans
For the Fiscal Year Ended June 30, 2014

	Vermont State Defined Contribution Fund	Single Deposit Investment Account	Vermont Municipal Employees' Defined Contribution Fund
Additions			
Contributions			
Employer - pension benefit	$ 1,872,314	$ -	$ 652,570
Plan member	762,604	-	594,790
Transfers from other pension trust funds	73,697	-	20,319
Transfers from non-state systems	154,242	-	1,955
Total contributions	2,862,857	-	1,269,634
Investment Income			
Net appreciation (depreciation) in fair value of investments	5,615,861	1	2,044,459
Dividends	2,774,468	1,541,468	1,178,131
Interest income	195	94	174
Other income	-	1,916	-
Total investment income	8,390,524	1,543,479	3,222,764
Less Investment Expenses			
Investment managers and consultants	-	195,406	-
Total investment expenses	-	195,406	-
Net investment income	8,390,524	1,348,073	3,222,764
Total additions	11,253,381	1,348,073	4,492,398
Deductions			
Retirement benefits	2,381,896	7,523,704	939,403
Transfers to other pension trust funds	-	-	1,905,534
Operating expenses	57,028	-	117,723
Total deductions	2,438,924	7,523,704	2,962,660
Change in net position	8,814,457	(6,175,631)	1,529,738
Net position held in trust for employees' pension benefits			
July 1, 2013	49,089,174	68,461,221	18,527,140
June 30, 2014	$ 57,903,631	$ 62,285,590	$ 20,056,878

C. Other Postemployment Benefits

In addition to providing pension benefits, the State offers postemployment medical insurance, dental insurance, and life insurance benefits to retirees of the VSRS and STRS.

Medical Insurance Plan Descriptions

Vermont State Retirement System

Employees Hired Prior To July 1, 2008

Employees hired prior to July 1, 2008, and retiring directly from active State service for any reason (disability, early, or normal) may elect to carry whatever medical coverage is in effect at that time into retirement for themselves and their dependents. During their lifetime the retiree will pay 20% of the cost of the premium, except in the case where retirees select joint or survivorship options. If the retiree chooses the joint or survivor pension options and predeceases his or her spouse, the medical benefits along with the pension benefit will continue for the spouse. However, generally, the surviving spouse must pay 100% of the cost of the premium.

In addition, once a retiree or surviving spouse 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 the secondary insurer. The insured's State insurance premium costs will then decrease in recognition of this change.

If an employee, other than a group C member, does not retire directly from State service, they are not eligible to participate in the State's medical insurance plan. Group C members who terminate with 20 or more years of service, but are not yet 50 years old, may elect to receive medical coverage at the time they begin receiving their retirement benefits. If the insurance is terminated at any time after retirement benefits have been received, coverage will not be able to be obtained again at a later date.

Employees Hired After June 30, 2008

Based on legislation enacted during fiscal year 2008, Group F employees hired after June 30, 2008 will pay, upon retirement, a tiered retiree health care premium amount based on completed years of service. The tiered rate paid will range from 100% of the premium cost for retirees with less than 10 years of service to 20% of the premium cost for retirees with 20 or more years of service. Additionally, as part of the enacted legislation, Group F employees hired after June 30, 2008 will also have the ability to elect health care insurance at the 20% premium cost level when they begin to receive retirement benefits in a manner comparable to regular retirements even if the employee terminated prior to their early retirement date, provided the member had 20 years of service upon termination of employment.

As of June 30, 2014, retirees accounted for 4,375 of the 13,107 participants enrolled in the single, spousal, or family plan options. Of the $130.8 million in premiums received by the Medical Insurance Fund (internal service fund) during 2014, retirees contributed $5.8 million. Of the $146.6 million in claims expense incurred by the Medical Insurance Fund during 2014, $36.3 million was attributable to retiree claims.

The Vermont State Postemployment Benefits Trust Fund (3 V.S.A. 479a) was established in fiscal year 2007 as an irrevocable trust fund for the purpose of accumulating and providing reserves to support retiree postemployment benefits other than pension benefits for members of the VSRS. By definition this is a fund required to follow the reporting requirements of the Governmental Accounting Standards Board Statement No. 43 - *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. The State's fiscal year 2014 contributions to this trust fund totaled $24.3 million which included a $1.7 million Medicare D reimbursement received from the Federal Government. The trust fund then paid premium payments of $22.5 million (calculated on a pay-as-you-go basis) to the State's Medical Insurance Fund. At June 30, 2014, the trust fund has total net position of $18,904,148 being held in trust for postemployment benefits other than pension benefits.

State Teachers Retirement System

Retirees in the STRS plan participate in multi-employer health coverage plans operated by the Vermont Education Health Initiative (VEHI) which is managed jointly by the Vermont School Boards Insurance Trust and the Vermont- National Education Association. VEHI partners with Blue Cross Blue Shield to provide health insurance to retired and active teachers. VEHI issues its own audited financial statements. These and plan information are available the VEHI Offices, 2 Prospect Street, Suite 5, Montpelier, VT 05602.

Members of the STRS have access to three medical benefit plans in retirement. The plans are identical to those offered to active teachers in public school systems in Vermont. Members may pick up medical coverage under one of the plans offered for themselves and all eligible dependents at the time of retirement, or anytime thereafter during one of the semi-annual open enrollment periods. If the member has a minimum of 10 years of creditable service at the time of retirement, the system picks up 80% of the retiree's premium only, based on the cost of the "standard plan" as defined by statute. The retiree must pick up the full cost of the premium for all covered dependents.

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. Medicare becomes the primary insurer and the Teacher's medical plans become the secondary insurer. Two of the plans offered become "carve-out" plans to coordinate with Medicare, and one of the plans is replaced with a true Medicare supplemental plan. The premiums for all plans are reduced in accordance with the decrease in liability once Medicare becomes the primary insurer.

As of June 30, 2014, 5,726 retirees are enrolled in the single, spouse, and family medical plan options. The retirees contributed $16.9 million in premiums, the State contributed $20.4 million to the STRS pension trust fund for medical benefit premiums, and the STRS pension trust fund paid $24.6 million to VEHI on a pay-as-you-go basis, during fiscal year 2014. VEHI incurred $30.5 million in retiree claims expense for the fiscal year ending June 30, 2014.

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 that has been available to active and retired teachers for the past several years. The Retirement Division has received an attestation from its actuaries 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 State system has also agreed to offer the same prescription drug coverage program that has been available to active and retired State employees for the past several years. The Department of Human Resources has received an attestation from its actuaries that the prescription drug program offered to retired members is equivalent, and in fact, better than the drug program offered through Medicare Part D

The systems will continue to evaluate the results 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 and the State 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.

For the fiscal year ending June 30, 2014, the subsidy for the VSRS system was $1,489,569. The State has elected to contribute this revenue in the Vermont State Postemployment Benefits Trust Fund to fund future postemployment health benefit liabilities. In the case of STRS, the subsidy for fiscal year 2014 was $798,677 and was deposited into the STRS Pension Trust Fund. On December 31, 2013, STRS discontinued participation in the Medicare Retiree Drug Subsidy (RDS) program, and enrolled retirees in a Medicare Part D Employer Group Waiver Plan (EGWP), plus a supplement, starting January 1, 2014. VSRS is scheduled to discontinue participation in RDS on December 31, 2014, and to enroll its retirees in EGWP, plus a supplement, starting January 1, 2015. The transfer from RDS to EGWP is expected to result in cost savings to the State while achieving a similar level of service for covered retirees.

Plan Membership

At June 30, 2014, the number of participants included in the OPEB valuations are as follows:

	VSRS	STRS
Active employees [1]	8,732	9,950
Terminated vested	-	740
Retired employees [2]	4,375	5,726
Total participants	13,107	16,416

[1] Number of active employees includes participants in the defined contribution plan.

[2] Includes 19 VSRS and 150 STRS July 1, 2014 retirements.

OPEB Actuarial Valuation - Methods and Assumptions

The State's independent actuary has prepared annual valuations of the OPEB liabilities for VSRS and STRS as of June 30, 2014. Both the VSRS and STRS reports present two separate calculations of the State's OPEB liability, depending on whether the liability would be prefunded or remain on a pay-as-you-go basis. Since the VSRS has accumulated some assets, a third blended calculation is also included. The MERS, a cost-sharing, multiple-employer public employees' retirement system, is administered by the State but has no associated State health care benefit or liability. While the Vermont Municipal Employees Health Benefit Fund is classified as a postemployment benefit fund, there is no accrued liability in excess of the assets of the fund. There is no annual required contribution and unfunded actuarial accrued liability. Component units and authorities of the State will perform their own valuation as the State does not assume the risk or financial burden for their health care costs.

For VSRS, assuming no prefunding, the actuarial accrued liability for OPEB obligations earned through June 30, 2014 is $1,092.7 million with an unfunded actuarial liability of $1,073.8 million. This is an increase as compared to the June 30, 2013 unfunded actuarial liability of $932.2 million. The net increase of $141.6 million in the liability was primarily due to the following factors:

* Expected increases due to the passage of time
* Demographic experience different than expected
* Higher than expected increases to per capita cost assumptions
* Updated healthcare cost trend assumptions, and
* A decrease in the discount rate from 4.25% to 4.00%

The health care cost trend assumption has been updated to reflect expected increases to medical costs based on available surveys of other employers' health care cost trend assumptions. Per unit per capita healthcare costs were updated based on recent plan premium equivalents and enrollment, as well as

adjustments reflecting the level of actual health benefit costs over the last three years as compared to premium equivalent amounts. In addition, in developing the assumptions used in this report, pre-Medicare premiums were expected to increase at January 1, 2015 with health care cost trends, while Medicare premiums are expected to remain flat in order to reflect the savings anticipated for the EGWP arrangement.

The VSERS system reflects a pay-as-you-go rate of 4% (reduced from the 4.25% “blended rate” previously used due to the fact that the System will no longer be prefunded with Medicare Part D receipts, as a result of the implementation of EGWP commencing in calendar year 2015.

An OPEB valuation was also completed for STRS. An OPEB trust has not been created for STRS and no prefunding has been made. Valuation assumptions were updated to reflect the post-retirement benefit plan changes and the effects of changes to pension benefits adopted concurrently. As a result of the study, the disability incidence and post-retirement mortality assumptions were revised.

For STRS, assuming no prefunding, the actuarial accrued liability and the unfunded actuarial liability for OPEB obligations earned through June 30, 2014 is $766.8 million. This is an increase compared to the unfunded actuarial liability of $712.7 million as of June 30, 2013. The net increase of $54.1 million was primarily attributable to the following factors:

- Expected increases due to the passage of time
- Demographic experience different than expected, and
- A reduction in the expected savings from Medicare prescription drug costs resulting from the 2014 implementation of EGWP

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following list contains the various actuarial methods and significant assumptions used to determine the annual required contributions at the State level for VSRS and STRS OPEB plans.

	VSRS			STRS
Valuation date	6/30/2014			6/30/2014
Actuarial cost method	Projected Unit Credit			Projected Unit Credit
Amortization method	Prefunded - closed basis Pay-as-you-go - open basis			Prefunded - closed basis Pay-as-you-go - open basis
Amortization period	30 years starting in FY 2015			30 years starting in FY 2015
Actuarial assumptions				
Investment rate of return - prefunding	8.10%			7.90%
Investment rate of return - pay-as-you-go	4.00% [1]			4.00%
Medical Care and State Share Inflation	FY Ending	Pre-medicare Inflation rate	Post-medicare Inflation rate	5.00%
	2015	9.00%	3.20% [2]	
	2016	8.50%	6.25%	
	2017	8.00%	6.00%	
	2018	7.50%	5.75%	
	2019	7.00%	5.50%	
	2020	6.75%	5.25%	
	2021	6.50%	5.00%	
	2022	6.25%	4.75%	
	2023	6.00%	4.50%	
	2024	5.75%	4.50%	
	2025	5.50%	4.50%	
	2026	5.25%	4.50%	
	2027	5.00%	4.50%	
	2028	4.75%	4.50%	
	2029+	4.50%	4.50%	
Coverage	80% of current active employees will elect retiree medical coverage and 70% of terminated vested will elect coverage			60% of current active employees will elect retiree medical coverage and 30% of terminated vested will elect coverage

[1] This rate assumes that no additional funding will occur once the EGWP arrangement is implemented in 2015.

[2] The 2015 post-medicare inflation rate reflects that premiums are expected to be set equal to 2014 premiums. This change is intended to reflect the cost savings due to the EGWP arrangement.

The actuary has estimated the change in the unfunded actuarial accrued liability between June 30, 2013 and June 30, 2014, as follows:

	VSRS	STRS
Unfunded actuarial accrued liability, June 30, 2013	$ 932,200,993	$ 712,666,108
End of year service cost	37,704,393	19,376,772
Interest cost	39,552,181	27,973,449
Estimated benefit payments	(34,810,647)	(26,923,743)
Estimated increase in assets	(3,112,304)	-
Impact of recent year demographic experience	15,477,779	(13,271,637)
New per capita costs	162,388,132	(314,556)
Other refinements	601,354	-
Asset (gain) loss	(129,061)	-
Change in discount rate assumptions	40,196,730	-
Implementation of EGWP	(116,245,461)	47,269,085
Unfunded actuarial accrued liability, June 30, 2014	$1,073,824,089	$ 766,775,478

Implementation of the EGWP arrangement impacts the calculation of accrued liabilities, as it is treated differently for accounting purposes than the previous Retiree Drug Subsidy (RDS) program. GASB Statement No. 45 disallows reflecting future RDS payments as an offset to liabilities, while the EGWP arrangement flows into reduced premiums as opposed to an intergovernmental transfer, allowing those subsidies to be reflected in the calculation of the liabilities.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. GASB Statement 45 was implemented in fiscal year 2008 prospectively with a zero net OPEB Obligation (NOO) beginning balance for both the VSRS and STRS OPEB defined benefit plans.

The following table shows the component of the State's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed, and the changes in the State's net OPEB obligation.

	VSRS	STRS
Annual Required Contribution (ARC).....	$ 64,119,145	$ 39,238,510
Interest on NOO.....	9,976,327	12,726,278
Amortization of NOO.....	(7,038,546)	(9,199,623)
Annual OPEB Cost (AOC).....	67,056,926	42,765,165
Employer Contribution Made.....	(24,272,144)	-
Increase in NOO.....	42,784,782	42,765,165
NOO - July 1, 2013.....	234,737,113	318,156,946
NOO - June 30, 2014.....	$ 277,521,895	$ 360,922,111
Percentage of AOC contributed	36.20%	0.00%

Three-Year Trend Information

OPEB Fund/Plan	Year Ended 6/30	Annual OPEB Cost*	Percentage Contributed	NOO Balance
State Employees' Postemployment Benefit Trust Fund				
	2012	71,706,077	38.56%	189,940,475
	2013	70,354,321	36.33%	234,737,113
	2014	67,056,926	36.20%	277,521,895
Postemployment Benefits for State Teachers Retirement System				
	2012	45,891,666	0.00%	269,708,962
	2013	48,447,984	0.00%	318,156,946
	2014	42,765,165	0.00%	360,922,111

* Determined on a pay-as-you-go basis

Funded Status and Funding Progress

The funding status of the plans as of June 30, 2014, was as follows *(expressed in thousands)*:

Actuarial Valuation Date	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)
VSRS [1]						
6/30/14	$ 18,904	$ 1,092,728	$ 1,073,824	1.7%	$ 464,517	231.2%
STRS [2]						
6/30/14	-	766,775	$ 766,775	0.0%	565,658	135.6%

[1] Reflects blended discount rate of 4.00% in 2014
[2] Discount rate for 2014 at 4.0%, reflecting no prefunding

The schedule of funding progress, presented as required supplementary information immediately following these notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Dental Insurance

Dental plans are available to retired State employees, retired teachers, retired municipal employees and their eligible dependents. The dental plan must be elected at the time of retirement. The retiree pays the full premium for all covered lives. There is no cost to the State.

Life Insurance

In the case of life insurance, if a State employee retires with 20 or more years of service and was participating in the life insurance program, a $10,000 benefit will continue into retirement. If a State employee retires 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 the $10,000 level 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.

Vermont Municipal Employees Health Benefit Fund

The MERS RHS Plan established on July 1, 2007, is a tax-advantaged savings plan that assists retirees in paying for healthcare costs after retirement. Contributions to this fund are deposited into the RHS Plan member accounts on a tax-free basis, accumulate interest on a tax-free basis, and are drawn out during retirement on a tax-free basis to reimburse health care expenses, including out-of-pocket expenses, deductibles and premiums.

The MERS Board deposited an initial amount of $5.1 million into the RHS accounts on July 2, 2007. Additional employer contributions totaling approximately $6 million were collected during the course of the fiscal years 2008 and 2009 that were deposited in member accounts during fiscal year 2009. No such contributions have been made since fiscal year 2009. Future contributions and subsequent transfers to member accounts will be made as directed by the MERS Board of Trustees. There is no guarantee that the RHS member accounts will receive any additional funding. While classified as a postemployment benefit fund,

there is no accrued liability in excess of the asset of the fund. There is no annual required contribution and unfunded actuarial accrued liability.

All MERS defined benefit members and retirees who have a minimum of 5 years of contributory service are eligible to participate in the RHS plan. The amount each member will receive is determined by the total number of contributory years of service in the system. Each year of service is equal to one share. The share value is determined based on the total eligible population, the total number of years of contributory service represented, and the amount of the distribution. The share value will change when future deposits are made. All eligible members receive the first five shares in their medical reimbursement account, which may be used for any medical expense, including premium reimbursement. The additional shares, representing service credit above five years, are deposited into the premium reimbursement account, which may only be used for medical, dental, vision or long-term health care premium reimbursements.

The money may be accessed by members only after separation from service and the achievement of retiree status from the MERS plan. For members who were already receiving retirement benefits from the MERS, the funds in their RHS account could be accessed after July 2, 2007 to reimbursement expenses incurred after July 1, 2007. Members who are still actively employed, and members in a vested-terminated status, may access the funds once they retire and begin receiving monthly pension payments. Funds in the RHS accounts are invested in the appropriate age-related Milestone Fund through a third party record keeper.

At June 30, 2014, there were 5,268 active and retired members participating in the MERS RHS plan. Investments in member accounts as of June 30, 2014 totaled $13,045,744.

The financial statements for the OPEB Funds are as follows:

Statement of Plan Net Position
Other Postemployment Benefit Funds
June 30, 2014

	Vermont State Postemployment Benefits Trust Fund	Vermont Municipal Employees' Health Benefit Fund
Assets		
Cash and short term investments	$ 844,479	$ 322,945
Receivables		
Contributions - current	472,377	-
Due from other funds	1,226,109	-
Other receivables	12,409	-
Investments at Fair Value		
Mutual funds	16,371,415	12,722,799
Total assets	18,926,789	13,045,744
Liabilities		
Accounts payable	22,641	-
Total liabilities	22,641	-
Net position held in trust for employee's other postemployment benefits	$ 18,904,148	$ 13,045,744

Statement of Changes in Plan Net Position
Other Postemployment Benefit Funds
For the Fiscal Year Ended June 30, 2014

	Vermont State Postemployment Benefits Trust Fund	Vermont Municipal Employees' Health Benefit Fund
Additions		
Contributions		
Employer - healthcare benefit	$ 24,272,144	$ -
Total contributions	24,272,144	-
Investment Income		
Net appreciation in fair value of investments	1,040,297	1,643,054
Dividends	315,094	-
Interest income	130,081	726
Total investment income	1,485,472	1,643,780
Less Investment Expenses		
Investment managers and consultants	30,182	66,035
Total investment expenses	30,182	66,035
Net investment income	1,455,290	1,577,745
Total additions	25,727,434	1,577,745
Deductions		
Other postemployment benefits	22,485,894	224,730
Operating expenses	175	-
Total deductions	22,486,069	224,730
Change in net position	3,241,365	1,353,015
Net position held in trust for employees postemployment benefits		
July 1, 2013	15,662,783	11,692,729
June 30, 2014	$ 18,904,148	$ 13,045,744

5. Other Long-term Liabilities

Governmental activities long-term liabilities are generally liquidated by payments from the governmental and internal service funds' programs, including all major governmental fund types except for the Education Fund. Bonds payable are liquidated by transfers of resources from the General, Transportation, Special and Federal Funds. Other liabilities include the retirement incentive for VT State Hospital employees. During the year ended June 30, 2014, the following changes occurred in the long-term liabilities:

	Total Liability July 1, 2013	Additions	Reductions	Total Liability June 30, 2014	Amounts due within one year
Governmental activities					
Bonds payable					
Bonds[1]	$ 570,425,053	$ 97,964,947	$ 74,675,000	$ 593,715,000	$ 49,710,000
Bond premium	32,783,914	5,499,807	11,542,314	26,741,407	5,660,653
Bond discount	(201,157)	-	(24,471)	(176,686)	(12,549)
Total bonds payable	603,007,810	103,464,754	86,192,843	620,279,721	55,358,104
Capital leases payable	2,053,974	4,544	428,289	1,630,229	352,497
Compensated absences	31,954,659	39,541,142	38,097,646	33,398,155	22,937,221
Claims and judgments	45,603,703	165,276,100	160,026,588	50,853,215	13,742,176
Contingent liabilities	7,000,000	-	-	7,000,000	-
Net pension obligations	215,447,031	111,910,321	129,151,396	198,205,956	-
Net other postemployment obligations	552,894,059	109,822,091	24,272,144	638,444,006	-
Other liabilities	81,375	-	81,375	-	-
Pollution remediation obligations[2]	10,258,892	2,789,551	7,284,835	5,763,608	1,346,000
Total governmental activities long-term liabilities	$ 1,468,301,503	$ 532,808,503	$ 445,535,116	$ 1,555,574,890	$ 93,735,998

[1] Governmental activities bonds payable additions of $97,964,947 include $86,745,000 in general obligation bonds, $11,165,000 in special obligation bonds, and $54,947 of accretions on capital appreciation bonds.

[2] The Pollution Remediation Obligation (PRO) liabilities were measured using the actual contract cost, where no changes in cost are expected, or a method that is materially close to the expected cash flow technique. Liability estimates are subject to change due to cost increases or reductions, or changes in technology or applicable laws or regulations governing the remediation efforts.

Under the federal Superfund law, the State is responsible for sharing remediation costs at sites where the United States Environmental Protection Agency (USEPA) expends resources from the superfund trust for cleanup. Currently, there are five superfund sites in Vermont in various stages of cleanup, from initial assessment to cleanup activities. The Pollution Remediation Obligation (PRO) for these Superfund sites at June 30, 2014 is $2,470,000, which is a net reduction from last year of $2,574,064. The State does not anticipate recovering reimbursements from the parties who caused the pollution. The amount due within one year is $449,000.

Vermont has three former copper mines that are listed as federal Superfund sites. Two of these sites are in the early stages of investigation and a remedial plan has not been determined for estimating the potential liability. Cleanup of acidic discharges from one of the mines has progressed and cost estimates are available but there is still uncertainty about the long-term liability since the treatment system for the

site has not been determined. Under the current phase of remedial work and cleanup, the State's obligation over the next five years is estimated at $2,200,000.

There are two superfund sites under the oversight of the USEPA which have been remediated, and under the superfund site agreement the State is responsible for long-term operation and maintenance costs of the facilities constructed by the EPA. The PRO as of June 30, 2014 is $270,000.

In addition, the State has other sites for which the State is responsible for cleanup and monitoring that are not under federal Superfund law. The PRO for these sites at June 30, 2014 is $3,293,608, which is a net reduction of $1,921,220. The current amount due is $897,000.The largest site is a former mining facility with significant ground contamination.

The State has been working with potential responsible parties and the USEPA to address the environmental contamination but so far a remedy for the site's cleanup, including an estimate of the cost of cleanup, has not been determined due to the potential magnitude and the various options that are being investigated. Interim mitigation work at the site to control erosion and ongoing legal administration is estimated at $2,000,000 with partial recovery from one of the potential responsible parties in the amount of $600,850.

The State continues its work on cleanup of ground water contamination resulting from a chemical spill at a former dry cleaner facility. The proposed cleanup includes the physical removal of contaminated soils and installation of a groundwater treatment system. By order of the Vermont Superior Court, the Agency of Natural Resources will conduct the cleanup work required and the former owners shall be responsible for reimbursing the State for cost related to implementing the cleanup plan. The approximate cost of construction of the groundwater treatment system is $500,000 and is included in the total PRO reported at June 30, 2014 of $660,000.

The Agency of Transportation discovered pollution requiring remedial action at two construction sites. Oil pollution was discovered during the water line installation at an industrial park location, and lead contaminated soil was discovered prior to construction of bridge work. The PRO is $137,453 at June 30, 2014.

Asbestos removal is underway in three State Buildings. The State's Waterbury Office Complex is the largest project of the three underway, and the abatement process was nearly completed in fiscal year 2014 resulting in a reduction in the pollution remediation obligation. The PRO is $415,000 at June 30, 2014.

The State is currently investigating oil pollution and other ground contamination due to the removal of an underground storage tank at one State Office Complex. The PRO is $81,155 at June 30, 2014.

	Total Liability July 1, 2013	Additions	Reductions	Total Liability June 30, 2014	Amounts due within one year
Business-type activities					
Unemployment compensation trust fund federal account loan	$ 52,880,422	$ -	$ 52,880,422	$ -	$ -
Compensated absences	342,294	275,768	298,158	319,904	182,734
Lottery prize awards payable	5,992,344	65,029,356	64,744,138	6,277,562	5,222,995
Total business-type activities long term liabilities	$ 59,215,060	$ 65,305,124	$ 117,922,718	$ 6,597,466	$ 5,405,729
Fiduciary					
Compensated absences	$ 17,661	$ 16,697	$ 17,712	$ 16,646	$ 9,965
Total fiduciary long-term liabilities	$ 17,661	$ 16,697	$ 17,712	$ 16,646	$ 9,965

The compensated absences for the business-type activities are included as part of accrued salaries and benefits on the propriety funds' Statement of Net Position.

The compensated absences for the fiduciary funds are included as part of accrued liabilities on the fiduciary funds Statement of Net Position.

H. Fund Balance/Net Position

Governmental Funds

The composition of the summarized fund balances reported on the governmental funds' Balance Sheet for the fiscal year ended June 30, 2014, are shown on the following page.

	Restricted Purposes	Committed Purposes	Assigned Purposes
General Fund			
Government Operations			
Administrative services	$ -	$ -	$ 32,230
Public Safety and Regulatory Services	-	-	917,094
Health and Human Services	-	-	1,770,805
Correctional Services	-	-	325,856
Educational Services	-	-	252,748
Natural Resources Protection and Preservation	-	-	1,393,414
Economic and Community Development	-	-	1,233,042
Tourism and Marketing	-	-	530,845
Total General Fund	$ -	$ -	$ 6,456,034
Transportation Fund			
Transportation	$ 4,871,023	$ 22,021,107	$ -
Total Transportation Fund	$ 4,871,023	$ 22,021,107	$ -
Education Fund			
Educational Services	$ -	$ 62,328,666	$ -
Total Education Fund	$ -	$ 62,328,666	$ -
Special Fund			
Government Operations			
Governor and Other Elected Officials	$ -	$ 628,095	$ -
Administrative Services	6,041,819	2,400,087	-
Public and Regulatory Services	388,771	51,827,995	-
Courts	-	926,588	-
Correctional Services	12,364	648,974	-
Employment and Training	-	5,714,308	-
Educational Services	-	196,574	-
Natural Resources Protection and Preservation	4,927,899	21,071,926	-
Economic and Community Development	2,000,000	7,674,647	-
Tourism and Marketing	-	329,899	-
Total Special Fund	$ 13,370,853	$ 91,419,093	$ -
Federal Revenue Fund			
Government Operations			
Governor and Other Elected Officials	$ 39,834	$ -	$ -
Administrative Services	27,988	-	-
Public and Regulatory Services	14,697,572	-	-
Courts	3,462	-	-
Health and Human Services	62,279,936	-	-
Employment and Training	7,684,159	-	-
Educational Services	1,012,010	-	-
Natural Resources Protection and Preservation	327,558,847	-	-
Economic and Community Development	578,154	-	-
Total Federal Revenue Funds	$ 413,881,962	$ -	$ -
Global Commitment Fund			
Health and Human Services	$ 101,621,987	$ -	$ -
Total Global Commitment Fund	$ 101,621,987	$ -	$ -
Non-major Governmental Funds			
Government Operations			
Administrative Services	$ 14,348	$ -	$ -
Health and Human Services	102,319	-	-
Educational Services	-	24,601,536	-
Natural Resources Protection and Preservation	239,784	9,643,304	-
Economic and Community Development	3,432	-	-
Capital Outlays	32,654,263	-	-
Debt Service	3,210,701	6	-
Total Non-major Governmental Funds	$ 36,224,847	$ 34,244,846	$ -

Note V. OTHER INFORMATION

A. Risk Management

1. Workers' Compensation and Risk Management

The Agency of Administration's Financial Services Division oversees the Workers' Compensation and Risk Management programs, which administers all insurance programs 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 programs set aside assets and pay claims utilizing the following three Internal Service Funds:

State Employees' Workers' Compensation 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 who are injured on the job, 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. All claims are processed by Workers' Compensation 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. Workers' Compensation is reviewed annually by an outside accountant and 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 Risk Management personnel 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. The State's exposure to tort 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 and to federal suit and other non-tort suit is potentially unlimited. The State is self-insured retention (SIR) for the first $500,000 of exposure and has purchased excess commercial insurance to cover the additional per-occurrence exposure in amounts of up to $1,500,000 ($2,000,000 total) in Vermont and $10,000,000 in excess of the $500,000 SIR for claims that are not subject to the Vermont Tort Claims Act. Claims are processed by Risk Management personnel (prior to 2006, claims were processed by a third-party administrator), and are audited annually by an outside claims adjuster to ensure that the claims-based statistical information used to calculate the State's liability exposure is reliable. 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 Risk Management personnel utilizing departmental exposure and experience factors.

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 and potentially for any claims in excess of the purchased limits.. 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.

Insurance settlements have never exceeded the coverage disclosed above.

In addition to the three internal service funds above, effective July 1, 2007, the General Assembly established

the Sarcoidosis Benefit Trust Fund (a program in the Special Fund) to cover specific claims arising from an outbreak of Sarcoidosis at the impaired State office building in Bennington, Vermont (Act 53 of 2007). Claims are reviewed and processed under rules established that mirror the rules for the Workers' Compensation Fund claims. Funding was established as a special fund and not a proprietary fund as funding will only be available by the General Assembly as claims arise and funding needs are determined. The Fund is managed by Workers' Compensation personnel. As of June 30, 2014, all claims in this special fund have been settled. Total payments issued from fiscal year 2008 through fiscal year 2014 are $1,806,514.

2. Health Care Insurance, Dental Assistance Plan, Life Insurance, Employee Assistance Program, and Long Term Disability Funds for State Employee Benefit Plans

The Employee Benefits Division of the Department of Human Resources maintains medical/behavioral health insurance, dental assistance plan, life insurance, employee assistance program, and long term disability program funds for the benefit of current State employees, retired former employees, and legislators as well as employees and certain former employees of outside "special" groups which have been declared eligible to participate by statute or labor agreement. Not all of these named groups may participate in every plan. Detailed eligibility information for each group listed above can be found in the plan summaries that follow. Temporary and contractual employees are not eligible to participate in these plans.

Enrolled plan participants share in the premium cost of the medical/behavioral health plan. Prescription drug coverage is included in the medical/behavioral health plan. Premium rate setting is performed by an outside actuary in conjunction with the Administrative Services Division 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. Special Groups covered under the health insurance plan remit premium to the State for their members. Retirees covered under the health plan pay premium through the Retirement Division of the Treasurer's Office.

The medical insurance plan offerings have been in place since 2001. The plan options are: TotalChoice and HealthGuard which are "preferred provider organization" indemnity-type plans; the SelectCare plan which is a "point of service" plan, similar to an open-ended HMO (members may opt out of the SelectCare network but must meet a deductible and coinsurance to do so); and the SafetyNet option which is a high-deductible catastrophic plan and was offered until the end of December, 2013. 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 claims payment. To limit the State's large claims exposure, the State has purchased a stop loss insurance policy.

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 benefit 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 plan operates with a schedule of benefits which is bargained under the labor contract and has not been updated since 2001. It will be updated in FY15. The Administrative Services Division 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. Special Groups covered under the dental assistance plan remit premium to the State for their members.

The State of Vermont Employee Life Insurance Program consists of a Term-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 $10,000 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 Administrative Services Division 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

active employees of outside special groups are eligible to participate. Special Groups covered under the life insurance plan remit premium to the State for their members.

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, financial, 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 fee 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' unions (the Vermont State Employees Association and the Vermont Troopers Association) are eligible for this benefit. Employees must be employed for one (1) year 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 following eligibility.

Three years' changes in the respective funds' claims liability amounts are displayed in the following table:

Fund and Fiscal Year	Liability at Beginning of the Fiscal Year	Current FY Claims and Changes in Estimates	Current FY Claims Payments	Liability at End of the Fiscal Year
Workers' Compensation Fund				
2012	$ 23,203,791	$ 10,095,099	$ 7,235,542	$ 26,063,348
2013	26,063,348	9,668,124	8,437,633	27,293,839
2014	27,293,839	12,207,238	8,164,385	31,336,692
State Liability Insurance Fund				
2012	6,426,881	4,015,135	3,274,882	7,167,134
2013	7,167,134	1,770,040	2,892,628	6,044,546
2014	6,044,546	1,368,261	1,615,870	5,796,937
Medical Insurance Fund				
2012	11,916,236	125,624,972	124,857,795	12,683,413
2013	12,683,413	125,038,644	125,837,029	11,885,028
2014	11,885,028	146,557,229	144,983,169	13,459,088
Dental Insurance Fund				
2012	196,749	4,932,917	4,915,827	213,839
2013	213,839	5,129,557	4,963,106	380,290
2014	380,290	5,143,372	5,263,164	260,498

B. 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 consist of any budgetary basis 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. For fiscal year 2014, the State fully funded the Budget Stabilization Reserves for the General, Transportation and Education Funds to their respective statutory maximum levels. The balances at June 30, 2014 are as follows: $11,549,625 in the Transportation Fund's Budget Stabilization Reserve; $66,160,940 in the General Fund's Budget Stabilization Reserve; and $30,337,871 in the Education Fund's Budget Stabilization Reserve.

The State has previously reported its General Fund Budget Stabilization Reserve as reserved for budget stabilization in the governmental funds. With the implementation of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", the reserve does not meet the criteria to be classified as restricted or committed fund balance, and is reported as unassigned fund balance. There has been no change in the budget stabilization policy or the way in which the policy is being carried out. The Transportation Fund's Budget Stabilization Reserve and the Education Fund's Education Reserve are classified as committed for transportation and education, respectively.

C. Contingent and Limited Liabilities

1. 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) in 1993; and transferred the functions and the responsibilities of the Vermont Industrial Building Authority, Industrial Park Authority, and the Aid Board to it. Each of these original entities was relegated to a particular segment of commercial development. VEDA was established as a body corporate and politic and a public instrumentality of the State. It is governed by a fifteen member board which consists of the Secretary of the Agency of Commerce and Community Development, the State Treasurer, the Secretary of Agriculture, Food and Markets, and ten public members appointed by the Governor with the advice and consent of the Senate. The full faith and credit of the State is pledged to support the activities of VEDA.

VEDA has the power, under its two insurance programs (the Mortgage Insurance Program – MIP and the Financial Access program – FAP), to insure various types of loans.

Under the MIP, VEDA has the power to insure up to $3.5 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 VEDA. In FY2014, VEDA recognized a loss of $393,000 related to the MIP and in accordance with the State's guarantee, the State recorded a similar liability at June 30, 2014. As of June 30, 2014, the State's contingent liability for mortgage insurance contracts insured under its MIP is $1,398,457.

VEDA is authorized to reimburse lenders participating in its other insurance program (FAP) for losses incurred on loans that the lenders register with VEDA. 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 $1 million at any one time. The State's contingent liability for the FAP at June 30, 2014 is $193,185. The State has no recorded payable to VEDA in

the Governmental Funds for fiscal 2014.

VEDA also operates the Small Business Loan Program and a Vermont Entrepreneurial Lending Program. The full faith and credit of the State is pledged to guarantee up to $1 million dollars of these loans. In FY 2014, the State paid VEDA $308,737 for losses that were incurred in this program. This payment is paid by the Treasurer as a non-appropriated expenditure. The State's contingent liability for this program is $691,263

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

2. Limited Liabilities

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

Vermont Student Assistance Corporation:
The State has a limited liability for the VSAC. VSAC may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 2867. Annually, VSAC 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. To date, 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 Telecommunications Authority:
The State has a limited liability for the VTA. VTA may create one or more debt service reserve funds in accordance with 10 V.S.A. Section 8065. Annually, VTA 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. To date, 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.

University of Vermont:
The State has a limited liability for the UVM. UVM may create one or more debt service reserve funds in accordance with 16 V.S.A. Section 2363. Annually, UVM 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. To date, 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 State Colleges:
The State has a limited liability for the VSC. VSC may create one or more debt service reserve funds in accordance with 16 V.S.A. Section 286. Annually, VEDA 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. To date, 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.

3. Contractual Liabilities

Agency, Department, or Office	Total Contractual Obligation	Funded by Federal Sources	Funded by Other Sources
Agency of Administration	$ 297,446,622	$ -	$ 297,446,622
Agency of Agriculture, Food & Markets	891,781	3,535	888,246
Agency of Commerce & Community Development	12,478,975	301,350	12,177,625
Agency of Human Services	325,135,326	139,187,611	185,947,715
Agency of Natural Resources	7,549,481	1,460,972	6,088,509
Agency of Transportation	516,434,980	266,629,214	249,805,766
Auditor of Account's Office	4,808,280	-	4,808,280
Center of Crime Victims Services	4,900	4,900	-
Criminal Justice Training Council	259,014	-	259,014
Agency of Education	7,470,012	5,952,224	1,517,788
Department of Labor	64,502	64,502	-
Department of Liquor Control	3,727,418	-	3,727,418
Department of Public Safety	3,752,140	1,728,610	2,023,530
Enhanced 911 Board	3,303,474	-	3,303,474
Department of Financial Regulation	8,074,119	-	8,074,119
Fire Service Training Council	130,795	-	130,795
Green Mountain Care Board	2,747,037	-	2,747,037
Joint Fiscal Office	145,958	-	145,958
Judiciary	308,540	-	308,540
Military Department	5,530,333	4,482,473	1,047,859
Office of the Attorney General	518,391	21,107	497,284
Office of the Defender General	4,594,599	-	4,594,599
Public Service Board	115,350	-	115,350
Public Service Department	4,616,237	147,855	4,468,383
Secretary of State's Office	4,537,697	2,016,113	2,521,584
State Treasurer's Office	209,110,993	-	209,110,993
State's Attorneys and Sheriffs Office	169,910	-	169,910
Vermont Life Magazine	740,300	-	740,300
Vermont Lottery Commission	21,610,974	-	21,610,974
Total	$ 1,446,278,138	$ 422,000,466	$ 1,024,277,672

At June 30, 2014, the State of Vermont had long-term contracts outstanding of approximately $422,000,466 funded from federal sources, and $1,024,277,672 funded from all other funding sources. Contracts such as retainer contracts and contracts for commodities have not been included since the nature of these on-going contracts are tracked statewide to ensure the best prices for supplies and some professional services. Following is a summary of contractual liabilities by agency, department or office at June 30, 2014.

The Agency of Transportation contracts are mainly infrastructure construction contracts of which 70% have end dates of June 30, 2015 or earlier. Of the Agency of Human Services contract liability balance, 20% is for contracts in the Department of Corrections, 54% is Department of Vermont Health Access, and 15% is Department of Health. Of the contracts in the Agency of Administration, 73% have end dates during fiscal year 2015, and are primarily for human resource benefit administration services, information technology services (including an electronic integrated tax system), and capital construction. The State Treasurer's Office contracts are mostly investment management services and health insurance for the retirement plans which consist of 97% of the total, with 50% having end dates during fiscal year 2014.

4. Grant Awards

The State of Vermont engages in many grant programs that benefit municipalities, non-profits, individuals and families statewide. The grant table summarizes the grant activity by government function. The award balance represents the total grant obligation outstanding at the beginning of the fiscal year. The grant awards and amendments column equals the current year grant awards plus amendments to grant awards issued in prior years and still active in current fiscal year. The awards to grantees in the current fiscal year totaled $524,990,928 of the $567,940,433 grant awards that include amendments to the prior year balance. The grants expended include payments issued to grantees on both current year awards and prior year grant awards. The award balances at June 30, 2014 represents the remaining unexpended award amounts.

		Total Grant Obligation				
Function	**Number of Grants Awarded in 2014**	**Award Balance at June 30, 2013**	**Current Year Awards**	**Award Adjustments**	**Grants Expended**	**Award Balance at June 30, 2014**
General Government	635	$ 30,615	$ 107,274,663	$ 1,008,562	$ (108,288,685)	$ 25,155
Protection to Person and Property	928	27,003,469	27,387,473	102,266	(29,318,929)	25,174,279
Human Services	835	55,825,756	171,634,747	19,218,132	(181,560,608)	65,118,027
Employment and Training	63	1,904,366	2,224,782	-	(1,966,135)	2,163,013
General Education	811	12,931,506	96,542,465	(9,898)	(85,912,574)	23,551,499
Natural Resources	229	14,122,468	34,410,224	1,951,820	(26,702,639)	23,781,873
Commerce and Community Development	194	36,151,494	13,608,963	(755,362)	(19,700,674)	29,304,421
Transportation	415	172,612,005	71,907,611	21,433,985	(83,509,886)	182,443,715
Grand Total	4,110	$ 320,581,679	$ 524,990,928	$ 42,949,505	$ (536,960,130)	$ 351,561,982

The major grants awarded in 2014 are summarized below by agency or department.

Human Services:

Public health grants are awarded for prevention of diseases, public awareness programs like tobacco cessation, alcohol & drug abuse programs, HIV prevention and family planning, vaccinations and inspection programs. In 2014, there were 300 grants awarded totaling over $40 million for public health.

During fiscal year 2014, programs under mental health for adults and children were awarded approximately

$25 million. Programs managed under mental health are for child care services, substance abuse and rehabilitation, services for homeless people with mental illness, and transitional support and housing.

The Department of Children and Families awarded 265 grants totaling over $52 million for programs in 2014. Programs included economic assistance and services for families, child development programs, and weatherization programs.

There were $28 million in grants awarded to 105 grantees for various aged and independent living programs. The majority of the grants were for training, work based learning and supported education, abuse prevention, caregiver programs, services for individuals with physical disabilities, general support for the blind and visually impaired, and grants for congregate and home delivered meals.

During FY 2014, the State paid $30.4 million to Fletcher Allen Health Care for the Graduate Medical Education program (GME). The GME program helps ensure access to quality essential professional health services for Medicaid beneficiaries through the care provided by teaching physicians and teaching hospitals. The University of Vermont contributed $13.2 million to the State to support the GME programs; this support is listed as other revenue in the Global Commitment Fund.

General Government:

The Agency of Administration includes the Department of Libraries which awarded 275 grants in the amount of $120,332 to public libraries throughout the state, and the Department of Taxes which awarded 246 grants in the amount of $97,152 to municipalities. In addition, Annual appropriations in the amount of $106,051,441 were awarded to component unit entities of the State which include the University of Vermont, Vermont State Colleges, Vermont Student Assistance Corporation, and Vermont Telecommunications Authority.

Education:

The Agency of Education awarded 811 grants in 2014 primarily for school improvements beginning with preschool through adult higher education. Programs include early education and readiness programs plus wellness food programs for children. Secondary education program include the flexible pathways initiatives to increase the rates of graduation and continuation on to post-secondary education. Other programs focus on basic adult education, technology advances, and teacher and principal training and recruitment.

Transportation:

Transportation grants provide funding for town highway projects like bridge replacement and rehabilitation, culvert repair and state aid to towns; state and FTA funded projects; FEMA emergency projects, state paving projects, enhancement projects and various roadway projects.

Natural Resources:

The Department of Environmental Conservation awarded more than $31 million in funding which included loans to Municipalities for repair and improvement of water systems, pollution control systems, and storm-water projects. Other programs focused on education and informing the public about proper disposal of household hazardous waste products, aquatic nuisance control, and protecting environmentally sensitive areas. The Department of Forest, Parks & Recreation awarded approximately $2 million in grants; the Department of Fish & Wildlife awarded approximately $1 million in grants.

Protection to Persons and Property:

Public Safety grants are made up of safety programs like homeland security, motorcycle safety, bicycle safety, traffic safety, seatbelt safety and boating safety. In addition, the Division of Emergency Management & Homeland Security provides aid and support to Vermont's local emergency response providers by funding disaster preparedness programs. The Department issued 444 grants totaling over $10 million.

The Vermont Crime Victims' Services awarded 111 grants in the amount of $4.5 million for crime victim assistance, and domestic and family violence services' programs.

The Agency of Agricultural, Food & Markets awarded 286 grants in the amount of $7.9 million to support programs that encourage growth of agriculture in Vermont while protecting the health of consumers and Vermont's environment.

Commerce and Community Development:

The Agency awarded 194 grants in 2014 for programs which aim to provide decent housing, assure a suitable living environment, and expand economic opportunities for Vermonters. Of the 194 grants issued, the Department of Housing & Community Development awarded 114 grants in the amount of $10,538,435. The Department of Economic Development awarded 68 grants totaling $2,238,008 with $1,314,420 of the funding allocated to the Vermont Training Program which provides employers with performance based workforce grants for pre-employment training, training for new hires and incumbent workers.

D. 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.

E. 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 (Commission) which is an interstate body, both corporate and politic, serving as a common agent for 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 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 promulgate rules and regulations governing the establishment and to administer the operation of the Tri-State 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 30, 2014, the Commission had total assets of $49,571,103, and total liabilities of $39,799,794, representing decreases of $3.8 million and $2.4 million respectively, compared to June 30, 2013 figures. For the fiscal year ended June 30, 2014, the Commission had operating revenues of $56,050,185, an increase of $1.8 million; interest income of $73,172, an increase of $6,195; commissions, fees, and bonus expenses of $4,916,238, a decrease of $527,174; prize awards of $28,746,120, an increase of $1.3 million; and other operating expenses of $3,995,561, a decrease of $233,092; all activity as compared to the fiscal year ended June 30, 2013.

During fiscal year 2014, the Commission made operating transfers to member states of $18,465,438 versus $17,160,159 during fiscal year 2013. This total included $2,864,630 transferred to Vermont during the fiscal year, an increase of $94,002 as compared to fiscal year 2013.

Additional information regarding the Tri-State Lotto Commission may be obtained by contacting the Vermont Lottery Commission, 1311 US Route 302-Berlin, Suite 100, Barre, Vermont 05641.

F. Accounting Changes

In March, 2012, GASB issued Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities; and recognizes as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. Two discretely presented component units restated their net position for changes that resulted from the implementation of GASB Statement No. 65.

One other discretely presented component units also restated their net position as of June 30, 2013. The Vermont Sustainable Jobs Fund restated their net position to reflect certain foundation and other private grants as temporarily restricted net assets rather than as unearned revenue.

The effects of these changes on the statements were as follows:

	Vermont State Colleges	Vermont Sustainable Jobs Fund	Vermont Municipal Bond Bank
As originally reported	$ 74,160,803	$ 606,135	$ 38,147,936
Restatements			
Reclassification of bond issuance costs	(836,154)	-	(5,900,752)
Temporarily restricted assets	-	489,618	-
Restated amount	$ 73,324,649	$ 1,095,753	$ 32,247,184

The defined benefit pension plans reported in the Pension Trust Funds have implemented GASB Statement No. 67, *Financial Reporting for Pension Plans* for the fiscal year ending June 30, 2014. This statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan. GASB Statement No. 67 requires plans to calculate a net pension liability (or NPL) to be measured as the total pension liability less the amount of the pension plan's fiduciary net position.

G. Subsequent Events

1. Debt Issuances

2014 Series A (Vermont Citizens Bonds) – General Obligation Bonds and 2014 Series B – General Obligation Bonds

The State issued $20,310,000 of 2014 Series A - General Obligation Bonds, dated December 9, 2014. The bonds are general obligations of the State of Vermont, and the full faith and credit of the State are pledged to the payment of principal and interest on these bonds. The interest rates on these bonds vary from 0.14% to 5%, and payment to bondholders is scheduled to commence on August 15, 2015, and terminate on August 15, 2029.

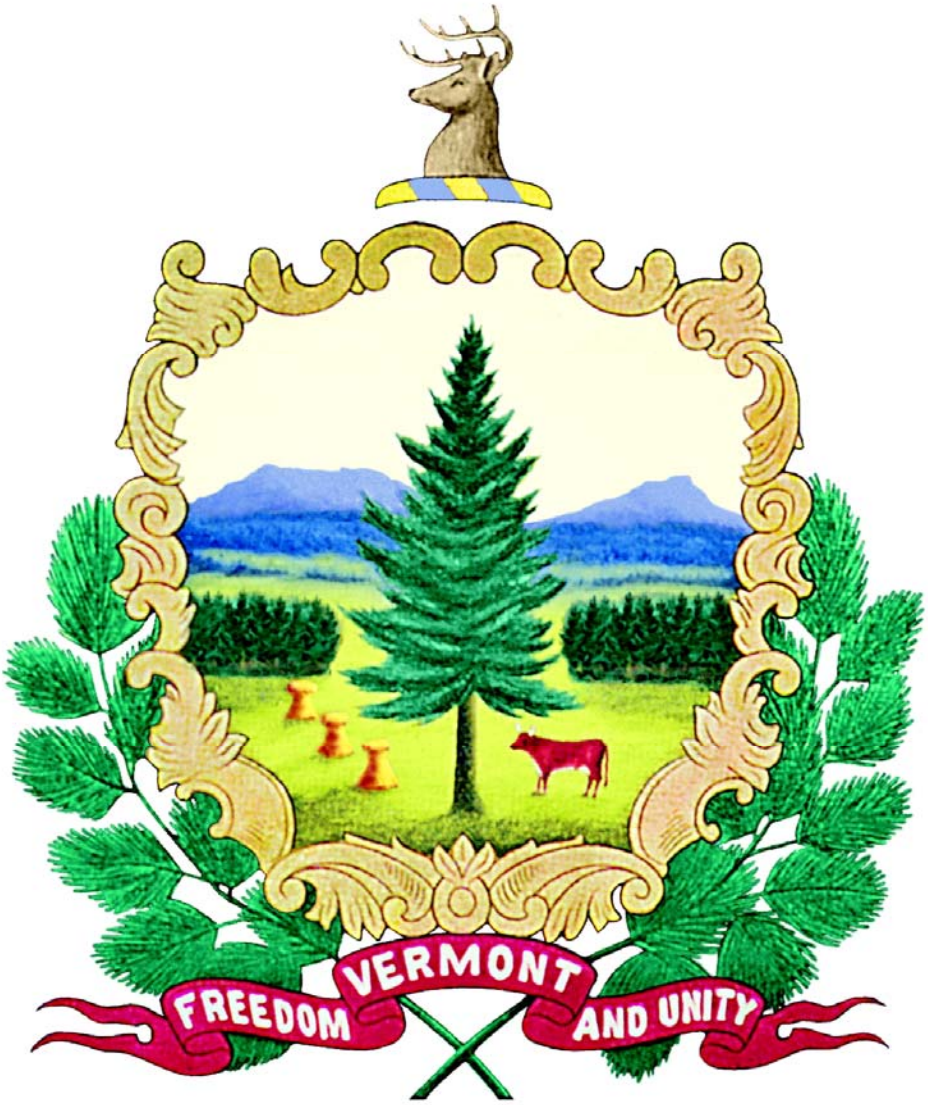
The State issued $53,245,000 of 2014 Series B - General Obligation Bonds, dated December 9, 2014. The bonds are general obligations of the State of Vermont, and the full faith and credit of the State are pledged to

the payment of principal and interest on these bonds. The interest rates on these bonds are 5%, and payment to bondholders is scheduled to commence on August 15, 2015, and terminate on August 15, 2034.

The issuance of these bonds is authorized by capital acts from legislative sessions: Act 51 (2013), and Act 40 (2011) as amended by Act 178 (2014). The proceeds are to be used for various purposes including capital projects, major maintenance at the State buildings, Vermont State Colleges, University of Vermont, Vermont school construction, various projects in the areas of human services, natural resources, public safety, agriculture, various grant purposes, and other projects.

2014 Series C—General Obligation Refunding Bonds

The State issued $36,205,000 of 2014 Series C – General Obligation Refunding Bonds, dated December 9, 2014, for the purpose of advance refunding of $12,070,000 outstanding principal of the 2005 Series C - Refunding Bonds, $9,000,000 outstanding principal of the 2007 Series A - General Obligation Bonds, and $16,100,000 outstanding principal of the 2007 Series D – General Obligation Bonds. Interest rates on the bonds range from 3% to 5%, and payments to bondholders are scheduled to commence on August 15, 2015, and terminate on August 15, 2027. As a result of the bond refunding transaction, the State reduces its total debt service payments over the next 12 years by $3,480,778, and achieves an economic gain of $3,027,760.



Required Supplementary Information

(Unaudited)

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST FISCAL YEAR
(Dollar amounts expressed in thousands)
(Unaudited)

	VSRS	STRS	MERS
Total pension liability			
Service cost	$ 39,369	$ 33,143	$ 22,519
Interest	156,635	206,150	42,139
Benefit payments, including refunds of member contributions	(104,493)	(140,847)	(20,601)
Net change in total pension liability	91,511	98,447	44,057
Total pension liability, July 1, 2013	1,917,377	2,565,354	499,595
Total pension liability, June 30, 2014	2,008,888	2,663,802	543,652
Plan fiduciary net position			
Contributions - employer	56,483	-	12,806
Contributions - non-employer	-	72,668	-
Contributions - member	31,746	32,559	13,234
Net investment income	203,722	212,338	64,346
Benefit payments, including refunds of member contributions	(104,493)	(140,847)	(20,601)
Administrative expenses	(1,158)	(26,116)	(588)
Other	454	411	2,143
Net change in fiduciary net position	186,754	151,013	71,339
Plan fiduciary net position, July 1, 2013	1,470,492	1,554,352	463,186
Plan fiduciary net position, June 30, 2014	1,657,246	1,705,365	534,525
Net pension liability, June 30, 2014	$ 351,642	$ 958,437	$ 9,127
Plan fiduciary net position as a percentage of the total pension liability	82.50%	64.02%	98.32%
Covered employee payroll	$ 416,766	$ 563,623	$ 220,372
Net pension liability as a percentage of covered-employee payroll	84.37%	170.05%	4.14%

Notes to Schedule
Benefit changes since June 30, 2013: None
Changes of assumptions since June 30, 2013: None

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years years will be added prospectively.

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
SCHEDULE OF FUNDING PROGRESS
(dollar amounts expressed in thousands)
(Unaudited)

Actuarial Valuation Date June 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)
VSRS						
2014	$ 1,566,076	$ 2,010,090	$ 444,014	77.91%	$ 437,676	101.45%
2013	1,469,170	1,914,300	445,130	76.75%	416,766	106.81%
2012	1,400,779	1,802,604	401,825	77.71%	385,526	104.23%
2011	1,348,763	1,695,301	346,538	79.56%	398,264	87.01%
2010	1,265,404	1,559,324	293,920	81.15%	393,829	74.63%
2009	1,217,638	1,544,144	326,506	78.86%	404,516	80.72%
2008	1,377,101	1,464,202	87,101	94.05%	404,938	21.51%
2007	1,318,687	1,307,643	(11,044)	100.84%	386,917	-2.85%
2006	1,223,323	1,232,367	9,044	99.27%	369,310	2.45%
2005	1,148,908	1,174,796	25,888	97.80%	349,258	7.41%
STRS						
2014	$ 1,610,286	$ 2,687,049	$ 1,076,763	59.93%	$ 567,074	189.88%
2013	1,552,924	2,566,834	1,013,910	60.50%	563,623	179.89%
2012	1,517,410	2,462,913	945,503	61.61%	561,179	168.49%
2011	1,486,698	2,331,806	845,108	63.76%	547,748	154.29%
2010	1,410,368	2,122,191	711,823	66.46%	562,150	126.63%
2009	1,374,079	2,101,838	727,759	65.38%	561,588	129.59%
2008	1,605,462	1,984,967	379,505	80.88%	535,807	70.83%
2007	1,541,860	1,816,650	274,790	84.87%	515,573	53.30%
2006	1,427,393	1,686,502	259,109	84.64%	499,044	51.92%
2005	1,354,006	1,492,150	138,144	90.74%	468,858	29.46%
MERS						
2014	$ 500,558	$ 580,972	$ 80,414	86.16%	$ 230,969	34.82%
2013	446,236	528,426	82,190	84.45%	220,372	37.30%
2012	417,443	488,572	71,129	85.44%	215,075	33.07%
2011	402,550	436,229	33,679	92.28%	205,589	16.38%
2010	376,153	409,022	32,869	91.96%	202,405	16.24%
2009	331,407	366,973	35,566	90.31%	191,521	18.57%
2008	348,740	343,685	(5,055)	101.47%	175,894	-2.87%
2007	325,774	309,853	(15,921)	105.14%	162,321	-9.81%
2006	288,347	276,552	(11,795)	104.27%	148,815	-7.93%
2005	259,076	248,140	(10,936)	104.41%	146,190	-7.48%

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
SCHEDULE OF EMPLOYER AND NON-EMPLOYER CONTRIBUTIONS
(dollar amounts expressed in thousands)
(Unaudited)

Retirement System	Year Ended 6/30	Actuarially Determined Contribution	Amount Contributed	Percentage Contributed	Covered Employee Payroll	Contribution as a Percent of Payroll
Vermont State Retirement System	2014	$ 42,786	$ 56,483	132.01%	$ 437,676	12.91%
	2013	39,390	51,370	130.41%	416,766	12.33%
	2012[1]	28,748	40,302	140.19%	385,526	10.45%
	2011	44,491	37,573	84.45%	398,264	9.43%
	2010	37,418	31,469	84.10%	393,829	7.99%
	2009	28,998	25,134	86.67%	404,516	6.21%
	2008	42,375	39,194	92.49%	404,593	9.69%
	2007	40,190	39,297	97.78%	386,917	10.16%
	2006	38,215	36,866	96.47%	369,310	9.98%
	2005	36,019	36,493	101.32%	349,258	10.45%
State Teachers' Retirement System	2014	$ 68,353	$ 72,668	106.31%	$ 567,074	12.81%
	2013	60,183	65,086	108.15%	563,623	11.55%
	2012	51,242	56,152	109.58%	561,179	10.01%
	2011	48,233	50,268	104.22%	547,748	9.18%
	2010	41,503	41,921	101.01%	562,150	7.46%
	2009	37,077	38,756	104.53%	561,588	6.90%
	2008	40,749	39,549	97.06%	535,807	7.38%
	2007	38,200	38,496	100.77%	515,573	7.47%
	2006	49,924	24,446	48.97%	499,044	4.90%
	2005	43,592	24,446	56.08%	468,858	5.21%
Vermont Municipal Employees' Retirement System	2014	$ 12,806	$ 12,806	100.00%	$ 230,969	5.54%
	2013	12,014	12,014	100.00%	220,372	5.45%
	2012	11,532	11,532	100.00%	215,075	5.36%
	2011	11,117	11,117	100.00%	205,589	5.41%
	2010	10,593	10,593	100.00%	202,405	5.23%
	2009	-	-	N/A	191,521	N/A
	2008	-	-	N/A	175,894	N/A
	2007	8,546	8,546	100.00%	162,321	5.26%
	2006	7,840	7,840	100.00%	148,815	5.27%
	2005	7,360	7,360	100.00%	146,190	5.03%

[1] Fiscal year 2012 the annual required contribution had been adjusted by $5 million due to the provisions contained in Act 63 of the 2011 legislative session, and by $5.4 million to correct prior year contribution true-ups that were erroneously categorized as expenses.

N/A - not applicable.
For fiscal years 2008 and 2009, the Vermont Municipal Employees' Retirement System required no employer contributions for the defined benefit pension plan. Instead, employer contributions were directed to the OPEB defined contribution plan's Vermont Municipal Employees' Health Benefit Fund.

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplemental information.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLANS
NOTES TO SCHEDULE OF EMPLOYER AND NON-EMPLOYER CONTRIBUTIONS
METHODS AND ASSUMPTIONS TO DETERMINE CONTRIBUTION RATES
(Unaudited)

	VSRS	STRS	MERS
Valuation date	06/30/13	06/30/13	07/01/13
Actuarial cost method (1)	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level percentage of payroll	Level percentage of payroll	Installments increasing 5% per year
Remaining amortization period (2) All closed basis	25 years	25 years	25 years
Asset valuation method (3)	Preliminary Asset Value plus 20% of difference between market and preliminary asset values	Preliminary Asset Value plus 20% of difference between market and preliminary asset values	Actuarial value of assets using a five year smoothing technique
Actuarial assumptions			
Investment rate of return (4)	6.25%-9.00%	6.25%-9.00%	6.25%-9.00%
Projected salary increases	3.00%-7.79%	4.25%-8.40%	5%
Cost of living adjustments	1.5%-3.0%	1.5%-3.0%	Group A - 1.5% Groups B, C & D - 1.8%
Post Retirement Adjustments			
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 increased on January 1 by one-half of the percentage increase in CPI but not in excess of percentage indicated	Group F - 5% (5)	Group C - 5%	Group A - 2% Groups B, C & D - 3%
Assumed annual rate of cost-of-living increases	For those eligible for increases of 100% of CPI change: 3.0%	For those eligible for increases of 100% of CPI change: 3.0%	
	For those eligible for increases of 50% of CPI change: 1.5%	For those eligible for increases of 50% of CPI change: 1.5%	

(1) Beginning with June 30, 2006, 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 was restarted effective 7/1/08 for VSRS and STRS.
(3) The preliminary asset value is equal to the pervious year's asset value (for valuation purposes) adjusted for contributions less benefit payments and expenses and expected income.
(4) Effective 6/30/11, a slelect-and-ultimate interest rate assumption was used.
(5) Effective January 1, 2014, the group F employees who were actively contributing into the system on June 30, 2008, and retire on or after July 1, 2008, will be eligible for the enhanced cost of living adjustment, which will increase to equal the full CPI change.

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
LAST FISCAL YEAR
(Unaudited)

	2014
VERMONT STATE RETIREMENT SYSTEM	
Annual money-weighted rate of return, net of investment expense	14.05%
STATE TEACHERS' RETIREMENT SYSTEM	
Annual money-weighted rate of return, net of investment expense	13.83%
VERMONT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM	
Annual money-weighted rate of return, net of investment expense	14.13%

GASB No. 67 required supplementary information is not available for fiscal years prior to 2014. Data for future years will be added prospectively.

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplemental information.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF FUNDING PROGRESS
(dollar amounts expressed in thousands)
(Unaudited)

Actuarial Valuation Date June 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)
State Employees' Postemployment Benefit Trust Fund [1]						
2014	$ 18,904	$ 1,092,728	$ 1,073,824	1.73%	$ 464,517	231.17%
2013	15,663	947,864	932,201	1.65%	436,949	213.34%
2012	13,379	1,011,783	998,404	1.32%	406,929	245.35%
2011	11,216	1,009,792	998,576	1.11%	420,321	237.57%
2010	7,897	925,183	917,286	0.85%	414,936	221.07%
2009	5,749	780,748	774,999	0.74%	426,827	181.57%

[1] Based on a discount rate of 4.25% for 2009 - 2013, and 4.00% for 2014.

State Teachers Retiree Medical Benefit Plan [2]						
2014	$ -	$ 766,775	$ 766,775	0.00%	$ 565,658	135.55%
2013	-	712,666	712,666	0.00%	563,534	126.46%
2012	-	827,180	827,180	0.00%	561,026	147.44%
2011	-	780,032	780,032	0.00%	547,748	142.41%
2010	-	703,751	703,751	0.00%	560,763	125.50%
2009	-	872,236	872,236	0.00%	561,588	155.32%

[2] Based on a discount rate of 4.00%.

STATE OF VERMONT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BEEFIT PLANS
SCHEDULE OF EMPLOYER AND NON-EMPLOYER CONTRIBUTIONS
(dollar amounts expressed in thousands)
(Unaudited)

Retirement System	Year Ended 6/30	Annual Required Contribution	Percentage Contributed
State Employees' Postemployment Benefit Trust Fund			
	2014	$ 64,119	37.85%
	2013	67,977	37.60%
	2012	69,880	39.57%
	2011	67,030	40.87%
	2010	57,998	38.84%
	2009	58,994	33.72%
Postemployment Benefits for State Teachers' Retirement System			
	2014	$ 39,239	0.00%
	2013	45,458	0.00%
	2012	43,411	0.00%
	2011	41,509	0.00%
	2010	58,966	0.00%
	2009	59,712	0.00%

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 1,289,700,000	$ 1,300,400,000	$ 1,300,330,483	$ (69,517)
Earnings of Departments	21,700,000	21,700,000	20,633,541	(1,066,459)
Other	12,800,000	10,500,000	7,411,301	(3,088,699)
Total revenues	1,324,200,000	1,332,600,000	1,328,375,325	(4,224,675)
Expenditures				
General Government				
Agency of Administration	44,309,882	47,559,491	38,180,488	(9,379,003)
Executive Office	1,451,749	1,658,611	1,516,649	(141,962)
Legislative Council	10,826,424	11,037,511	10,222,382	(815,129)
Joint Fiscal Office	1,447,188	2,506,676	1,605,044	(901,632)
Sergeant at Arms	584,585	610,250	576,825	(33,425)
Lieutenant Governor's Office	175,045	188,129	172,925	(15,204)
Auditor of Accounts	396,784	389,909	348,384	(41,525)
State Treasurer	976,216	1,415,347	1,552,152	136,805
State Labor Relations Board	206,051	219,245	215,794	(3,451)
VOSHA Review Board	22,657	44,109	26,600	(17,509)
Homeowner Property Tax Assistance	13,967,000	14,922,415	14,738,595	(183,820)
Renter Rebate Tax Assistance	2,651,500	2,651,500	2,651,500	-
Protection to Persons and Property				
Attorney General	5,665,895	5,864,916	5,555,990	(308,926)
Defender General	13,235,323	13,706,533	13,061,125	(645,408)
Judiciary	35,961,605	35,988,170	35,988,170	-
State's Attorneys and Sheriffs	14,338,628	15,200,479	14,319,984	(880,495)
Department of Public Safety	36,262,276	39,685,392	36,202,763	(3,482,629)
Military Department	3,721,374	4,328,239	3,706,538	(621,701)
Center Crime Victim Services	1,164,554	1,861,554	1,164,554	(697,000)
Criminal Justice Training Council	2,347,571	2,372,181	2,230,561	(141,620)
Agency of Agriculture, Food and Markets	6,522,947	7,523,269	5,911,178	(1,612,091)
Department of Financial Regulation	200,000	300,000	240,000	(60,000)
Secretary of State	-	30,685	30,685	-
Public Service Department	-	250,000	64,620	(185,380)
Human Rights Commission	422,882	438,738	409,741	(28,997)
Human Services				
Agency of Human Services	588,218,556	624,182,493	602,388,132	(21,794,361)
Green Mountain Care Board	473,118	1,107,049	949,979	(157,070)
Governor's Commission on Women	353,835	375,472	324,664	(50,808)
Human Services Board	117,962	114,054	114,054	-
Vermont Veterans' Home	1,344,225	4,183,777	4,183,777	-
Labor				
Department of Labor	3,256,581	4,787,565	2,590,431	(2,197,134)
General Education				
Agency of Education	9,999,214	10,453,085	9,761,892	(691,193)
State Teacher's Retirement	71,783,200	71,783,200	71,783,200	-
Higher Education	84,363,379	84,363,380	84,363,379	(1)

continued on next page

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
GENERAL FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Natural Resources				
Agency of Natural Resources	25,242,244	29,657,916	26,946,601	(2,711,315)
Natural Resources Board	829,791	807,604	807,604	-
Commerce and Community Development				
Agency of Commerce and Community Development	12,848,032	21,622,057	18,452,977	(3,169,080)
Cultural Development	1,882,999	1,919,964	1,919,964	-
Total expenditures	997,571,272	1,066,110,965	1,015,279,901	(50,831,064)
Excess of revenues over expenditures	326,628,728	266,489,035	313,095,424	46,606,389
Other Financing Sources (Uses)				
Transfers in	10,612,312	66,448,124	66,448,124	-
Transfers out	(380,075,417)	(386,994,037)	(386,994,037)	-
Refunding bonds issued	-	20,046,044	20,046,044	-
Payment to escrow agent	-	(20,046,044)	(20,046,044)	-
Total other financing sources (uses)	(369,463,105)	(320,545,913)	(320,545,913)	-
Excess of revenues and other sources over (under) expenditures and other uses	(42,834,377)	(54,056,878)	(7,450,489)	46,606,389
Fund balance, July 1	131,089,960	131,089,960	131,089,960	-
Fund balance, June 30	$ 88,255,583	$ 77,033,082	$ 123,639,471	$ 46,606,389

See Independent Auditor's Report. 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, 2014
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 153,400,000	$ 156,500,000	$ 156,669,878	$ 169,878
Motor vehicle fees	78,200,000	79,300,000	79,023,552	(276,448)
Federal	373,641,099	398,683,879	301,030,942	(97,652,937)
Other	42,100,000	41,000,000	47,480,491	6,480,491
Total revenues	647,341,099	675,483,879	584,204,863	(91,279,016)
Expenditures				
General Government				
Agency of Administration	6,130,356	3,679,328	3,679,324	(4)
Protection to Persons and Property				
Department of Public Safety	25,238,498	25,371,263	24,950,077	(421,186)
Transportation				
Agency of Transportation	620,012,391	664,890,206	535,581,487	(129,308,719)
Total expenditures	651,381,245	693,940,797	564,210,888	(129,729,909)
Excess of revenues over (under) expenditures	(4,040,146)	(18,456,918)	19,993,975	38,450,893
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(7,872,635)	(7,924,160)	(7,924,160)	-
Total other financing sources (uses)	(7,872,635)	(7,924,160)	(7,924,160)	-
Excess of revenues and other sources over (under) expenditures and other uses	(11,912,781)	(26,381,078)	12,069,815	38,450,893
Fund balance, July 1	5,905,295	5,905,295	5,905,295	-
Fund balance, June 30	$ (6,007,486)	$ (20,475,783)	$ 17,975,110	$ 38,450,893

See Independent Auditor's Report. 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, 2014
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Taxes	$ 1,128,419,442	$ 1,129,519,442	$ 1,129,929,379	$ 409,937
Interest and premiums	100,000	100,000	69,092	(30,908)
Total revenues	1,128,519,442	1,129,619,442	1,129,998,471	379,029
Expenditures				
General Government				
Grand List	3,293,196	3,533,311	3,375,781	(157,530)
Renter Rebates	6,186,900	6,529,764	6,527,494	(2,270)
Human Services				
Agency of Human Services	3,929,242	4,087,515	4,009,415	(78,100)
General Education				
Agency of Education	1,452,124,701	1,463,860,129	1,447,819,955	(16,040,174)
Total expenditures	1,465,534,039	1,478,010,719	1,461,732,645	(16,278,074)
Excess of revenues over (under) expenditures	(337,014,597)	(348,391,277)	(331,734,174)	16,657,103
Other financing sources (uses)				
Transfers in	319,121,115	322,121,115	322,121,115	-
Total other financing sources (uses)	319,121,115	322,121,115	322,121,115	-
Excess of revenues and other sources over (under) expenditures and other uses	(17,893,482)	(26,270,162)	(9,613,059)	16,657,103
Fund balance, July 1	66,214,586	66,214,586	66,214,586	-
Fund balance, June 30	$ 48,321,104	$ 39,944,424	$ 56,601,527	$ 16,657,103

See Independent Auditor's Report. 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, 2014
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Special Fund Revenues	$ 244,690,614	$ 370,039,512	$ 314,359,596	$ (55,679,916)
Total revenues	244,690,614	370,039,512	314,359,596	(55,679,916)
Expenditures				
General Government				
Agency of Administration	14,801,320	54,339,142	42,886,569	(11,452,573)
Executive Office	186,500	186,500	186,500	-
Auditor of Accounts	53,145	53,145	53,145	-
State Treasurer	2,228,121	2,545,608	2,516,606	(29,002)
State Labor Relations Board	19,110	19,110	13,740	(5,370)
VOSHA Review Board	22,657	27,657	26,610	(1,047)
Unorganized Towns and Gores	-	524,656	309,371	(215,285)
Protection to Persons and Property				
Attorney General	3,718,385	4,358,825	3,870,410	(488,415)
Defender General	638,552	642,799	642,799	-
Judiciary	5,174,116	5,585,816	5,466,745	(119,071)
State's Attorneys and Sheriffs	2,375,391	2,515,309	2,437,631	(77,678)
Department of Public Safety	13,942,058	16,233,492	14,105,996	(2,127,496)
Military Department	215,000	272,147	265,164	(6,983)
Center Crime Victim Services	6,284,237	6,377,200	6,080,881	(296,319)
Criminal Justice Training Council	294,572	294,572	293,643	(929)
Agency of Agriculture, Food and Markets	9,448,802	11,188,168	8,087,206	(3,100,962)
Department of Financial Regulation	13,655,543	14,375,543	13,672,936	(702,607)
Secretary of State	7,788,282	8,339,829	8,124,248	(215,581)
Public Service Department	12,367,430	16,883,430	15,321,850	(1,561,580)
Public Service Board	3,091,566	3,099,325	2,806,960	(292,365)
Enhanced 911 Board	4,788,626	4,888,626	4,805,492	(83,134)
Human Rights Commission	-	15,000	10,229	(4,771)
Department of Liquor Control	30,000	403,780	293,891	(109,889)
Human Services				
Agency of Human Services	99,008,341	126,000,346	107,354,096	(18,646,250)
Green Mountain Care Board	4,063,891	4,677,791	2,806,355	(1,871,436)
Governor's Commission on Women	5,000	5,000	-	(5,000)
Human Services Board	86,082	86,082	68,445	(17,637)
Vermont Veterans Home	12,145,964	9,263,280	8,297,492	(965,788)
Labor				
Department of Labor	5,604,795	6,354,795	4,424,217	(1,930,578)
General Education				
Agency of Education	17,197,375	17,904,640	15,758,356	(2,146,284)
Higher Education	1,294,500	1,294,500	1,294,500	-

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STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
SPECIAL FUND (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Expenditures				
Natural Resources				
Agency of Natural Resources	40,015,004	45,385,343	36,741,537	(8,643,806)
Natural Resources Board	1,965,886	2,014,511	1,941,216	(73,295)
Commerce and Community Development				
Agency of Commerce and Community Development	5,320,550	14,793,357	6,447,587	(8,345,770)
Cultural Development	-	166,500	166,500	-
Transportation				
Agency of Transportation	2,335,250	3,050,009	2,468,450	(581,559)
Total expenditures	290,166,051	384,165,833	320,047,373	(64,118,460)
Excess of revenues over expenditures	(45,475,437)	(14,126,321)	(5,687,777)	8,438,544
Other Financing Sources (Uses)				
Proceeds on Sale of Refunding Bonds	-	97,487	97,487	-
Transfers in	63,006,021	70,228,217	70,228,217	-
Transfers out	(17,530,584)	(92,720,882)	(92,720,882)	-
Total other financing sources (uses)	45,475,437	(22,395,178)	(22,395,178)	-
Excess of revenues and other sources over (under) expenditures and other uses	-	(36,521,499)	(28,082,955)	8,438,544
Fund balance, July 1	165,290,183	165,290,183	165,290,183	-
Fund balance, June 30	$ 165,290,183	$ 128,768,684	$ 137,207,228	$ 8,438,544

See Independent Auditor's Report. 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, 2014
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Federal	$ 1,491,582,246	$ 1,485,539,466	$ 1,468,072,457	$ (17,467,009)
Interest and premiums	-	19,857	19,857	-
Total revenues	1,491,582,246	1,485,559,323	1,468,092,314	(17,467,009)
Expenditures				
General Government				
Agency of Administration	963,293	978,293	971,211	(7,082)
State Treasurer	-	302,502	302,502	-
Protection to Persons and Property				
Attorney General	798,366	800,965	764,490	(36,475)
Judiciary	714,176	714,176	609,508	(104,668)
State's Attorneys and Sheriffs	31,000	31,000	17,381	(13,619)
Department of Public Safety	36,114,900	36,392,907	24,538,095	(11,854,812)
Military Department	18,796,915	20,796,915	19,427,635	(1,369,280)
Center Crime Victim Services	3,499,004	3,697,643	3,438,944	(258,699)
Criminal Justice Training Council	-	70,803	60,090	(10,713)
Agency of Agriculture, Food and Markets	2,071,978	2,328,978	2,128,751	(200,227)
Department of Financial Regulation	1,504,283	1,504,283	446,913	(1,057,370)
Secretary of State	2,000,000	2,000,024	1,629,675	(370,349)
Public Service Department	802,249	802,249	742,242	(60,007)
Human Rights Commission	83,791	83,791	78,994	(4,797)
Department of Liquor Control	254,841	254,841	10,856	(243,985)
Human Services				
Agency of Human Services	1,178,718,065	1,265,357,253	1,178,510,134	(86,847,119)
Green Mountain Care Board	-	1,000,000	811,771	(188,229)
Human Services Board	153,851	373,851	348,556	(25,295)
Vermont Veterans' Home	7,601,866	8,181,359	7,280,928	(900,431)
Labor				
Department of Labor	23,846,533	23,846,533	23,729,606	(116,927)
General Education				
Agency of Education	133,926,899	133,930,824	115,632,675	(18,298,149)
Natural Resources				
Agency of Natural Resources	14,095,359	29,142,958	22,758,991	(6,383,967)
Commerce and Community Development				
Agency of Commerce and Community Development	30,811,022	63,500,936	16,443,109	(47,057,827)
Total expenditures	1,456,788,391	1,596,093,084	1,420,683,057	(175,410,027)
Excess of revenues over expenditures	34,793,855	(110,533,761)	47,409,257	157,943,018
Other Financing Sources (Uses)				
Transfers in	-	84,469	84,469	-
Transfers out	(20,871,207)	(32,579,723)	(32,579,723)	-
Total other financing sources (uses)	(20,871,207)	(32,495,254)	(32,495,254)	-
Excess of revenues and other sources over (under) expenditures and other uses	13,922,648	(143,029,015)	14,914,003	157,943,018
Fund balance, July 1	48,746,152	48,746,152	48,746,152	-
Fund balance (deficit), June 30	$ 62,668,800	$ (94,282,863)	$ 63,660,155	157,943,018

See Independent Auditor's Report. 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, 2014
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Global Commitment Premiums	$ 1,261,300,000	$ 1,246,000,000	$ 1,190,120,227	$ (55,879,773)
Total revenues	1,261,300,000	1,246,000,000	1,190,120,227	(55,879,773)
Expenditures				
Protection to Persons and Property				
Agency of Agriculture, Food & Markets	90,278	90,278	90,278	-
Department of Financial Regulation	165,946	165,946	165,946	-
Human Services				
Agency of Human Services	1,222,020,523	1,254,005,157	1,216,950,367	(37,054,790)
Green Mountain Care Board	2,360,462	2,360,462	2,360,462	-
Vermont Veterans' Home	410,986	410,986	410,986	-
General Education				
Higher Education	4,411,563	4,411,563	4,411,563	-
Agency of Education	865,452	865,452	787,724	(77,728)
Total expenditures	1,230,325,210	1,262,309,844	1,225,177,326	(37,132,518)
Excess of revenues over (under) expenditures	30,974,790	(16,309,844)	(35,057,099)	(18,747,255)
Other financing sources (uses)				
Transfers out	(22,026,889)	(22,026,889)	(22,026,889)	-
Total other financing sources (uses)	(22,026,889)	(22,026,889)	(22,026,889)	-
Excess of revenues and other sources over (under) expenditures and other uses	8,947,901	(38,336,733)	(57,083,988)	(18,747,255)
Fund balance, July 1	86,542,105	86,542,105	86,542,105	-
Fund balance, June 30	$ 95,490,006	$ 48,205,372	$ 29,458,117	$ (18,747,255)

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
AMERICAN RECOVERY AND REINVESTMENT ACT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Federal	$ 2,732,709	$ 6,245,159	$ 10,814,607	$ 4,569,448
Interest and principal	-	12,004	12,004	-
Other	-	132,511	132,511	-
Total revenues	2,732,709	6,389,674	10,959,122	4,569,448
Expenditures				
Protection to Persons and Property				
Department of Public Safety	331,675	679,319	497,862	(181,457)
Public Service Department	1,074,354	1,289,689	202,486	(1,087,203)
Public Service Board	73,400	168,805	166,982	(1,823)
Human Services				
Agency of Human Services	-	672,512	672,512	-
General Education				
Agency of Education	-	296,748	163,895	(132,853)
Natural Resources				
Agency of Natural Resources	-	444,272	444,272	-
Transportation				
Agency of Transportation	-	1,540,169	221,487	(1,318,682)
Total expenditures	1,479,429	5,091,514	2,369,496	(2,722,018)
Excess of revenues over expenditures	1,253,280	1,298,160	8,589,626	7,291,466
Other financing sources (uses)				
Transfers in	-	956,077	956,077	-
Transfers out	(1,253,280)	(1,153,645)	(1,153,645)	-
Total other financing sources (uses)	(1,253,280)	(197,568)	(197,568)	-
Excess of revenues and other sources over (under) expenditures and other uses	-	1,100,592	8,392,058	7,291,466
Fund balance (deficit), July 1	(7,465,929)	(7,465,929)	(7,465,929)	-
Fund balance (deficit), June 30	$ (7,465,929)	$ (6,365,337)	$ 926,129	$ 7,291,466

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
STATE HEALTH CARE RESOURCES FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
State Health Care Resources Fund Revenues	$ 261,400,000	$ 266,100,000	$ 264,274,340	$ (1,825,660)
Total revenues	261,400,000	266,100,000	264,274,340	(1,825,660)
Expenditures				
Human Services				
Agency of Human Services	267,531,579	271,303,555	269,326,423	(1,977,132)
Total expenditures	267,531,579	271,303,555	269,326,423	(1,977,132)
Excess of revenues over (under) expenditures	(6,131,579)	(5,203,555)	(5,052,083)	151,472
Other financing sources (uses)				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(6,131,579)	(5,203,555)	(5,052,083)	151,472
Fund balance, July 1	6,319,566	6,319,566	6,319,566	-
Fund balance (deficit), June 30	$ 187,987	$ 1,116,011	$ 1,267,483	$ 151,472

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

STATE OF VERMONT
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
TOBACCO TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Unaudited)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Over (Under)
Revenues				
Tobacco Trust Funds Revenue	$ 41,522,287	$ 41,530,018	$ 38,106,030	$ (3,423,988)
Total revenues	41,522,287	41,530,018	38,106,030	(3,423,988)
Expenditures				
Protection to Persons and Property				
Attorney General	451,000	453,565	313,344	(140,221)
Judiciary	39,871	39,871	39,871	-
Department of Liquor Control	218,444	223,610	219,689	(3,921)
Human Services				
Agency of Human Services	40,046,431	40,046,431	40,032,750	(13,681)
General Education				
Agency of Education	766,541	766,541	663,867	(102,674)
Total expenditures	41,522,287	41,530,018	41,269,521	(260,497)
Excess of revenues over (under) expenditures	-	-	(3,163,491)	(3,163,491)
Fund balance, July 1	8,316,120	8,316,120	8,316,120	-
Fund balance, June 30	$ 8,316,120	$ 8,316,120	$ 5,152,629	$ (3,163,491)

See Independent Auditor's Report. The accompanying notes are an integral part of the required supplementary information.

Note to the Required Supplementary Information—Budgetary Reporting
(unaudited)

Budgetary Comparison Schedules

The budgetary schedules provide a comparison of the original and final adopted budget with actual data on a budgetary basis for the Governmental Funds. The State compiles a separate legal basis budgetary report, which shows the legal compliance with the budget. Budgetary comparison schedules showing legal level detail may be obtained by contacting the State of Vermont, Department of Finance and Management, 109 State Street, 5th Floor, Pavilion Building, Montpelier, Vermont 05609-0401

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 November 15 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 and usually at the program level. The Governor may amend appropriations or transfer appropriations within limits established by 32 V.S.A. Chapter 9. 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).

Budgetary Funds

Vermont's annual Appropriation Act, the State's legally adopted budget, does not present budgets using the same fund structure as what is used for reporting in accordance with accounting principles generally accepted in the United States of America (GAAP). The GAAP basis Special Fund is represented in the Appropriation Act as program-level budgets for the Special, State Health Care Resources, and Tobacco Trust Funds. These funds are presented separately in the accompanying schedules. The budgetary basis American Recovery and Reinvestment Act Fund includes certain portions of the GAAP basis Transportation and Federal Revenue Funds. These funds are presented on a budgetary basis in the accompanying schedules.

Revenue Estimates

By July 31 each year, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of State revenues in the General, Transportation, Education, State Health Care Resources, and Global Commitment Funds. The Emergency Board then has 10 days to determine the original revenue estimates for the fiscal year. For the Special, Federal Revenue, and American Recovery and Reinvestment Act Funds, the original budget for revenues is based on the amount appropriated for expenditures. By January 15, the Joint Fiscal Office and the Secretary of Administration provide to the Emergency Board their respective estimates of State revenues and the Emergency Board determines any revision to the July revenue estimates.

Expenditure and Transfer Budgets

The original budgets for expenditures and transfers are determined by the Legislature through the passage of the annual Appropriation Act. The Commissioner of Finance and Management (with approval from the Governor) may transfer balances of appropriations not to exceed $50,000 made under any appropriation act for the support of the government from one component of an agency, department, or other unit of State government, to any component of the same agency, department, or unit; and may transfer balances of

appropriations made under any appropriation act from one department or unit of the agency of transportation to another department or unit of the agency of transportation for the specific purpose of funding authorized transportation projects which have been approved by the federal government for advance construction in which the expenditure of State funds will be reimbursed by federal funds when the federal funds become available, and the transfer is limited to funds which have been approved for reimbursement. If any receipts including federal receipts exceed the appropriated amounts, the receipts may be allocated and expended, subject to the approval of the Secretary of Administration. If, however, the expenditure of those receipts will establish or increase the scope of the program, which establishment or increase will at any time commit the State to the expenditure of State funds, they may be expended only upon the approval of the Legislature. The full faith and credit of the State has been pledged to support various programs. Any payments that are required to be made by the Treasurer are paid in accordance with Vermont Statutes and do not require an appropriation by the Legislature

Budget and GAAP Basis Reporting

The accompanying budgetary comparison schedules report the actual revenues, expenditures and other financing sources (uses) on a budget basis, which differs significantly from GAAP. These different accounting principles result in basis, perspective, and entity differences in the fund balance—budgetary basis. *Basis differences* arise because the basis of budgeting (cash basis) differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriation Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriation Act. The following presents a reconciliation of the budgetary basis and GAAP basis fund balances for the funds reported in the accompanying schedules for the fiscal year ended June 30, 2014:

	General Fund	Transportation Fund	Education Fund	Federal Revenue Fund	Global Commitment Fund	ARRA Fund
Fund Balance - Budgetary Basis	$ 123,639,471	$ 17,975,110	$ 56,601,527	$ 63,660,155	$ 29,458,117	$ 926,129
Basis differences						
Cash not in budget balances	1,289,798	(25,048)	374,700	(1,288,273)	(10,459)	1,291,097
Taxes receivable	196,495,837	11,177,101	20,788,445	-	-	-
Notes and loans receivable	470,249	-	-	(1,695,755)	-	1,695,755
Other receivables	6,919,230	8,417,878	116	1,055,205	24,564,480	-
Interest receivable	72,564	-	-	(1,121)	-	1,121
Due from other funds	3,147,078	607,298	627	2,349,968	70,785,252	-
Due from federal government	1,226,109	37,019,321	-	99,749,307	96,913,140	15,122
Due from component units	5,500,000	-	-	153,018	-	-
Accounts payable	(22,766,243)	(39,106,697)	(10,955,932)	(56,942,214)	(105,156,294)	(6,250)
Accrued liabilities	(11,856,734)	(6,080,407)	(184,466)	(6,511,394)	(3,371,827)	(11,757)
Retainage payable	(192,025)	(200,638)	-	(1,117,148)	(267,003)	-
Unearned revenue	-	(88,603)	-	(624,608)	-	-
Tax refunds payable	(15,935,621)	-	-	-	-	-
Intergovernment payables	-	(57,193)	-	(14,682,500)	-	52,331
Due to other funds	(44,700,035)	(13,264)	(24,939)	(3,974,720)	(4,131,724)	-
Due to component units	-	-	-	-	-	-
Unavailable revenue	(118,178,890)	(6,418,871)	(4,271,412)	(670,732)	(7,161,695)	-
Entity differences						
Blended non-budgeted funds	-	3,695,453	-	326,494,940	-	-
Perspective differences						
Component unit included in budgeted funds	-	-	-	3,954,976	-	-
Budgeted funds reclassified to GAAP basis major governmental fund	-	(9,310)	-	3,972,858	-	(3,963,548)
Fund Balance - GAAP Basis	$ 125,130,788	$ 26,892,130	$ 62,328,666	$ 413,881,962	$ 101,621,987	$ -

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	Budget Basis Funds			GAAP Basis
	Special Fund	State Health Care Resource Fund	Tobacco Trust Fund	Special Fund
Fund Balance - Budgetary Basis	$ 137,207,228	$ 1,267,483	$ 5,152,629	$ -
Basis differences				
Cash not in budget balances	4,359,631	(195)	-	4,359,436
Preferred stock investment	100,000	-	-	100,000
Taxes receivable	3,037,289	1,694,947	-	4,732,236
Notes and loans receivable	1,324,031	-	-	1,324,031
Other receivables	11,296,937	-	-	11,296,937
Due from federal government	4,652,054	-	-	4,652,054
Due from other funds	5,853,349	-	-	5,853,349
Due from component units	2,955	-	-	2,955
Accounts payable	(15,001,815)	30	(126,542)	(15,128,327)
Accrued liabilities	(3,494,177)	-	(17,534)	(3,511,711)
Retainage payable	(205,020)	-	-	(205,020)
Unearned revenue	(861,131)	-	-	(861,131)
Tax refunds payable	(6,553)	(4,085)	-	(10,638)
Due to other funds	(28,116,252)	(25,389,197)	(3,122,320)	(56,627,769)
Unavailable revenue	(12,272,334)	(293,519)	-	(12,565,853)
Entity differences				
Blended non-budgeted funds	15,340,335	-	-	15,340,335
Perspective differences				
Component unit included in budgeted funds	(2,413,974)	-	-	(2,413,974)
Budgeted funds reclassified to GAAP basis major governmental fund	(120,802,553)	22,724,536	(1,886,233)	143,627,340
Fund Balance - GAAP Basis	$ -	$ -	$ -	$ 99,964,250

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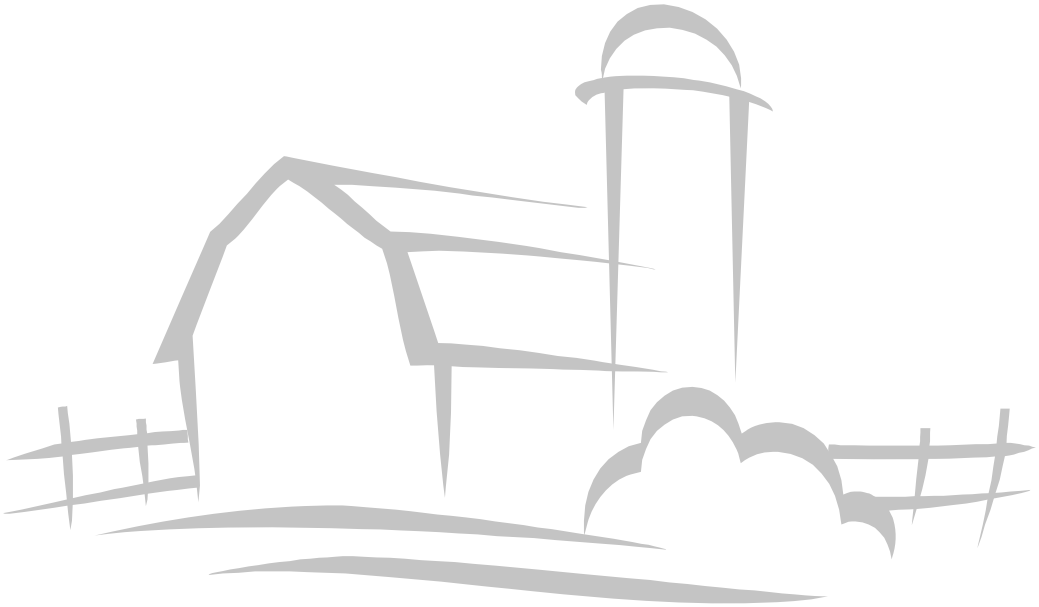
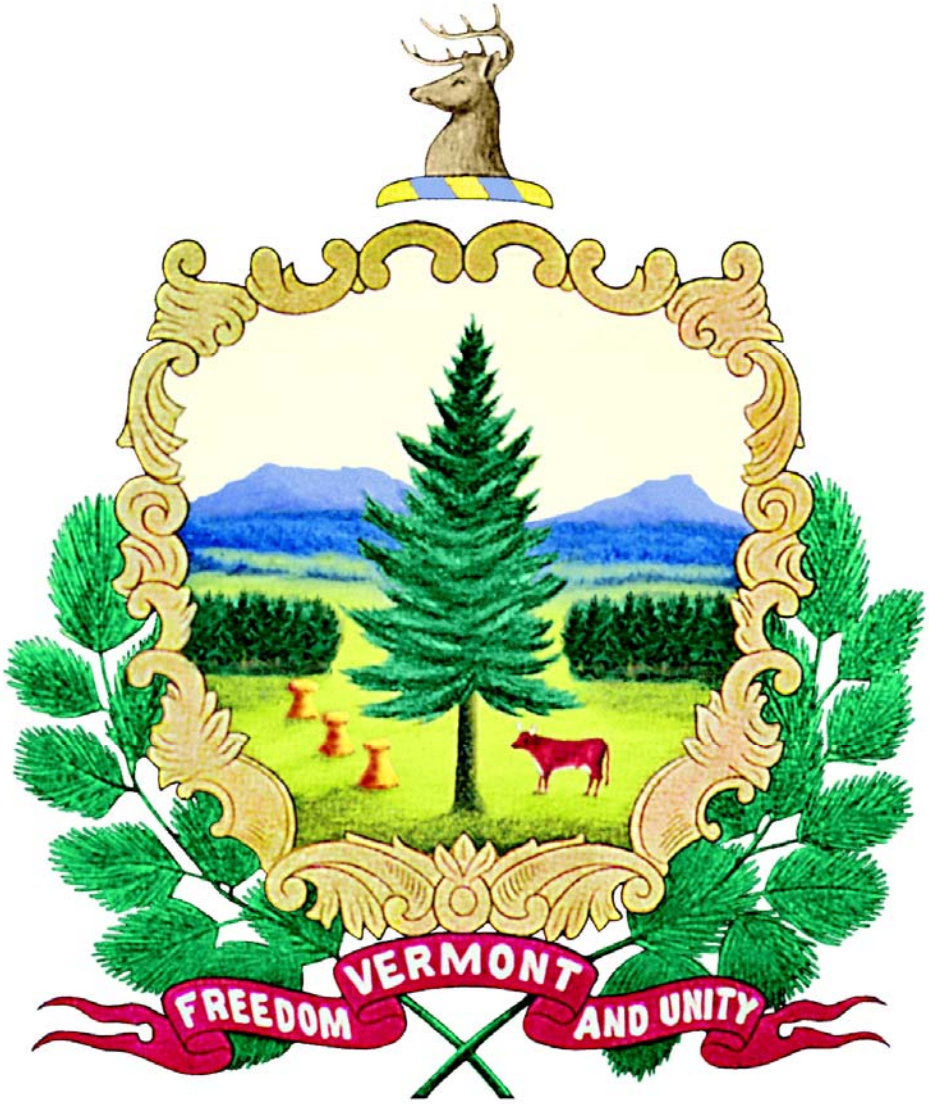


Vermont



Other Supplementary Information

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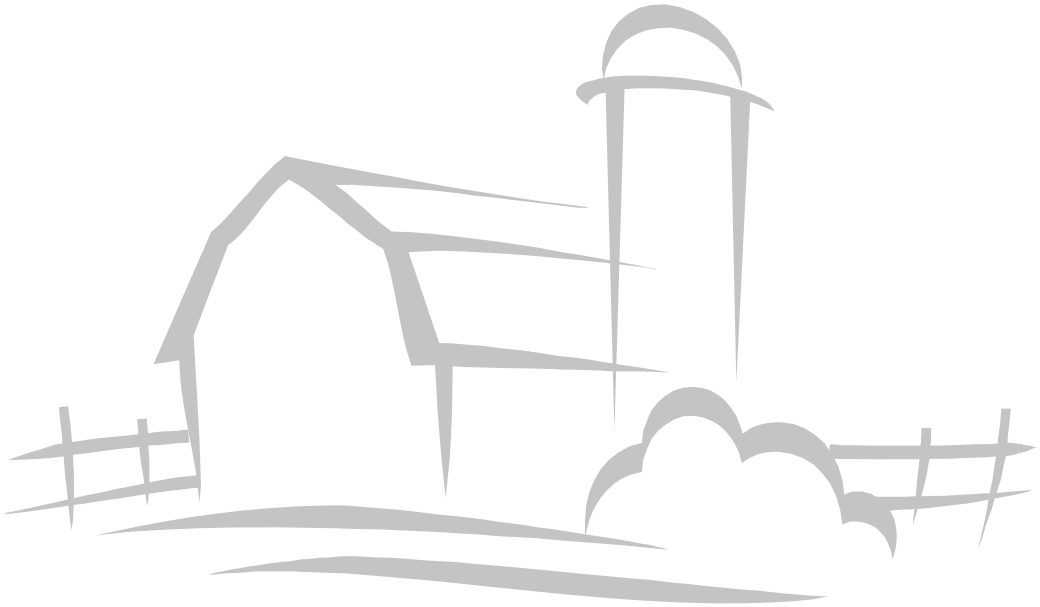

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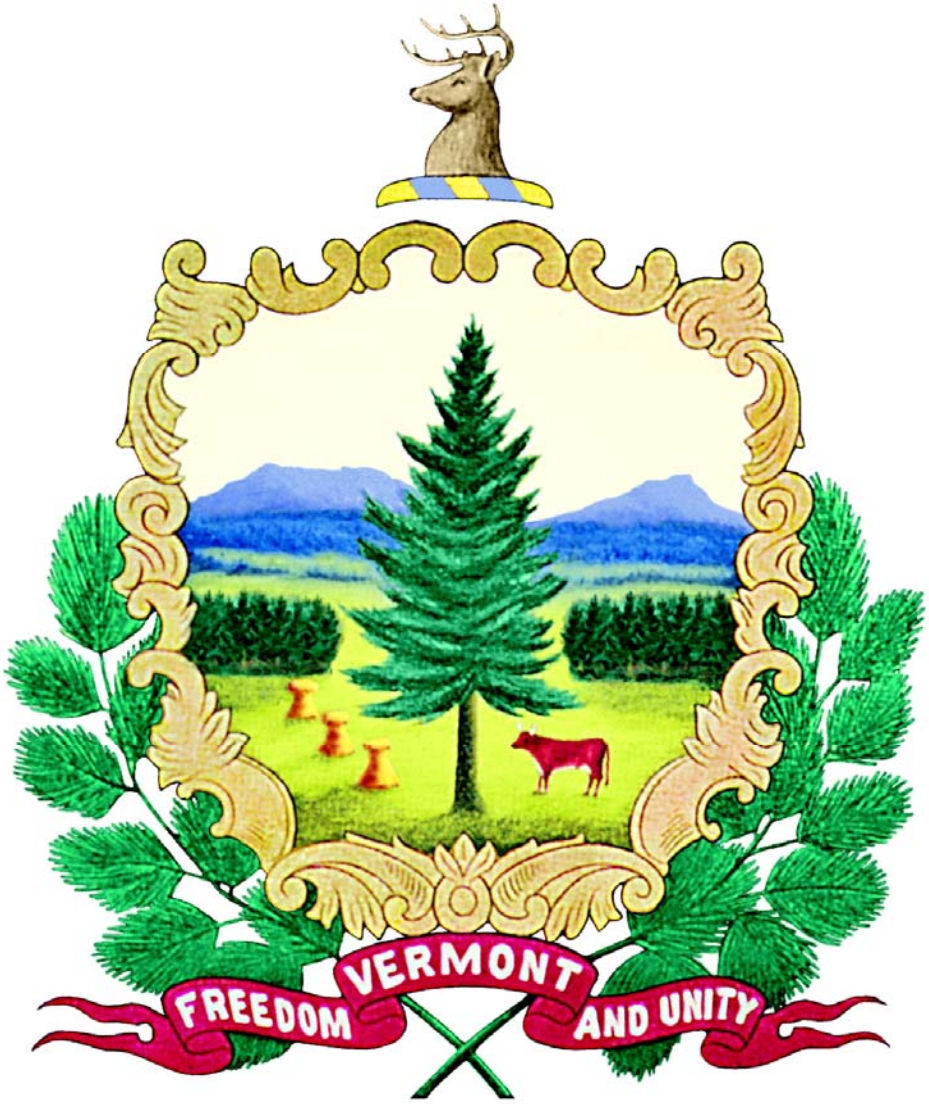

COMBINING FINANCIAL STATEMENTS

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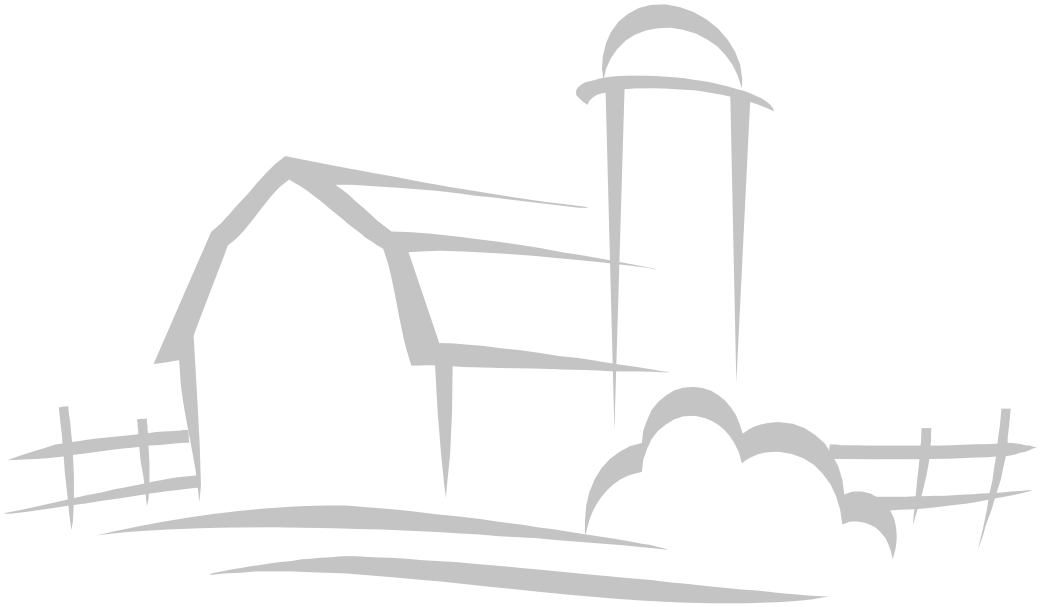

Vermont

Fish & Wildlife Fund – This fund is used to account for the activities of the Fish and Wildlife Department. The Fish and Wildlife Department's mission is to protect and conserve the State's fish, wildlife, plants and their habitats for the people of Vermont.

General Obligation Bond Projects Fund – This fund accounts for general capital improvement expenditures funded by the issuance of State general obligation bonds.

Transportation Infrastructure Bond Projects Fund – This fund accounts for transportation capital improvement expenditures funded by the issuance of transportation infrastructure special obligation bonds.

General Obligation Debt Service Fund—This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for general obligation bond principal and interest.

Transportation Infrastructure Debt Service Fund—This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for transportation infrastructure special obligation bond principal and interest.

Higher Education Endowment Fund – This is a permanent fund whose revenue is used by the University of Vermont and Vermont State Colleges to provide non loan financial assistance to Vermont students attending their institutions and by the Vermont Student Assistance Corporation to provide non loan financial assistance to Vermont students attending a Vermont postsecondary institution.

Vermont Sanitorium Fund – This is a permanent fund whose income is to be used for the treatment and cure of respiratory diseases.

Albert C. Lord Trust Fund – This is a permanent fund whose income is to be used for demonstrations, lectures and instruction in the care of woodlots and restoration.

Lumberjack Fund – This is a permanent fund whose income is to strengthen annual workshops for educators interested in enhancing classroom skills in the area of fish and wildlife management.

Couching Lion Farm Cemetery Fund – This is a permanent fund whose income is to be used to provide for the care of a private cemetery in Camel's Hump State Park.

Carrie P. Underwood Fund – This is a permanent fund whose income is to used to provide aid to poor libraries and to otherwise promote the library interests of the State.

Laura H. Morgan Fund— This is a permanent fund whose income is to be used to benefit the Brandon Training School.

Bennington Battle Monument Fund – This is a permanent fund whose revenue is to be used to repair and maintain the Bennington Battle Monument.

Zenus H. Ellis Fund – This is a permanent fund whose income is to be used to maintain the iron fence and flagpole at the Hubbardton battlefield.

STATE OF VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue	Capital Projects	
	Fish & Wildlife Fund	General Obligation Bond Projects Fund	Transportation Infrastructure Bond Projects Fund
ASSETS			
Cash and cash equivalents	$ 4,149,073	$ 43,654,308	$ 8,139,148
Investments	5,973,362	-	-
Receivables			
Taxes receivable	123,652	-	-
Other receivables	587,294	-	-
Intergovernmental receivables - federal government	585,977	-	-
Due from other funds	-	-	-
Total assets	$ 11,419,358	$ 43,654,308	$ 8,139,148
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
LIABILITIES			
Accounts payable	$ 999,953	$ 12,373,953	$ 234,994
Accrued liabilities	610,994	-	-
Retainage payable	90,468	5,896,742	-
Due to other funds	67,714	633,504	-
Total liabilities	1,769,129	18,904,199	234,994
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue	6,925	-	-
Total deferred inflow of resources	6,925	-	-
FUND BALANCES			
Nonspendable			
Permanent Fund principal	-	-	-
Restricted	-	24,750,109	7,904,154
Committed	9,643,304	-	-
Unassigned	-	-	-
Total fund balances	9,643,304	24,750,109	7,904,154
Total liabilities, deferred inflows and fund balances	$ 11,419,358	$ 43,654,308	$ 8,139,148

See Independent Auditors' Report.

Debt Service		Permanent Funds		
General Obligation Debt Service Fund	Transportation Infrastructure Debt Service Fund	Higher Education Endowment Fund	Vermont Sanitorium Fund	Albert C. Lord Trust Fund
$ 6	$ 3,210,701	$ 35,480	$ 54,749	$ 156,986
-	-	31,566,056	251,368	223,023
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 6	$ 3,210,701	$ 31,601,536	$ 306,117	$ 380,009
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	7,000,000	206,502	183,217
-	3,210,701	-	99,615	196,792
6	-	24,601,536	-	-
-	-	-	-	-
6	3,210,701	31,601,536	306,117	380,009
$ 6	$ 3,210,701	$ 31,601,536	$ 306,117	$ 380,009

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STATE OF VERMONT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Permanent Funds		
	Lumberjack Fund	**Couching Lion Farm Cemetery Fund**	**Carrie P. Underwood Fund**
ASSETS			
Cash and cash equivalents	$ 19,122	$ 21,467	$ 11,934
Investments	11,113	2,349	13,524
Receivables			
Taxes receivable	-	-	-
Other receivables	-	-	-
Intergovernmental receivables - federal government	-	-	-
Due from other funds	-	-	-
Total assets	$ 30,235	$ 23,816	$ 25,458
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Accrued liabilities	-	-	-
Retainage payable	-	-	-
Due to other funds	-	-	-
Total liabilities	-	-	-
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue	-	-	-
Total deferred inflow of resources	-	-	-
FUND BALANCES			
Nonspendable			
Permanent Fund principal	9,129	1,930	11,110
Restricted	21,106	21,886	14,348
Committed	-	-	-
Unassigned	-	-	-
Total fund balances	30,235	23,816	25,458
Total liabilities, deferred inflows and fund balances	$ 30,235	$ 23,816	$ 25,458

See Independent Auditors' Report.

Permanent Funds			
Laura H. Morgan Fund	Bennington Battle Monument Fund	Zenus H. Ellis Fund	Total Non-major Governmental Funds
$ 2,161	$ -	$ -	$ 59,455,135
3,043	2,840	2,657	38,049,335
-	-	-	123,652
-	-	-	587,294
-	-	-	585,977
-	-	-	-
$ 5,204	$ 2,840	$ 2,657	$ 98,801,393
$ -	$ -	$ -	$ 13,608,900
-	-	-	610,994
-	-	-	5,987,210
-	-	-	701,218
-	-	-	20,908,322
-	-	-	6,925
-	-	-	6,925
2,500	1,065	1,000	7,416,453
2,704	1,775	1,657	36,224,847
-	-	-	34,244,846
-	-	-	-
5,204	2,840	2,657	77,886,146
$ 5,204	$ 2,840	$ 2,657	$ 98,801,393

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Special Revenue	Capital Projects	
	Fish & Wildlife Fund	General Obligation Bond Projects Fund	Transportation Infrastructure Bond Projects Fund
REVENUES			
Taxes			
Motor fuels tax	$ 904,396	$ -	$ -
Earnings of departments			
Fees	178,259	-	-
Rents and leases	63,131	-	-
Federal grants	8,146,903	-	-
Fines, forfeits and penalties	15,594	-	-
Investment income	482,472	-	417
Licenses			
Business	915	-	-
Non-business	7,415,182	-	-
Other revenues	1,462,667	5,518,000	-
Total revenues	18,669,519	5,518,000	417
EXPENDITURES			
General government	-	58,547,429	-
Protection to persons and property	-	3,211,555	-
Human services	-	27,168,878	-
General education	-	6,595,474	-
Natural resources	15,558,870	11,055,406	-
Commerce and community development	-	5,107,519	-
Transportation	-	-	8,089,147
Capital outlay	-	-	-
Debt service	-	-	-
Total expenditures	15,558,870	111,686,261	8,089,147
Excess of revenues over (under) expenditures	3,110,649	(106,168,261)	(8,088,730)
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of bonds	-	67,810,000	11,165,000
Premium on sale of bonds	-	3,956,563	334,713
Transfers in	481,916	7,079	-
Transfers out	-	(9,414,967)	-
Total other financing sources (uses)	481,916	62,358,675	11,499,713
Net change in fund balances	3,592,565	(43,809,586)	3,410,983
Fund balances, July 1	6,050,739	68,559,695	4,493,171
Fund balances, June 30	$ 9,643,304	$ 24,750,109	$ 7,904,154

See Independent Auditors' Report.

Debt Service		Permanent Funds		
General Obligation Debt Service Fund	Transportation Infrastructure Bonds Debt Service Fund	Higher Education Endowment Fund	Vermont Sanitorium Fund	Albert C. Lord Trust Fund
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	2,824,490	22,609	20,186
-	-	-	-	-
-	-	-	-	-
-	-	35,480	-	-
-	-	2,859,970	22,609	20,186
-	-	-	-	-
-	-	-	-	-
-	-	-	25,000	-
-	-	1,776,856	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
74,407,708	2,393,683	-	-	-
74,407,708	2,393,683	1,776,856	25,000	-
(74,407,708)	(2,393,683)	1,083,114	(2,391)	20,186
-	-	-	-	-
-	-	-	-	-
74,407,711	2,502,313	-	-	-
-	-	-	-	-
74,407,711	2,502,313	-	-	-
3	108,630	1,083,114	(2,391)	20,186
3	3,102,071	30,518,422	308,508	359,823
$ 6	$ 3,210,701	$ 31,601,536	$ 306,117	$ 380,009

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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, 2014

	Permanent Funds		
	Lumberjack Fund	**Couching Lion Farm Cemetery Fund**	**Carrie P. Underwood Fund**
REVENUES			
Taxes			
Motor fuels tax	$ -	$ -	$ -
Earnings of departments			
Fees	-	-	-
Rents and leases	-	-	-
Federal grants	-	-	-
Fines, forfeits and penalties	-	-	-
Investment income	1,023	241	1,228
Licenses			
Business	-	-	-
Non-business	-	-	-
Other revenues	-	-	-
Total revenues	1,023	241	1,228
EXPENDITURES			
General government	-	-	-
Protection to persons and property	-	-	-
Human services	-	-	-
General education	-	-	-
Natural resources	548	-	-
Commerce and community development	-	-	-
Transportation	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
Total expenditures	548	-	-
Excess of revenues over (under) expenditures	475	241	1,228
OTHER FINANCING SOURCES (USES)			
Proceeds from the sale of bonds	-	-	-
Premium on sale of bonds	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources	-	-	-
Net change in fund balances	475	241	1,228
Fund balances, July 1	29,760	23,575	24,230
Fund balance, June 30	$ 30,235	$ 23,816	$ 25,458

See Independent Auditors' Report.

Permanent Funds				
Laura H. Morgan Fund	Bennington Battle Monument Fund	Zenus H. Ellis Fund	Reclassification of Capital Outlays	Total Non-major Governmental Funds
$ -	$ -	$ -	$ -	$ 904,396
-	-	-	-	178,259
-	-	-	-	63,131
-	-	-	-	8,146,903
-	-	-	-	15,594
275	255	238	-	3,353,434
-	-	-	-	915
-	-	-	-	7,415,182
-	-	-	-	7,016,147
275	255	238	-	27,093,961
-	-	-	(58,547,429)	-
-	-	-	(3,211,555)	-
-	-	-	(27,168,878)	25,000
-	-	-	(6,595,474)	1,776,856
-	-	-	(11,055,406)	15,559,418
-	-	-	(5,107,519)	-
-	-	-	(8,089,147)	-
-	-	-	119,775,408	119,775,408
-	-	-	-	76,801,391
-	-	-	-	213,938,073
275	255	238	-	(186,844,112)
-	-	-	-	78,975,000
-	-	-	-	4,291,276
-	-	-	-	77,399,019
-	-	-	-	(9,414,967)
-	-	-	-	151,250,328
275	255	238	-	(35,593,784)
4,929	2,585	2,419	-	113,479,930
$ 5,204	$ 2,840	$ 2,657	$ -	$ 77,886,146

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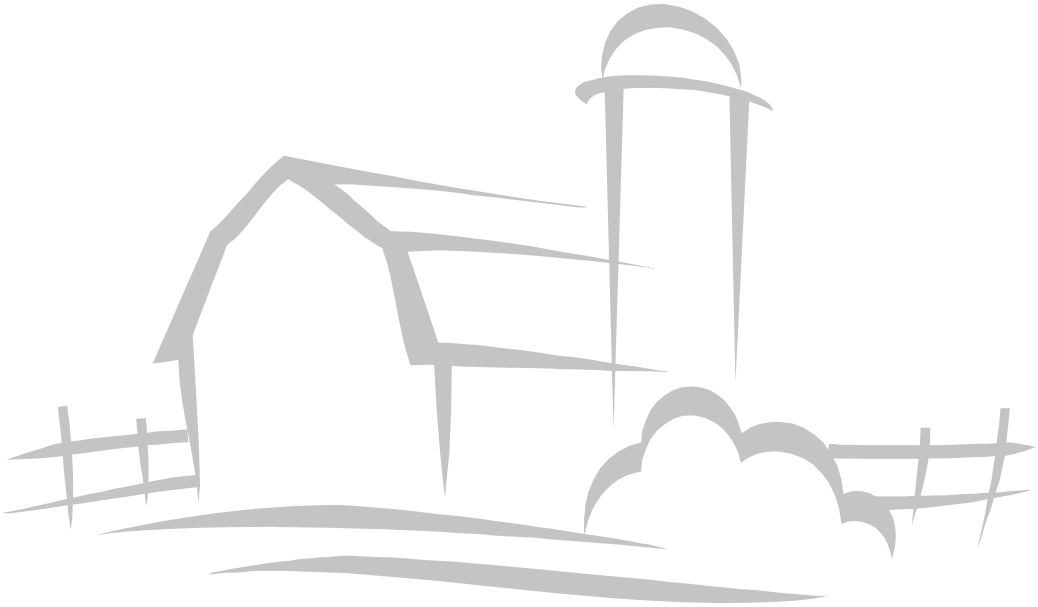

Vermont

Industrial Homework Office Fund – This fund is used to account for a program that arranges industrial work for blind and otherwise handicapped citizens at their home of a subcontract nature.

Federal Surplus Property Fund – This fund is used to account for a program that acquires and distributes surplus property from various military and federal sources. Public entities (towns, schools, districts, volunteer fire departments, etc) and non-profit organizations conducting educational and health care programs may apply for eligibility.

Vermont Life Magazine Fund – This fund is used to account for the activities of the Vermont Life Magazine. *Vermont Life* is a quarterly magazine published by the State of Vermont. It explores and celebrates the State's people, places and rich heritage.

Municipal Equipment Loan Fund – This fund is used to account for a program that was created for the purpose of providing loans on favorable terms to municipalities for the purchase of construction, fire, emergency or heavy equipment or vehicles.

Unemployment Compensation Contingency Fund – This fund is used to account for the interest, fines and penalties collected under the unemployment compensation law as well as the administrative costs not chargeable to federal grants.

Electric Power Sales Fund—This fund is used to account for the revenues and expenses for the purchase of wholesale electric power for resale to Vermont's utilities.

STATE OF VERMONT
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2014

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
ASSETS			
Current Assets			
Cash and cash equivalents	$ 76,378	$ -	$ -
Accrued interest receivable	-	-	-
Accounts receivable (net of allowances for uncollectibles)	-	34,100	163,169
Loans receivable	-	-	-
Due from other funds	-	-	3,232
Inventories, at cost	-	120,166	53,520
Prepaid expenses	-	-	109,199
Total current assets	76,378	154,266	329,120
Restricted and Noncurrent Assets			
Cash - subscription reserve fund	-	-	439,826
Loans receivable	-	-	-
Accounts receivable - subscriptions	-	-	5,828
Imprest cash and change fund - advances	-	-	1,200
Total restricted and noncurrent assets	-	-	446,854
Capital Assets			
Capital assets being depreciated			
Machinery, equipment and buildings	-	-	5,809
Less accumulated depreciation	-	-	(5,809)
Total capital assets, net of depreciation	-	-	-
Total restricted and noncurrent assets	-	-	446,854
Total assets	76,378	154,266	775,974
LIABILITIES			
Current Liabilities			
Accounts payable	-	35,995	145,197
Accrued salaries and benefits	-	4,464	61,349
Due to other funds	-	-	223
Interfund payable	-	103,233	2,136,431
Unearned revenue	-	120,166	24,878
Total current liabilities	-	263,858	2,368,078
Long-term Liabilities			
Unexpired subscriptions	-	-	439,826
Advances from other funds	-	-	1,200
Total long-term liabilities	-	-	441,026
Total liabilities	-	263,858	2,809,104
NET POSITION			
Unrestricted (deficit)	76,378	(109,592)	(2,033,130)
Total net position	$ 76,378	$ (109,592)	$ (2,033,130)

See Independent Auditors' Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Electric Power Sales Fund	Total Non-major Enterprise Funds
$ 1,246,172	$ 448,206	$ 15,590	$ 1,786,346
11,573	-	-	11,573
-	-	241,604	438,873
742,475	-	-	742,475
-	72,168	-	75,400
-	-	-	173,686
-	-	-	109,199
2,000,220	520,374	257,194	3,337,552
-	-	-	439,826
1,262,167	-	-	1,262,167
-	-	-	5,828
-	-	-	1,200
1,262,167	-	-	1,709,021
-	-	-	5,809
-	-	-	(5,809)
-	-	-	-
1,262,167	-	-	1,709,021
3,262,387	520,374	257,194	5,046,573
-	-	241,490	422,682
-	-	191	66,004
-	-	-	223
-	-	-	2,239,664
-	-	-	145,044
-	-	241,681	2,873,617
-	-	-	439,826
-	-	-	1,200
-	-	-	441,026
-	-	241,681	3,314,643
3,262,387	520,374	15,513	1,731,930
$ 3,262,387	$ 520,374	$ 15,513	$ 1,731,930

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NON-MAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
OPERATING REVENUES			
Charges for sales and services	$ -	$ 50,130	$ 1,022,767
Federal donated property	-	830,450	-
Advertising revenue	-	-	322,271
Other operating revenues	-	-	65,937
Total operating revenues	-	880,580	1,410,975
OPERATING EXPENSES			
Cost of sales and services	-	830,450	441,159
Salaries and benefits	-	33,404	635,275
Insurance premium expense	-	337	9,527
Contractual services	-	-	274,050
Repairs and maintenance	-	524	681
Depreciation	-	-	403
Rental expense	-	4,487	1,793
Utilities and property management	-	4,057	23,741
Non-capital equipment purchased	-	-	9,531
Promotions and advertising	-	-	103,060
Administrative expenses	-	10,195	7,934
Supplies and parts	-	-	9,582
Distribution and postage	-	46,980	251,058
Travel	-	-	3,424
Other operating expenses	-	150	11,769
Total operating expenses	-	930,584	1,782,987
Operating income (loss)	-	(50,004)	(372,012)
NONOPERATING REVENUES (EXPENSES)			
Investment income (expense)	-	-	(2,282)
Total nonoperating revenues (expenses)	-	-	(2,282)
Income (loss) before other revenues, expenses, gains, losses, and transfers	-	(50,004)	(374,294)
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS			
Transfers in	-	200,000	-
Transfers out	-	-	-
Total other revenues, expenses, gains, losses, and transfers	-	200,000	-
Change in net position	-	149,996	(374,294)
Total net position (deficit), July 1	76,378	(259,588)	(1,658,836)
Total net position (deficit), June 30	$ 76,378	$ (109,592)	$ (2,033,130)

See Independent Auditors' Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Electric Power Sales Fund	Total Non-major Enterprise Funds
$ -	$ -	$ 4,332,430	$ 5,405,327
-	-	-	830,450
-	-	-	322,271
41,540	-	-	107,477
41,540	-	4,332,430	6,665,525
-	-	4,458,423	5,730,032
-	-	5,806	674,485
-	-	-	9,864
-	-	-	274,050
-	-	-	1,205
-	-	-	403
-	-	-	6,280
-	-	-	27,798
-	-	-	9,531
-	-	-	103,060
-	-	-	18,129
-	-	-	9,582
-	-	-	298,038
-	-	-	3,424
-	-	-	11,919
-	-	4,464,229	7,177,800
41,540	-	(131,799)	(512,275)
1,475	1,140	-	333
1,475	1,140	-	333
43,015	1,140	(131,799)	(511,942)
-	888,982	-	1,088,982
-	(827,426)	-	(827,426)
-	61,556	-	261,556
43,015	62,696	(131,799)	(250,386)
3,219,372	457,678	147,312	1,982,316
$ 3,262,387	$ 520,374	$ 15,513	$ 1,731,930

STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Industrial Homework Office Fund	Federal Surplus Property Fund	Vermont Life Magazine Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ -	$ 31,630	$ 1,273,820
Cash paid to suppliers for goods and services	-	(38,716)	(1,104,294)
Cash paid to employees for services	-	(33,219)	(640,327)
Other operating revenues	-	-	65,937
Other operating expenses	-	(150)	(11,769)
Net cash provided (used) by operating activities	-	(40,455)	(416,633)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in	-	200,000	-
Operating transfers out	-	-	-
Interfund loans and advances	-	(159,545)	409,391
Net cash provided by noncapital financing activities	-	40,455	409,391
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	-	-	(2,282)
Net cash provided (used) by investing activities	-	-	(2,282)
Net increase (decrease) in cash and cash equivalents	-	-	(9,524)
Cash and cash equivalents, July 1	76,378	-	450,550
Cash and cash equivalents, June 30	$ 76,378	$ -	$ 441,026
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ -	$ (50,004)	$ (372,012)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation and amortization	-	-	403
(Increase)/decrease in accounts/taxes receivable	-	(18,500)	(38,255)
(Increase)/decrease in loans receivable	-	-	-
(Increase)/decrease in acrued interest receivable	-	-	-
(Increase)/decrease in due from other funds	-	-	1,476
(Increase)/decrease in inventories	-	(120,166)	18,925
(Increase)/decrease in prepaid expenses	-	-	(7,987)
Increase/(decrease) in accounts payable	-	27,864	18,824
Increase/(decrease) in accrued salaries and benefits	-	185	(5,052)
Increase/(decrease) in due to other funds	-	-	8
Increase/(decrease) in unearned revenue	-	120,166	(22,981)
Increase/(decrease) in subscription reserves	-	-	(9,982)
Total adjustments	-	9,549	(44,621)
Net cash provided (used) by operating activities	$ -	$ (40,455)	$ (416,633)

NOTE: Total cash and 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 Position.

See Independent Auditors' Report.

Municipal Equipment Loan Fund	Unemployment Compensation Contingency Fund	Electric Power Sales Fund	Total Non-major Enterprise Funds
$ 952,557	$ -	4,386,406	$ 6,644,413
(706,684)	-	(4,569,051)	(6,418,745)
-	-	(5,919)	(679,465)
-	-	-	65,937
-	-	-	(11,919)
245,873	-	(188,564)	(399,779)
-	888,982	-	1,088,982
-	(826,000)	-	(826,000)
-	-	-	249,846
-	62,982	-	512,828
1,475	1,140	-	333
1,475	1,140	-	333
247,348	64,122	(188,564)	113,382
998,824	384,084	204,154	2,113,990
$ 1,246,172	$ 448,206	15,590	$ 2,227,372
$ 41,540	$ -	(131,799)	$ (512,275)
-	-	-	403
-	-	53,976	(2,779)
194,716	-	-	194,716
9,617	-	-	9,617
-	-	-	1,476
-	-	-	(101,241)
-	-	-	(7,987)
-	-	(110,628)	(63,940)
-	-	(113)	(4,980)
-	-	-	8
-	-	-	97,185
-	-	-	(9,982)
204,333	-	(56,765)	112,496
$ 245,873	$ -	$ (188,564)	$ (399,779)

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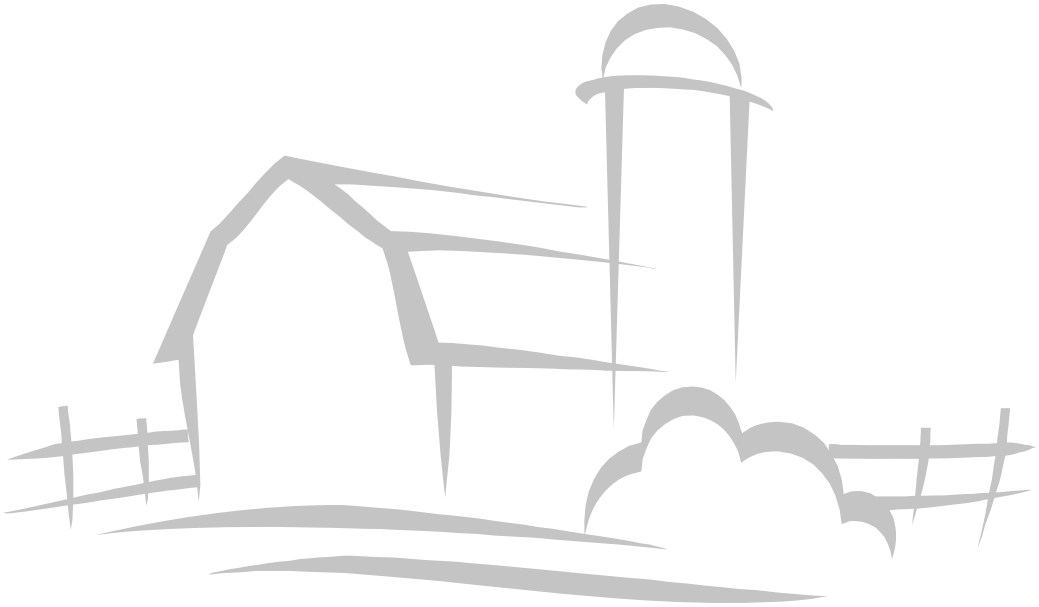

Vermont

Highway Garage Fund – This fund accounts for the maintenance and rental of equipment to the Agency of Transportation for use in construction, maintenance and operation of the State's transportation infrastructure.

Offender Work Programs – This fund accounts for the activities of the print shop, sign shop and furniture shop run by the Department of Corrections.

Single Audit Revolving Fund – The purpose of this fund is to account for the costs attributable to the Auditor of Accounts Office's performance of the annual Single Audit .

Financial & HR Information Fund – The activities of this fund account for the costs of the support of the State's financial and human capital management ERP systems.

Communications & Information Technology Fund – This fund accounts for the activities of the Department of Information and Innovation's communications and information technology services.

Fleet Fund – This fund accounts for the Department of Buildings and General Services' vehicle management activities including the daily and long-term leasing of vehicles for employees use in travel on State business.

E-Procurement Fund - The purpose of the Purchasing Card Program is to establish a more efficient, cost-effective method of purchasing and paying for small dollar transactions and high-volume, repetitive purchases.

Copy Center Fund – This fund's activities include the Department of Buildings and General Services Print Shop and copier leasing services.

Postage Fund – This fund accounts for the mail services for the Montpelier and Waterbury state complexes including mail collection and delivery, sorting, and applying postage.

Facilities Operations Fund – This fund's purpose is to provide operating expenses, maintenance, renovations and acquisitions of buildings, grounds and support facilities.

Property Management Fund – This fund's purpose is to provide State Agencies with safe, comfortable, and efficient space through leasing; purchasing; and planning which enables them to carry out their mission.

Equipment Revolving Fund – This fund is used as an internal lease purchase mechanism of equipment for State agencies and departments.

State Resource Management Fund – This fund accounts for the costs of energy resource conservation measures implemented by departments anticipated to generate a life cycle cost benefit to the state.

State Surplus Property Fund – This fund accounts for the sale of all items that are no longer needed by the State's agencies and departments.

State Liability Insurance Fund – This fund provides liability insurance coverage for the actions performed by the State's employees in the course of performing their assigned duties.

Risk Management-All Other Fund – This fund is used to purchase insurance protection for state property and other miscellaneous risks that are specific to certain departments or types of employees, such as judicial liability, liability related to maintenance of railroad tracks, and required bonds for certain state officials.

Workers' Compensation Fund – This fund provides workers' compensation coverage for all state employees.

Medical Insurance Fund – This fund provides health coverage for current state employees, retirees, legislators and other groups eligible to participate.

Dental Insurance Fund – This fund provides dental coverage for current state employees, legislators and other groups eligible to participate.

Life Insurance Fund – This fund provides a life insurance policy for current state employees, retirees and other groups eligible to participate.

Long-term Disability Fund – This fund provides an income replacement benefit for state employees that are not eligible to be represented by the employees' union should they have a long term or permanent disability.

Employees' Assistance Fund – This fund provides a program that assists state employees and members of their immediate household assistance in addressing problems that impact their lives.

Human Resource Services Fund - This fund provides centralized human resources management services for agencies and departments of the State.

STATE OF VERMONT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
ASSETS			
Current Assets			
Cash and cash equivalents	$ -	$ 138,386	$ -
Accounts receivable	2,540,332	486,295	91,018
Due from other funds	-	7,302	-
Inventories, at cost	896,671	272,908	-
Prepaid expenses	-	-	-
Total current assets	3,437,003	904,891	91,018
Capital Assets			
Land	26,156	-	-
Construction in progress	3,470,389	-	-
Works of art	-	-	-
Capital assets being depreciated			
Machinery, equipment and buildings	59,731,503	1,351,420	-
Less accumulated depreciation	(34,567,322)	(919,687)	-
Total capital assets, net of depreciation	28,660,726	431,733	-
Total assets	32,097,729	1,336,624	91,018
LIABILITIES			
Current Liabilities			
Accounts payable	474,425	160,668	118,409
Accrued salaries and wages	440,568	171,869	125,199
Claims payable	-	-	-
Due to other funds	-	1,498	-
Interfund payable	258,262	-	118,027
Unearned revenue	-	-	-
Capital leases payable	-	-	-
Total current liabilities	1,173,255	334,035	361,635
Long-term Liabilities			
Claims payable	-	-	-
Capital leases payable	-	-	-
Total long-term liabilities	-	-	-
Total liabilities	1,173,255	334,035	361,635
NET POSITION			
Net investment in capital assets	28,660,726	431,733	-
Unrestricted net position (deficit)	2,263,748	570,856	(270,617)
Total net position	$ 30,924,474	$ 1,002,589	$ (270,617)

See Independent Auditors' Report.

Financial & HR Information Fund	Communication & Information Technology Fund	Fleet Fund	E-Procurement Fund	Copy Center Fund
$ -	$ -	$ -	$ -	$ -
54,237	6,567,579	1,086,536	1,102,914	298,192
142,714	393,385	159,703	-	-
-	181,066	-	-	-
7,535	2,877,498	-	-	11,871
204,486	10,019,528	1,246,239	1,102,914	310,063
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
64,146	9,452,689	13,455,490	-	4,082,724
(34,579)	(7,726,337)	(5,892,859)	-	(3,018,808)
29,567	1,726,352	7,562,631	-	1,063,916
234,053	11,745,880	8,808,870	1,102,914	1,373,979
280,320	4,181,610	626,803	601,104	184,162
524,504	904,657	48,959	-	40,672
-	-	-	-	-
259,342	145,825	33	-	-
325,478	7,535,601	5,607,405	501,810	3,063,837
-	-	-	-	-
-	-	-	-	-
1,389,644	12,767,693	6,283,200	1,102,914	3,288,671
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,389,644	12,767,693	6,283,200	1,102,914	3,288,671
29,567	1,726,352	7,562,631	-	1,063,916
(1,185,158)	(2,748,165)	(5,036,961)	-	(2,978,608)
$ (1,155,591)	$ (1,021,813)	$ 2,525,670	$ -	$ (1,914,692)

Continued on next page

STATE OF VERMONT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	Postage Fund	Facilities Operations Fund	Property Management Fund
ASSETS			
Current Assets			
Cash and cash equivalents	$ -	$ -	$ -
Accounts receivable	363,533	3,396,414	898,094
Due from other funds	-	19,301,018	6,881,053
Inventories, at cost	723,475	-	-
Prepaid expenses	-	32,242	1,406,459
Total current assets	1,087,008	22,729,674	9,185,606
Capital Assets			
Land	-	-	-
Construction in progress	-	-	-
Works of art	-	8,200	-
Capital assets being depreciated			
Machinery, equipment and buildings	452,442	4,215,946	24,684
Less accumulated depreciation	(386,995)	(2,692,662)	(22,660)
Total capital assets, net of depreciation	65,447	1,531,484	2,024
Total assets	1,152,455	24,261,158	9,187,630
LIABILITIES			
Current Liabilities			
Accounts payable	9,172	3,187,788	328,380
Accrued salaries and wages	51,589	1,194,775	95,727
Claims payable	-	-	-
Due to other funds	-	14,030	-
Interfund payable	3,212,667	21,699,728	32,722,442
Unearned revenue	-	-	-
Capital leases payable	-	346,352	-
Total current liabilities	3,273,428	26,442,673	33,146,549
Long-term Liabilities			
Claims payable	-	-	-
Capital leases payable	-	1,265,624	-
Total long-term liabilities	-	1,265,624	-
Total liabilities	3,273,428	27,708,297	33,146,549
NET POSITION			
Net investment in capital assets	65,447	(80,492)	2,024
Unrestricted net position (deficit)	(2,186,420)	(3,366,647)	(23,960,943)
Total net position	$ (2,120,973)	$ (3,447,139)	$ (23,958,919)

See Independent Auditors' Report.

Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund	Risk Management - All Other Fund
$ -	$ -	$ 405,685	$ 7,614,995	$ -
917,055	447,745	2,016	5,044	2,273,815
-	-	-	-	-
-	-	19,519	-	-
-	-	-	-	278,417
917,055	447,745	427,220	7,620,039	2,552,232
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	6,334	-
-	-	-	(6,334)	-
-	-	-	-	-
917,055	447,745	427,220	7,620,039	2,552,232
20,483	-	11,627	8,669	997,472
-	-	10,337	23,182	3,068
-	-	-	-	-
-	-	-	42,428	-
896,572	447,745	-	-	1,527,332
-	-	19,519	-	-
-	-	-	-	-
917,055	447,745	41,483	74,279	2,527,872
-	-	-	5,796,937	-
-	-	-	-	-
-	-	-	5,796,937	-
917,055	447,745	41,483	5,871,216	2,527,872
-	-	-	-	-
-	-	385,737	1,748,823	24,360
$ -	$ -	$ 385,737	$ 1,748,823	$ 24,360

Continued on next page

STATE OF VERMONT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	Workers' Compensation Fund	Medical Insurance Fund	Dental Insurance Fund
ASSETS			
Current Assets			
Cash and cash equivalents	$ 24,169,668	$ -	$ 387,398
Accounts receivable	110	9,075,650	437,009
Due from other funds	3,660	-	51,305
Inventories, at cost	-	-	-
Prepaid expenses	-	620,816	-
Total current assets	24,173,438	9,696,466	875,712
Capital Assets			
Land	-	-	-
Construction in progress	-	-	-
Works of art	-	-	-
Capital assets being depreciated			
Machinery, equipment and buildings	-	-	-
Less accumulated depreciation	-	-	-
Total capital assets, net of depreciation	-	-	-
Total assets	24,173,438	9,696,466	875,712
LIABILITIES			
Current Liabilities			
Accounts payable	132,869	689,735	74,041
Accrued salaries and wages	68,964	86,347	1,479
Claims payable	22,590	13,459,088	260,498
Due to other funds	-	51,305	-
Interfund payable	-	4,270,194	-
Unearned revenue	-	-	-
Capital leases payable	-	-	-
Total current liabilities	224,423	18,556,669	336,018
Long-term Liabilities			
Claims payable	31,314,102	-	-
Capital leases payable	-	-	-
Total long-term liabilities	31,314,102	-	-
Total liabilities	31,538,525	18,556,669	336,018
NET POSITION			
Net investment in capital assets	-	-	-
Unrestricted net position (deficit)	(7,365,087)	(8,860,203)	539,694
Total net position	$ (7,365,087)	$ (8,860,203)	$ 539,694

See Independent Auditors' Report.

Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Human Resources Fund	Eliminations	Total Internal Service Fund
$ 941,253	$ 47,419	$ 80,973	$ -	$ -	$ 33,785,777
166,111	17,534	22,523	70,291	-	30,320,047
-	-	-	20,738	(210,971)	26,749,907
-	-	-	-	-	2,093,639
-	-	-	-	-	5,234,838
1,107,364	64,953	103,496	91,029	(210,971)	98,184,208
-	-	-	-	-	26,156
-	-	-	-	-	3,470,389
-	-	-	-	-	8,200
-	-	-	-	-	92,837,378
-	-	-	-	-	(55,268,243)
-	-	-	-	-	41,073,880
1,107,364	64,953	103,496	91,029	(210,971)	139,258,088
273,024	37,802	68,163	6,484	-	12,473,210
492	-	-	352,635	-	4,145,023
-	-	-	-	-	13,742,176
-	-	-	-	(210,971)	303,490
-	-	-	7,394	-	82,194,494
-	-	-	-	-	19,519
-	-	-	-	-	346,352
273,516	37,802	68,163	366,513	(210,971)	113,224,264
-	-	-	-	-	37,111,039
-	-	-	-	-	1,265,624
-	-	-	-	-	38,376,663
273,516	37,802	68,163	366,513	(210,971)	151,600,927
-	-	-	-	-	39,461,904
833,848	27,151	35,333	(275,484)	-	(51,804,743)
$ 833,848	$ 27,151	$ 35,333	$ (275,484)	$ -	$ (12,342,839)

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
OPERATING REVENUES			
Charges for sales and services	$ 17,672,637	$ 2,976,479	$ 3,140,831
Rental income	56,467	-	-
Other operating revenues	35,875	641	-
Total operating revenues	17,764,979	2,977,120	3,140,831
OPERATING EXPENSES			
Cost of sales and services	-	1,243,857	-
Claims expense	-	-	-
Salaries and benefits	4,113,815	1,000,860	1,240,010
Insurance premium expense	331,893	2,333	2,027
Contractual services	44,407	18,845	1,741,365
Repairs and maintenance	1,233,969	184,529	-
Depreciation	4,957,830	61,045	-
Rental expense	79,181	203,554	29,393
Utilities and property management	187,380	56,153	51,762
Non-capital equipment purchased	147,382	23,346	9,126
Promotions and advertising	1,231	-	613
Administrative expenses	30,698	5,826	15,876
Supplies and parts	5,872,614	422,448	10,566
Distribution and postage	2,508	27,396	33
Travel expenses	2,619	9,822	4,510
Other operating expenses	14,583	13,103	13
Total operating expenses	17,020,110	3,273,117	3,105,294
Operating income (loss)	744,869	(295,997)	35,537
NONOPERATING REVENUES			
Gain (loss) on disposal of capital assets	738,830	4,877	-
Investment income (expense)	-	-	-
Total nonoperating revenues (expenses)	738,830	4,877	-
Income (loss) before other revenues, expenses, gains, losses, and transfers	1,483,699	(291,120)	35,537
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS			
Capital contributions	148,806	-	-
Transfers in	1,120,000	-	-
Transfers out	-	-	-
Total other revenues, expenses, gains, losses, and transfers	1,268,806	-	-
Change in net position	2,752,505	(291,120)	35,537
Total net position (deficit), July 1	28,171,969	1,293,709	(306,154)
Total net position (deficit), June 30	$ 30,924,474	$ 1,002,589	$ (270,617)

See Independent Auditor's Report.

Financial & HR Information Fund	Communication & Information Technology Fund	Fleet Fund	E-Procurement Fund	Copy Center Fund
$ 6,392,777	$ 35,166,249	$ 5,124,618	$ 6,498,991	$ 2,603,323
-	-	-	-	-
-	-	230,404	-	-
6,392,777	35,166,249	5,355,022	6,498,991	2,603,323
-	6,437,923	-	6,498,991	594,666
-	-	-	-	-
4,605,999	9,361,651	570,620	-	618,882
12,524	11,318	124,478	-	2,765
239,567	9,797,641	430	-	5,535
1,150,891	4,354,191	582,584	-	384,590
3,301	1,534,131	1,937,032	-	867,740
215,995	1,040,269	33,749	-	67,156
1,002,383	2,079,999	33,357	-	42,087
6,194	970,139	53,830	-	164,467
735	9,015	5,444	-	59
205,436	87,420	147,451	-	57,755
10,656	50,825	1,483,028	-	4,704
7,991	1,931	184	-	28
13,380	89,868	809	-	-
38,858	762,292	4,691	-	800
7,513,910	36,588,613	4,977,687	6,498,991	2,811,234
(1,121,133)	(1,422,364)	377,335	-	(207,911)
-	-	430,882	-	(4,977)
-	-	-	-	-
-	-	430,882	-	(4,977)
(1,121,133)	(1,422,364)	808,217	-	(212,888)
-	-	-	-	-
-	735,000	-	-	-
-	-	(237,000)	-	-
-	735,000	(237,000)	-	-
(1,121,133)	(687,364)	571,217	-	(212,888)
(34,458)	(334,449)	1,954,453	-	(1,701,804)
$ (1,155,591)	$ (1,021,813)	$ 2,525,670	$ -	$ (1,914,692)

Continued on next page

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Postage Fund	Facilities Operations Fund	Property Management Fund
OPERATING REVENUES			
Charges for sales and services	$ 3,088,595	$ 25,323,031	$ -
Rental income	-	-	17,630,362
Other operating revenues	-	2,460,730	1,112,753
Total operating revenues	3,088,595	27,783,761	18,743,115
OPERATING EXPENSES			
Cost of sales and services	2,424,362	-	16,426,745
Claims expense	-	-	-
Salaries and benefits	590,174	12,395,969	840,497
Insurance premium expense	3,035	931,086	91,340
Contractual services	925	1,982,636	9,787
Repairs and maintenance	87,675	1,843,254	87,777
Depreciation	9,350	394,430	1,079
Rental expense	48,637	734,470	64,749
Utilities and property management	37,981	7,838,783	1,238,534
Non-capital equipment purchased	2,226	266,349	12,036
Promotions and advertising	418	9,392	137
Administrative expenses	5,335	593,473	290,732
Supplies and parts	14,576	1,861,027	107,148
Distribution and postage	8,818	28,428	446
Travel expenses	7	22,504	4,082
Other operating expenses	-	536,920	187,347
Total operating expenses	3,233,519	29,438,721	19,362,436
Operating income (loss)	(144,924)	(1,654,960)	(619,321)
NONOPERATING REVENUES			
Gain (loss) on disposal of capital assets	-	(10,616)	-
Investment income (expense)	-	-	13
Total nonoperating revenues (expenses)	-	(10,616)	13
Income (loss) before other revenues, expenses, gains, losses, and transfers	(144,924)	(1,665,576)	(619,308)
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS			
Capital contributions	-	-	-
Transfers in	-	1,770,616	-
Transfers out	-	-	(628,910)
Total other revenues, expenses, gains, losses, and transfers	-	1,770,616	(628,910)
Change in net position	(144,924)	105,040	(1,248,218)
Total net position (deficit), July 1	(1,976,049)	(3,552,179)	(22,710,701)
Total net position (deficit), June 30	$ (2,120,973)	$ (3,447,139)	$ (23,958,919)

See Independent Auditor's Report.

Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund	Risk Management - All Other Fund
$ 547,153	$ 178,484	$ 1,796,434	$ 2,605,037	$ 4,561,473
-	-	-	-	-
-	-	169,281	-	-
547,153	178,484	1,965,715	2,605,037	4,561,473
-	-	1,626,433	429,080	4,600,928
-	-	-	1,368,261	-
-	-	139,846	259,594	25,762
-	-	337	755	54
-	-	47,573	655,409	-
-	-	484	(323)	-
-	-	-	1,496	-
-	-	89,740	5,765	1,424
-	-	7,424	11,668	557
545,380	177,596	8,000	41,899	-
-	-	748	-	-
1,773	888	23,695	27,414	9,002
-	-	1,424	2,419	-
-	-	294	201	-
-	-	-	1,365	-
-	-	1,667	-	-
547,153	178,484	1,947,665	2,805,003	4,637,727
-	-	18,050	(199,966)	(76,254)
-	-	-	-	-
-	-	-	11,135	-
-	-	-	11,135	-
-	-	18,050	(188,831)	(76,254)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	18,050	(188,831)	(76,254)
-	-	367,687	1,937,654	100,614
$ -	$ -	$ 385,737	$ 1,748,823	$ 24,360

Continued on next page

STATE OF VERMONT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Workers' Compensation Fund	Medical Insurance Fund	Dental Insurance Fund
OPERATING REVENUES			
Charges for sales and services	$ 11,503,002	$ 130,817,805	$ 5,874,939
Rental income	-	-	-
Other operating revenues	-	209,146	-
Total operating revenues	11,503,002	131,026,951	5,874,939
OPERATING EXPENSES			
Cost of sales and services	-	-	-
Claims expense	12,207,238	146,557,229	5,143,372
Salaries and benefits	1,011,148	771,688	12,762
Insurance premium expense	4,046	657,449	33
Contractual services	191,253	241,395	25,347
Repairs and maintenance	2,056	410	5
Depreciation	-	-	-
Rental expense	47,284	22,164	575
Utilities and property management	51,972	42,118	789
Non-capital equipment purchased	86,589	4,774	51
Promotions and advertising	2,157	4,851	-
Administrative expenses	139,198	6,141,445	331,657
Supplies and parts	7,108	21,726	29
Distribution and postage	7,802	5,013	131
Travel expenses	3,957	3,927	-
Other operating expenses	105,350	1,807,321	49,630
Total operating expenses	13,867,158	156,281,510	5,564,381
Operating income (loss)	(2,364,156)	(25,254,559)	310,558
NONOPERATING REVENUES			
Gain (loss) on disposal of capital assets	-	-	-
Investment income (expense)	31,965	17,426	560
Total nonoperating revenues (expenses)	31,965	17,426	560
Income (loss) before other revenues, expenses, gains, losses, and transfers	(2,332,191)	(25,237,133)	311,118
OTHER REVENUES, EXPENSES, GAINS, LOSSES, AND TRANSFERS			
Capital contributions	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other revenues, expenses, gains, losses, and transfers	-	-	-
Change in net position	(2,332,191)	(25,237,133)	311,118
Total net position (deficit), July 1	(5,032,896)	16,376,930	228,576
Total net postion (deficit), June 30	$ (7,365,087)	$ (8,860,203)	$ 539,694

See Independent Auditor's Report.

Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Human Resources Fund	Total Internal Service Fund
$ 2,245,095	$ 228,479	$ 292,710	$ 4,046,427	$ 272,684,569
-	-	-	-	17,686,829
-	-	-	-	4,218,830
2,245,095	228,479	292,710	4,046,427	294,590,228
-	-	-	-	40,282,985
-	-	-	-	165,276,100
4,251	-	-	3,580,004	41,143,532
1,719,874	221,382	269,067	6,057	4,391,853
-	-	-	13,168	15,015,283
2	-	-	1,641	9,913,735
-	-	-	-	9,767,434
192	-	-	91,046	2,775,343
359	-	-	121,727	12,805,033
17	-	-	14,550	2,533,951
-	-	-	489	35,289
5,194	-	-	21,123	8,141,391
10	-	-	10,057	9,880,365
43	-	-	783	92,030
-	-	-	14,103	170,953
-	-	-	1,106	3,523,681
1,729,942	221,382	269,067	3,875,854	325,748,958
515,153	7,097	23,643	170,573	(31,158,730)
-	-	-	-	1,158,996
944	-	-	-	62,043
944	-	-	-	1,221,039
516,097	7,097	23,643	170,573	(29,937,691)
-	-	-	-	148,806
-	-	-	-	3,625,616
-	-	-	-	(865,910)
-	-	-	-	2,908,512
516,097	7,097	23,643	170,573	(27,029,179)
317,751	20,054	11,690	(446,057)	14,686,340
$ 833,848	$ 27,151	$ 35,333	$ (275,484)	$ (12,342,839)

STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Highway Garage Fund	Offender Work Programs	Single Audit Revolving Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 16,410,316	$ 2,898,299	$ 3,190,819
Cash paid to suppliers for goods and services	(7,847,298)	(2,070,401)	(1,750,334)
Cash paid to employees for services	(3,954,529)	(964,530)	(1,220,951)
Cash paid to claimants	-	-	-
Other operating revenues	35,875	641	-
Other operating expenses	(14,583)	(13,103)	(13)
Net cash provided (used) by operating activities	4,629,781	(149,094)	219,521
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in	1,120,000	-	-
Operating transfers out	-	-	-
Interfund loans and advances	18,492	-	(219,521)
Net cash provided (used) by noncapital financing activities	1,138,492	-	(219,521)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acqusition and construction of capital assets	(6,814,114)	(74,153)	-
Payment of capital leases	-	-	-
Proceeds from sale of capital assets	1,045,841	-	-
Net cash (used) by capital and related financing activities	(5,768,273)	(74,153)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	-	-	-
Net cash provided by investing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	-	(223,247)	-
Cash and cash equivalents, July 1	-	361,633	-
Cash and cash equivalents, June 30	$ -	$ 138,386	$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ 744,869	$ (295,997)	$ 35,537
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	4,957,830	61,045	-
(Increase)/decrease in accounts receivable	(1,318,788)	(78,331)	49,988
(Increase)/decrease in due from other funds	-	151	-
(Increase)/decrease in inventories	334,662	166,583	-
(Increase)/decrease in prepaid expenses	-	-	-
Increase/(decrease) in accounts payable	(247,735)	(39,464)	114,937
Increase/(decrease) in accrued salaries and benefits	159,286	36,330	19,059
Increase/(decrease) in claims payable	-	-	-
Increase/(decrease) in due to other funds	(343)	589	-
Increase/(decrease) in unearned revenue	-	-	-
Total adjustments	3,884,912	146,903	183,984
Net cash provided (used) by operating activities	$ 4,629,781	$ (149,094)	$ 219,521
Noncash investing, capital, and financing activities:			
Contributions of capital assets to/from other funds	148,806	-	-
Retirement of assets not fully depreciated	-	(2,425)	-

See Independent Auditors' Report.

Financial & HR Information Fund	Communications & Information Technology Fund	Fleet Fund	E-Procurement Fund	Copy Center Fund
$ 6,731,225	$ 35,079,944	$ 4,963,526	$ 6,705,870	$ 2,568,838
(3,545,400)	(26,443,908)	(2,491,374)	(6,376,354)	(1,345,110)
(4,621,972)	(9,266,078)	(560,629)	-	(628,219)
-	-	-	-	-
-	-	230,404	-	-
(38,858)	(762,292)	(4,691)	-	(800)
(1,475,005)	(1,392,334)	2,137,236	329,516	594,709
-	735,000	-	-	-
-	-	(237,000)	-	-
325,478	1,362,920	274,107	(329,516)	(245,967)
				-
325,478	2,097,920	37,107	(329,516)	(245,967)
-	(705,586)	(2,854,518)	-	(348,742)
-	-	-	-	-
-	-	680,175	-	-
-	(705,586)	(2,174,343)	-	(348,742)
-	-	-	-	-
-	-	-	-	-
(1,149,527)	-	-	-	-
1,149,527	-	-	-	-
$ -	$ -	$ -	$ -	$ -
$ (1,121,133)	$ (1,422,364)	$ 377,335	$ -	$ (207,911)
3,301	1,534,131	1,937,032	-	867,740
477,335	(86,305)	(161,070)	206,879	(34,485)
(138,887)	839,625	(22)	-	-
-	(181,066)	-	-	-
(933)	(265,818)	-	-	(1,261)
(827,556)	(1,851,935)	(26,030)	122,637	(20,037)
(15,973)	95,573	9,958	-	(9,337)
-	-	-	-	-
148,841	(54,175)	33	-	-
-	-	-	-	-
(353,872)	30,030	1,759,901	329,516	802,620
$ (1,475,005)	$ (1,392,334)	$ 2,137,236	$ 329,516	$ 594,709
-	-	-	-	-
-	-	-	-	(4,977)

Continued on next page

STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Postage Fund	Facilities Operations Fund	Property Management Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 3,140,065	$ 56,213,715	$ 20,601,728
Cash paid to suppliers for goods and services	(2,640,321)	(16,129,466)	(18,906,846)
Cash paid to employees for services	(582,515)	(12,282,782)	(832,604)
Cash paid to claimants	-	-	-
Other operating revenues	-	2,460,730	1,112,753
Other operating expenses	-	(536,920)	(187,347)
Net cash provided (used) by operating activities	(82,771)	29,725,277	1,787,684
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in	-	1,770,616	(628,910)
Operating transfers out	-	-	-
Interfund loans and advances	157,568	(31,073,151)	(1,158,787)
Net cash provided (used) by noncapital financing activities	157,568	(29,302,535)	(1,787,697)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acqusition and construction of capital assets	(74,797)	(111,676)	-
Payment of capital leases	-	(327,295)	-
Proceeds from sale of capital assets	-	16,229	-
Net cash (used) by capital and related financing activities	(74,797)	(422,742)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	-	-	13
Net cash provided by investing activities	-	-	13
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, July 1	-	-	-
Cash and cash equivalents, June 30	$ -	$ -	$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (144,924)	$ (1,654,960)	$ (619,321)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	9,350	394,430	1,079
(Increase)/decrease in accounts receivable	51,470	(414)	(55,145)
(Increase)/decrease in due from other funds	-	30,891,098	3,026,511
(Increase)/decrease in inventories	(8,839)	-	-
(Increase)/decrease in prepaid expenses	311	(713)	(403,276)
Increase/(decrease) in accounts payable	2,202	(1,799)	(169,982)
Increase/(decrease) in accrued salaries and benefits	7,659	113,187	7,893
Increase/(decrease) in claims payable	-	-	-
Increase/(decrease) in due to other funds	-	(15,552)	(75)
Increase/(decrease) in unearned revenue	-	-	-
Total adjustments	62,153	31,380,237	2,407,005
Net cash provided (used) by operating activities	$ (82,771)	$ 29,725,277	$ 1,787,684
Noncash investing, capital, and financing activities:			
Contributions of capital assets to/from other funds	-	-	-
Retirement of assets not fully depreciated	-	-	-

See Independent Auditor's Report.

Equipment Revolving Fund	State Resource Management Fund	State Surplus Property Fund	State Liability Insurance Fund	Risk Management - All Other Fund
$ 236,272	$ 95,263	$ 1,821,438	$ 2,599,993	$ 3,564,473
(582,330)	(206,971)	(1,861,753)	(1,150,916)	(3,915,172)
-	-	(143,261)	(258,559)	(25,552)
-	-	-	(1,615,870)	-
-	-	169,281	-	-
-	-	(1,667)	-	-
(346,058)	(111,708)	(15,962)	(425,352)	(376,251)
-	-	-	-	-
-	-	-	-	-
346,058	111,708	-	-	376,251
				-
346,058	111,708	-	-	376,251
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	11,135	-
-	-	-	11,135	-
-	-	(15,962)	(414,217)	-
-	-	421,647	8,029,212	-
$ -	$ -	$ 405,685	$ 7,614,995	$ -
$ -	$ -	$ 18,050	$ (199,966)	$ (76,254)
-	-	-	1,496	-
(310,881)	(83,221)	25,004	(5,044)	(997,000)
-	-	-	-	-
-	-	5,350	-	-
-	-	-	-	(278,417)
(35,177)	(28,487)	(13,603)	(17,692)	975,210
-	-	(3,415)	1,035	210
-	-	-	(247,609)	-
-	-	(41,998)	42,428	-
-	-	(5,350)	-	-
(346,058)	(111,708)	(34,012)	(225,386)	(299,997)
$ (346,058)	$ (111,708)	$ (15,962)	$ (425,352)	$ (376,251)
-	-	-	-	-
-	-	-	-	-

Continued on next page

STATE OF VERMONT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Workers' Compensation Fund	Medical Insurance Fund	Dental Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 11,503,616	$ 126,125,812	$ 5,601,498
Cash paid to suppliers for goods and services	(468,548)	(8,413,476)	(313,362)
Cash paid to employees for services	(1,013,035)	(772,214)	(12,756)
Cash paid to claimants	(8,164,385)	(144,983,169)	(5,263,164)
Other operating revenues	-	209,146	-
Other operating expenses	(105,350)	(1,807,321)	(49,630)
Net cash provided (used) by operating activities	1,752,298	(29,641,222)	(37,414)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Interfund loans and advances	-	4,270,194	-
Net cash provided (used) by noncapital financing activities	-	4,270,194	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acqusition and construction of capital assets	-	-	-
Payment of capital leases	-	-	-
Proceeds from sale of capital assets	-	-	-
Net cash (used) by capital and related financing activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned on investments	31,965	17,426	560
Net cash provided by investing activities	31,965	17,426	560
Net increase (decrease) in cash and cash equivalents	1,784,263	(25,353,602)	(36,854)
Cash and cash equivalents, July 1	22,385,405	25,353,602	424,252
Cash and cash equivalents, June 30	$ 24,169,668	$ -	$ 387,398
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (2,364,156)	$ (25,254,559)	$ 310,558
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	-	-	-
(Increase)/decrease in accounts receivable	1,042	(4,691,993)	(222,136)
(Increase)/decrease in due from other funds	(428)	-	(51,305)
(Increase)/decrease in inventories	-	-	-
(Increase)/decrease in prepaid expenses	1,385	(620,816)	-
Increase/(decrease) in accounts payable	73,489	(698,693)	45,255
Increase/(decrease) in accrued salaries and benefits	(1,887)	(526)	6
Increase/(decrease) in claims payable	4,042,853	1,574,060	(119,792)
Increase/(decrease) in due to other funds	-	51,305	-
Increase/(decrease) in unearned revenue	-	-	-
Total adjustments	4,116,454	(4,386,663)	(347,972)
Net cash provided (used) by operating activities	$ 1,752,298	$ (29,641,222)	$ (37,414)
Noncash investing, capital, and financing activities:			
Contributions of capital assets to/from other funds	-	-	-
Retirement of assets not fully depreciated	-	-	-

See Independent Auditor's Report.

Life Insurance Fund	Long-Term Disability Fund	Employees' Assistance Fund	Human Resources Fund	Total Internal Service Fund
$ 2,166,223	$ 218,749	$ 280,608	$ 4,081,421	$ 316,799,711
(1,716,059)	(219,142)	(268,400)	(375,301)	(109,038,242)
(4,251)	-	-	(3,549,702)	(40,694,139)
-	-	-	-	(160,026,588)
-	-	-	-	4,218,830
-	-	-	(1,106)	(3,523,681)
445,913	(393)	12,208	155,312	7,735,891
-	-	-	-	2,996,706
-	-	-	-	(237,000)
-	-	-	(155,312)	(25,939,478)
-	-	-	(155,312)	(23,179,772)
-	-	-	-	(10,983,586)
-	-	-	-	(327,295)
-	-	-	-	1,742,245
-	-	-	-	(9,568,636)
944	-	-	-	62,043
944	-	-	-	62,043
446,857	(393)	12,208	-	(24,950,474)
494,396	47,812	68,765	-	58,736,251
$ 941,253	$ 47,419	$ 80,973	$ -	$ 33,785,777
$ 515,153	$ 7,097	$ 23,643	$ 170,573	$ (31,158,730)
-	-	-	-	9,767,434
(78,872)	(9,730)	(12,102)	54,683	(7,279,116)
-	-	-	(19,689)	34,547,054
-	-	-	-	316,690
-	-	-	-	(1,569,538)
9,632	2,240	667	(80,557)	(2,712,478)
-	-	-	30,302	449,360
-	-	-	-	5,249,512
-	-	-	-	131,053
-	-	-	-	(5,350)
(69,240)	(7,490)	(11,435)	(15,261)	38,894,621
$ 445,913	$ (393)	$ 12,208	$ 155,312	$ 7,735,891
-	-	-	-	148,806
-	-	-	-	(7,402)

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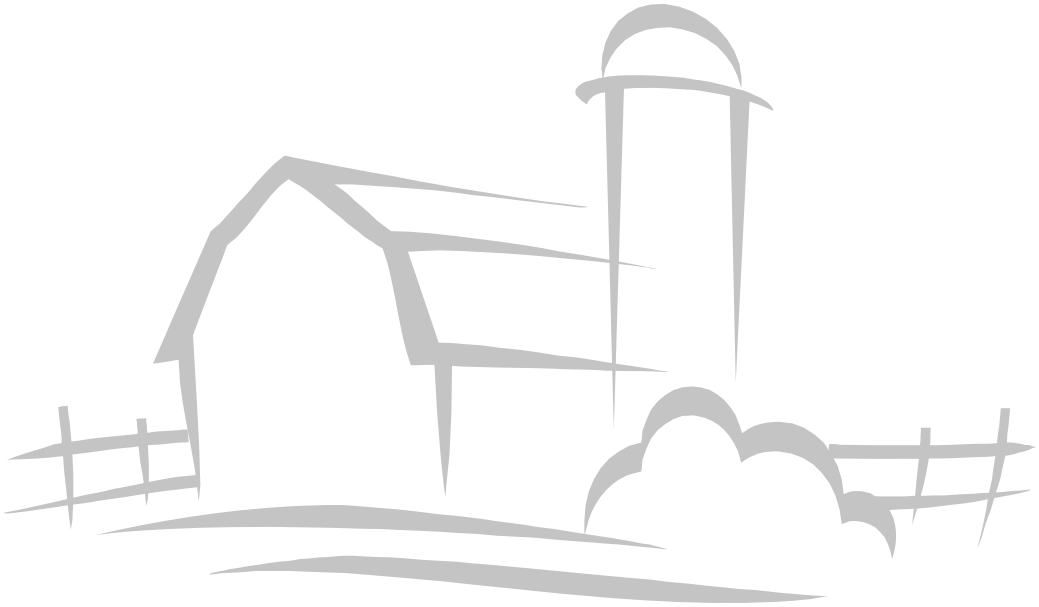

Vermont

Vermont State Retirement Fund – This is the public defined benefit pension plan provided by the State of Vermont for State employees.

State Teachers' Retirement Fund – This is the public defined benefit pension plan provided by the State of Vermont for State teachers.

Vermont Municipal Employees' Retirement Fund – This is the public pension plan administered by the State of Vermont for participating municipalities' employees.

Vermont State Defined Contribution Fund – This is a retirement plan for those exempt State employees that elected to participate in the defined contribution plan for the Vermont State Retirement System.

Single Deposit Investment Account Fund – This is a tax sheltered account funded through employee transfers from a non-contributing system years ago.

Vermont Municipal Employees' Defined Contribution Fund – This is a retirement plan for those participating municipalities' employees that elected to participate in the defined contribution plan for the Vermont Municipal Employees' Retirement Fund.

Vermont State Postemployment Benefits Trust Fund – This fund's purpose is to accumulate and provide reserves to support retiree postemployment benefits for members of the Vermont state employees' retirement system.

Vermont Municipal Employees' Health Benefit Fund – This is a fund established by the Vermont Municipal Employees' Retirement System's Board of Directors as a tax-advantaged savings plan that assists retirees in paying for healthcare costs after retirement.

STATE OF VERMONT
COMBINING STATEMENT OF PLAN NET POSITION
PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS
JUNE 30, 2014

	Defined Benefit Plans		
	Vermont State Retirement Fund	**State Teachers' Retirement Fund**	**Vermont Municipal Employees' Retirement Fund**
ASSETS			
Cash and short-term investments	$ 3,053,450	$ 3,826,600	$ 2,419,054
Investments at fair value			
Pooled investments	1,649,878,805	1,698,896,108	522,132,601
Equities	62,254	-	-
Mutual and commingled funds	-	-	-
Total investments	1,649,941,059	1,698,896,108	522,132,601
Receivables			
Contributions - current	4,688,581	3,327,312	2,477,353
Contributions - non-current	-	-	6,878,299
Interest and dividends	3	1,900	352,954
Due from other funds	59,061	-	76,329
Other	-	71,304	29,677
Total receivables	4,747,645	3,400,516	9,814,612
Prepaid expenses	-	-	156
Capital assets			
Construction in progress	1,727,534	2,025,719	660,421
Capital assets being depreciated			
Equipment	810,703	983,448	397,661
Less accumulated depreciation	(437,270)	(528,550)	(216,227)
Total capital assets, net of depreciation	2,100,967	2,480,617	841,855
Total assets	1,659,843,121	1,708,603,841	535,208,278
LIABILITIES			
Accounts payable	2,307,822	2,884,502	534,779
Retainage payable	281,687	343,592	143,297
Due to other funds	1,555	3,793	1,429
Interfund loans payable	6,189	7,349	3,296
Total liabilities	2,597,253	3,239,236	682,801
NET POSITION HELD IN TRUST FOR EMPLOYEES' PENSION AND OTHER POSTEMPLOYMENT BENEFITS.	$ 1,657,245,868	$ 1,705,364,605	$ 534,525,477

See Independent Auditors' Report.

Defined Contribution Plans			Other Postemployment Benefit Funds			
Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund	Vermont State Postemployment Benefits Trust Fund	Municipal Employees' Health Benefit Fund	Eliminations	Total
$ 63,481	$ 998,912	$ 85,371	$ 844,479	$ 322,945	$ -	$ 11,614,292
-	-	-	-	-	-	3,870,907,514
-	-	-	-	-	-	62,254
57,771,386	61,286,673	20,020,398	16,371,415	12,722,799	-	168,172,671
57,771,386	61,286,673	20,020,398	16,371,415	12,722,799	-	4,039,142,439
116,007	-	27,636	472,377	-	-	11,109,266
-	-	-	-	-	-	6,878,299
-	5	-	-	-	-	354,862
-	-	-	1,226,109	-	(135,390)	1,226,109
-	-	-	12,409	-	-	113,390
116,007	5	27,636	1,710,895	-	(135,390)	19,681,926
9,291	-	-	-	-	-	9,447
-	-	-	-	-	-	4,413,674
-	-	-	-	-	-	2,191,812
-	-	-	-	-	-	(1,182,047)
-	-	-	-	-	-	5,423,439
57,960,165	62,285,590	20,133,405	18,926,789	13,045,744	(135,390)	4,075,871,543
24	-	198	22,641	-	-	5,749,966
-	-	-	-	-	-	768,576
56,510	-	76,329	-	-	(135,390)	4,226
-	-	-	-	-	-	16,834
56,534	-	76,527	22,641	-	(135,390)	6,539,602
$ 57,903,631	$ 62,285,590	$ 20,056,878	$ 18,904,148	$ 13,045,744	$ -	$ 4,069,331,941

STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION
PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Defined Benefit Plans		
	Vermont State Retirement Fund	**State Teachers' Retirement Fund**	**Vermont Municipal Employees' Retirement Fund**
ADDITIONS			
Contributions			
Employer - pension benefit	$ 56,482,985	$ -	$ 12,805,737
Employer - healthcare benefit	-	-	-
Non-employer - pension benefit	-	51,439,510	-
Non-employer - healthcare benefit	-	20,430,226	-
Plan member	31,745,692	32,558,584	13,233,728
Transfers from other pension trust funds	453,852	410,501	2,142,868
Transfers from non-state systems	-	-	-
Medicare part D drug subsidy	-	798,677	-
Total contributions	88,682,529	105,637,498	28,182,333
Investment Income			
Net appreciation (depreciation) in fair value of investments	61,363	50,055	14,369
Income from pooled investments	210,228,072	219,388,858	65,960,450
Dividends	-	6,702	1,842
Interest	12,152	13,291	470,455
Other income	191,353	73,738	14,484
Total investment income	210,492,940	219,532,644	66,461,600
Less Investment Expenses			
Investment managers and consultants	6,771,192	7,194,449	2,115,484
Total investment expenses	6,771,192	7,194,449	2,115,484
Net investment income	203,721,748	212,338,195	64,346,116
Total additions	292,404,277	317,975,693	92,528,449
DEDUCTIONS			
Retirement benefits	101,436,005	138,484,665	18,153,649
Other postemployment benefits	-	24,640,986	-
Refund of contributions	2,461,242	1,870,988	1,673,188
Death claims	204,111	319,988	141,231
Transfers to other pension trust funds	391,195	171,196	633,312
Depreciation	73,531	89,444	35,925
Operating expenses	1,084,652	1,385,384	552,097
Total deductions	105,650,736	166,962,651	21,189,402
Change in net position	186,753,541	151,013,042	71,339,047
Net position held in trust for employees' pension and postemployment benefits			
July 1	1,470,492,327	1,554,351,563	463,186,430
June 30	$ 1,657,245,868	$ 1,705,364,605	$ 534,525,477

See Independent Auditors' Report.

Defined Contribution Plans			Other Postemployment Benefit Funds			
Vermont State Defined Contribution Fund	Single Deposit Investment Account Fund	Vermont Municipal Employees' Defined Contribution Fund	Vermont State Postemployment Benefits Trust Fund	Municipal Employees' Health Benefit Fund	Eliminations	Total
$ 1,872,314	$ -	$ 652,570	$ -	$ -	$ -	$ 71,813,606
-	-	-	24,272,144	-	-	24,272,144
-	-	-	-	-	-	51,439,510
-	-	-	-	-	-	20,430,226
762,604	-	594,790	-	-	-	78,895,398
73,697	-	20,319	-	-	(3,101,237)	-
154,242	-	1,955	-	-	-	156,197
-	-	-	-	-	-	798,677
2,862,857	-	1,269,634	24,272,144	-	(3,101,237)	247,805,758
5,615,861	1	2,044,459	1,040,297	1,643,054	-	10,469,459
-	-	-	-	-	-	495,577,380
2,774,468	1,541,468	1,178,131	315,094	-	-	5,817,705
195	94	174	130,081	726	-	627,168
-	1,916	-	-	-	-	281,491
8,390,524	1,543,479	3,222,764	1,485,472	1,643,780	-	512,773,203
-	195,406	-	30,182	66,035	-	16,372,748
-	195,406	-	30,182	66,035	-	16,372,748
8,390,524	1,348,073	3,222,764	1,455,290	1,577,745	-	496,400,455
11,253,381	1,348,073	4,492,398	25,727,434	1,577,745	(3,101,237)	744,206,213
2,381,896	7,523,704	939,403	-	-	-	268,919,322
-	-	-	22,485,894	224,730	-	47,351,610
-	-	-	-	-	-	6,005,418
-	-	-	-	-	-	665,330
-	-	1,905,534	-	-	(3,101,237)	-
-	-	-	-	-	-	198,900
57,028	-	117,723	175	-	-	3,197,059
2,438,924	7,523,704	2,962,660	22,486,069	224,730	(3,101,237)	326,337,639
8,814,457	(6,175,631)	1,529,738	3,241,365	1,353,015	-	417,868,574
49,089,174	68,461,221	18,527,140	15,662,783	11,692,729	-	3,651,463,367
$ 57,903,631	$ 62,285,590	$ 20,056,878	$ 18,904,148	$ 13,045,744	$ -	$ 4,069,331,941

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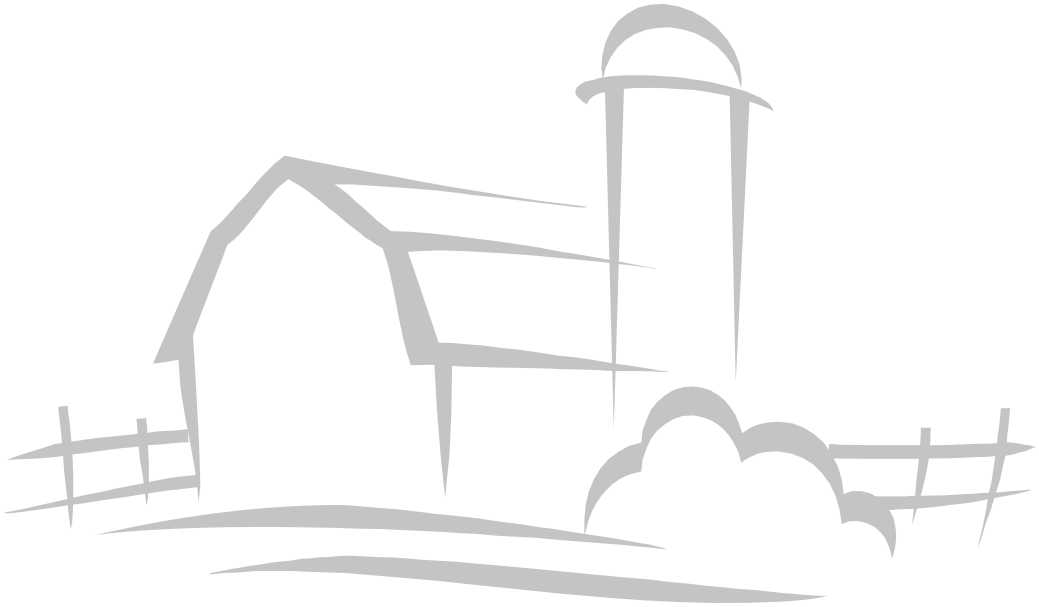

Vermont

Agency Funds' Descriptions

Retirement System Contributions and Withholdings Fund – This fund holds the employees' retirement contributions and withholdings until distribution to the appropriate pension fund.

Federal Income Tax Withholdings Fund – This fund holds employees' federal income tax withholdings until they are paid to the Federal Government.

State Income Tax Withholdings Fund – This fund holds employees' state income tax withholdings are held until they are paid to the State.

Social Security Tax Contributions and Withholdings Fund – This is the fund where employees' FICA withholdings are held until they are paid to the Federal Government.

Employees Insurance Contributions and Withholdings Fund – This is the fund where the State and the State's employees' share of the insurance premiums is held until distribution to the appropriate internal service fund.

Employees Deferred Income Withholdings Fund – This is the fund where the employees' voluntary deferred income withholdings are held until paid to the program administrator.

Other Employee Contributions and Withholdings Fund – This is the fund where other withholdings and contributions (charitable, savings bonds, flexible spending, etc) are held until paid to the appropriate depository.

Vendor and Other Deposits Fund – This is the fund where escrow amounts, advances, garnishments and other miscellaneous agency funds are reported.

Child Support Collections Fund – This is the fund where child support receipts are held until paid to the correct recipient.

STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
RETIREMENT SYSTEM CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ -	$ 110,405,311	$ 110,405,289	$ 22
Accounts receivable	59,328	-	59,328	-
Total assets	$ 59,328	$ 110,405,311	$ 110,464,617	$ 22
LIABILITIES				
Due to depositories	$ -	$ 110,405,311	$ 110,405,289	$ 22
Interfund payable	59,328	-	59,328	-
Total liabilities	$ 59,328	$ 110,405,311	$ 110,464,617	$ 22
FEDERAL INCOME TAX WITHHOLDING FUND				
ASSETS				
Cash	$ 139	$ 55,810,548	$ 55,810,549	$ 138
Total assets	$ 139	$ 55,810,548	$ 55,810,549	$ 138
LIABILITIES				
Due to depositories	$ 139	$ 55,810,548	$ 55,810,549	$ 138
Total liabilities	$ 139	$ 55,810,548	$ 55,810,549	$ 138
STATE INCOME TAX WITHHOLDING FUND				
ASSETS				
Cash	$ -	$ 15,581,027	$ 15,580,692	$ 335
Total assets	$ -	$ 15,581,027	$ 15,580,692	$ 335
LIABILITIES				
Due to depositories	$ -	$ 15,581,027	$ 15,580,692	$ 335
Total liabilities	$ -	$ 15,581,027	$ 15,580,692	$ 335
SOCIAL SECURITY TAX CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ 527	$ 74,751,518	$ 74,752,045	$ -
Accounts receivable	-	10	-	10
Total assets	$ 527	$ 74,751,528	$ 74,752,045	$ 10
LIABILITIES				
Due to depositories	$ 527	$ 74,751,518	$ 74,752,045	$ -
Interfund payable	-	10	-	10
Total liabilities	$ 527	$ 74,751,528	$ 74,752,045	$ 10
EMPLOYEES INSURANCE CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ 186	$ 104,805,880	$ 104,805,947	$ 119
Accounts receivable	73	-	73	-
Total assets	$ 259	$ 104,805,880	$ 104,806,020	$ 119
LIABILITIES				
Due to depositories	$ 186	$ 104,805,880	$ 104,805,947	$ 119
Interfund payable	73	-	73	-
Total liabilities	$ 259	$ 104,805,880	$ 104,806,020	$ 119

See Independent Auditors' Report.

Continued on next page

STATE OF VERMONT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
EMPLOYEES DEFERRED INCOME WITHHOLDINGS FUND				
ASSETS				
Cash	$ -	$ 15,102,510	$ 15,102,510	$ -
Total assets	$ -	$ 15,102,510	$ 15,102,510	$ -
LIABILITIES				
Due to depositories	$ -	$ 15,102,510	$ 15,102,510	$ -
Total liabilities	$ -	$ 15,102,510	$ 15,102,510	$ -
OTHER EMPLOYEE CONTRIBUTIONS AND WITHHOLDINGS FUND				
ASSETS				
Cash	$ -	$ 8,772,709	$ 8,751,779	$ 20,930
Accounts receivable	219,921	133,699	219,921	133,699
Total assets	$ 219,921	$ 8,906,408	$ 8,971,700	$ 154,629
LIABILITIES				
Due to depositories	$ -	$ 8,772,971	$ 8,751,779	$ 21,192
Interfund payable	219,921	133,437	219,921	133,437
Total liabilities	$ 219,921	$ 8,906,408	$ 8,971,700	$ 154,629
VENDOR AND OTHER DEPOSITS FUND				
ASSETS				
Cash	$ 7,680,093	$ 46,129,687	$ 46,805,892	$ 7,003,888
Taxes receivable	1,184,894	2,030,344	1,184,894	2,030,344
Accounts receivable	934,627	1,302,030	1,136,111	1,100,546
Total assets	$ 9,799,614	$ 49,462,061	$ 49,126,897	$ 10,134,778
LIABILITIES				
Amounts held in custody for others	$ 2,329,143	$ 11,106,618	$ 11,464,546	$ 1,971,215
Intergovernmental payables	6,235,619	33,756,768	33,146,030	6,846,357
Other liabilities	1,214,028	4,510,040	4,410,036	1,314,032
Interfund payable	20,824	3,174	20,824	3,174
Total liabilities	$ 9,799,614	$ 49,376,600	$ 49,041,436	$ 10,134,778
CHILD SUPPORT COLLECTIONS FUND				
ASSETS				
Cash	$ 855,603	$ 53,321,344	$ 53,461,895	$ 715,052
Accounts receivable	2,963	23,848	2,963	23,848
Total assets	$ 858,566	$ 53,345,192	$ 53,464,858	$ 738,900
LIABILITIES				
Amounts held in custody for others	$ 858,566	$ 53,345,192	$ 53,464,858	$ 738,900
Total liabilities	$ 858,566	$ 53,345,192	$ 53,464,858	$ 738,900
TOTALS - ALL AGENCY FUNDS				
ASSETS				
Cash	$ 8,536,548	$ 484,680,534	$ 485,476,598	$ 7,740,484
Taxes receivable	1,184,894	2,030,344	1,184,894	2,030,344
Accounts receivable	1,216,912	1,459,587	1,418,396	1,258,103
Total assets	$ 10,938,354	$ 488,170,465	$ 488,079,888	$ 11,028,931
LIABILITIES				
Due to depositories	$ 852	$ 385,229,765	$ 385,208,811	$ 21,806
Amounts held in custody for others	3,187,709	64,451,810	64,929,404	2,710,115
Intergovernmental payables	6,235,619	33,756,768	33,146,030	6,846,357
Other liabilities	1,214,028	4,510,040	4,410,036	1,314,032
Interfund payable	300,146	136,621	300,146	136,621
Total liabilities	$ 10,938,354	$ 488,085,004	$ 487,994,427	$ 11,028,931

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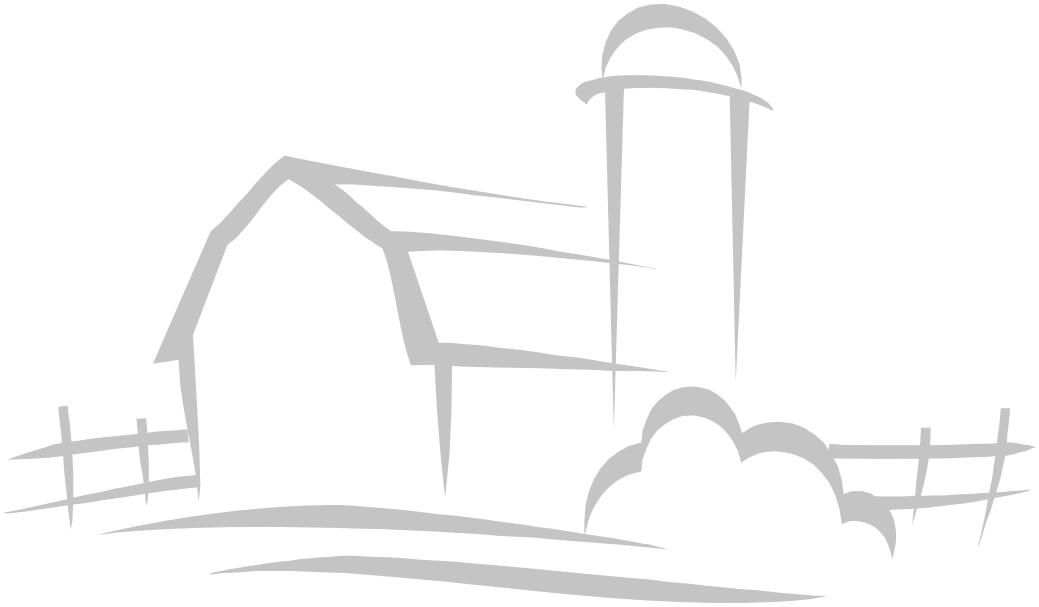

Vermont

Vermont Economic Development Authority – This is a tax-exempt entity whose purpose is to promote economic prosperity within the State of Vermont by providing capital and direct financing to eligible borrowers.

Vermont Housing & Conservation Board – This is a not for profit entity whose mission is to create affordable housing for Vermonters and to conserve and protect agricultural, historic, natural and recreational sites within Vermont.

Vermont Sustainable Jobs Fund – This is a not for profit entity set up to implement a jobs program.

Vermont Municipal Bond Bank – The Bond Bank's purpose is to create large bond issues on behalf of the States' municipalities and loan the proceeds back to the participating municipalities.

Vermont Educational and Health Buildings Financing Agency – This purpose of this agency is to provide tax -exempt financing to libraries, educational and healthcare providers to assist in the purchase and construction of real and personal property.

Vermont Center for Geographic Information, Inc. – This not for profit organization was created to implement and maintain a geographic information system.

Vermont Veterans' Home – The Vet's home provides care to those that have given to their country and the State of Vermont.

Vermont Rehabilitation Corporation – This not for profit organization's purpose is to provide funding to farmers to reduce their investment costs in an effort to help them be successful.

Vermont Telecommunications Authority – This tax-exempt entity was created for the purposes of ensuring that all regions of the State have access to affordable broadband and mobile telecommunications services and promoting and facilitating ongoing upgrades in statewide telecommunications infrastructure in the most efficient and economically feasible manner.

STATE OF VERMONT
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED NON-MAJOR COMPONENT UNITS
JUNE 30, 2014

	Vermont Economic Development Authority 6/30/2014	Vermont Housing & Conservation Board 6/30/2014	Vermont Sustainable Jobs Fund 6/30/2014	Vermont Municipal Bond Bank 12/31/2013	Vermont Educational and Health Buildings Financing Agency 12/31/2013
ASSETS					
Current Assets					
Cash and cash equivalents	$ 3,070,000	$ 9,107,397	$ 793,122	$ 7,098,993	$ 140,032
Investments	6,494,000	-	-	10,768,790	1,304,345
Accounts receivable, net	-	-	-	55	-
Accrued interest receivable - loans	305,000	-	-	2,019,320	-
Loans and notes receivable - current portion	29,617,000	55,442	-	46,981,124	-
Other receivables	-	151,069	133,661	-	-
Due from federal government	-	2,475,483	-	-	-
Due from primary government	393,000	-	-	-	-
Inventories, at cost	-	-	-	-	-
Other current assets	740,000	-	15,282	-	-
Total current assets	40,619,000	11,789,391	942,065	66,868,282	1,444,377
Restricted and Noncurrent Assets					
Cash	6,272,000	-	-	1,845,211	-
Investments	24,698,000	-	498,294	51,336,638	-
Loans and notes receivable, net	156,979,000	160,339,868	-	493,871,985	-
Other assets	-	21,957,235	-	-	-
Total restricted and noncurrent assets	187,949,000	182,297,103	498,294	547,053,834	-
Capital Assets					
Land	500,000	-	-	-	-
Construction in progress	-	-	-	-	-
Capital assets being depreciated					
Buildings and leasehold improvements	5,898,000	225,145	12,732	-	-
Equipment, furniture and fixtures	1,237,000	63,656	31,853	-	-
Less accumulated depreciation	(1,741,000)	(123,170)	(21,871)	-	-
Total capital assets, net of depreciation	5,894,000	165,631	22,714	-	-
Total assets	234,462,000	194,252,125	1,463,073	613,922,116	1,444,377
Deferred Outflows of Resources					
Loss on refunding of bonds payable	-	-	-	16,774,395	-
Total deferred outflows of resources	-	-	-	16,774,395	-
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	685,891	249,901	64,393	1,945	25,405
Accrued interest payable	125,000	-	-	-	-
Bond interest payable	-	-	-	2,053,812	-
Unearned revenue	4,659,000	-	7,101	-	-
Other current liabilities	393,000	-	395,110	-	-
Current portion of long-term liabilities	159,411,000	-	-	44,262,770	-
Due to primary government	2,955	2,125,287	-	-	-
Escrowed cash deposits	134,000	-	-	-	-
Advances from primary government	5,877,154	-	-	-	-
Total current liabilities	171,288,000	2,375,188	466,604	46,318,527	25,405
Noncurrent Liabilities					
Bonds and notes payable	8,535,000	271,695	-	549,862,290	-
Accrued arbitrge rebate	-	-	-	758,249	-
Other noncurrent liabilities	-	-	-	-	-
Total noncurrent liabilities	8,535,000	271,695	-	550,620,539	-
Total liabilities	179,823,000	2,646,883	466,604	596,939,066	25,405
NET POSITION					
Net investment in capital assets	3,154,000	165,631	22,714	-	-
Restricted					
Interest rate subsidies	834,000	-	-	-	-
Investment in limited partnerships	4,176,000	-	-	-	-
Collateral for commercial paper program	20,070,000	-	-	-	-
Infrastructure investments	-	-	-	-	-
Project and program commitments	1,874,000	8,055,975	362,460	22,595,541	-
Loans receivable	-	183,118,467	-	-	-
Unrestricted	24,531,000	265,169	611,295	11,161,904	1,418,972
Total net position	$ 54,639,000	$ 191,605,242	$ 996,469	$ 33,757,445	$ 1,418,972

See Independent Auditors' Report.

Vermont Center For Geographic Information, Inc. 6/30/2014	Vermont Veterans' Home 6/30/2014	Vermont Rehabilitation Corporation 6/30/2014	Vermont Telecommunications Authority 6/30/2014	Total Non-major Component Units
$ 180,863	$ 50	$ 100,181	$ 5,729,027	$ 26,219,665
-	-	-	-	18,567,135
34,831	2,093,192	-	-	2,128,078
-	-	16,067	-	2,340,387
-	-	-	-	76,653,566
-	-	-	9,789	294,519
-	320,116	-	1,736,401	4,532,000
-	-	-	-	393,000
-	138,776	-	-	138,776
11,825	-	-	-	767,107
227,519	2,552,134	116,248	7,475,217	132,034,233
-	-	-	-	8,117,211
-	-	-	-	76,532,932
-	-	120,000	-	811,310,853
-	6,397	-	-	21,963,632
-	6,397	120,000	-	917,924,628
-	349,486	-	-	849,486
-	305,094	-	971,890	1,276,984
-	25,907,642	-	-	32,043,519
88,590	3,592,334	-	2,521,634	7,535,067
(67,621)	(17,416,849)	-	(71,421)	(19,441,932)
20,969	12,737,707	-	3,422,103	22,263,124
248,488	15,296,238	236,248	10,897,320	1,072,221,985
-	-	-	-	16,774,395
-	-	-	-	16,774,395
50,678	1,385,248	-	1,922,872	4,386,333
-	-	-	-	125,000
-	-	-	-	2,053,812
379	-	-	-	4,666,480
-	107,916	-	-	896,026
-	-	-	-	203,673,770
-	1,652,647	-	-	3,780,889
-	-	-	-	134,000
-	-	-	-	5,877,154
51,057	3,145,811	-	1,922,872	225,593,464
-	-	-	-	558,668,985
-	-	-	-	758,249
-	5,944	-	-	5,944
-	5,944	-	-	559,433,178
51,057	3,151,755	-	1,922,872	785,026,642
20,969	12,737,707	-	3,422,103	19,523,124
-	-	-	-	834,000
-	-	-	-	4,176,000
-	-	-	-	20,070,000
-	-	-	5,020,040	5,020,040
-	-	-	-	32,887,976
-	-	-	-	183,118,467
176,462	(593,224)	236,248	532,305	38,340,131
$ 197,431	$ 12,144,483	$ 236,248	$ 8,974,448	$ 303,969,738

STATE OF VERMONT
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED NON-MAJOR COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2014

	Vermont Economic Development Authority 6/30/2014	Vermont Housing & Conservation Board 6/30/2014	Vermont Sustainable Jobs Fund 6/30/2014	Vermont Municipal Bond Bank 12/31/2013	Vermont Educational and Health Buildings Financing Agency 12/31/2013
Expenses					
Salaries and benefits	$ 3,152,000	$ 2,466,167	$ 708,679	$ 103,187	$ 45,434
Other expenses	3,908,000	17,340,731	1,041,718	24,090,266	204,892
Depreciation	332,000	17,383	8,236	-	-
Interest on debt	1,766,000	-	-	-	-
Total expenses	9,158,000	19,824,281	1,758,633	24,193,453	250,326
Program Revenues					
Charges for services	7,272,000	2,146,393	129,625	24,074,146	268,015
Operating grants and contributions	6,126,000	11,815,186	1,529,724	-	-
Capital grants and contributions	-	-	-	-	-
Total program revenues	13,398,000	13,961,579	1,659,349	24,074,146	268,015
Net revenue (expense)	4,240,000	(5,862,702)	(99,284)	(119,307)	17,689
General revenues					
Property transfer tax	-	14,014,000	-	-	-
Investment income	1,829,000	13,391	-	1,629,568	99,555
Miscellaneous	-	129,640	-	-	-
Total general revenues	1,829,000	14,157,031	-	1,629,568	99,555
Changes in net position	6,069,000	8,294,329	(99,284)	1,510,261	117,244
Net position (deficit) - beginning, as restated	48,570,000	183,310,913	1,095,753	32,247,184	1,301,728
Net position - ending	$ 54,639,000	$ 191,605,242	$ 996,469	$ 33,757,445	$ 1,418,972

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Vermont Center For Geographic Information, Inc. 6/30/2014	Vermont Veterans' Home 6/30/2014	Vermont Rehabilitation Corporation 6/30/2014	Vermont Telecommunications Authority 6/30/2014	Total Non-major Component Units
$ 545,273	$ 13,164,754	$ -	$ 970,887	$ 21,156,381
696,646	6,785,968	-	15,336,124	69,404,345
17,756	1,163,168	-	32,745	1,571,288
-	-	-	-	1,766,000
1,259,675	21,113,890	-	16,339,756	93,898,014
805,749	16,575,489	-	-	51,271,417
378,700	4,835,897	-	17,125,262	41,810,769
-	167,231	-	-	167,231
1,184,449	21,578,617	-	17,125,262	93,249,417
(75,226)	464,727	-	785,506	(648,597)
-	-	-	-	14,014,000
-	60	150	8,541	3,580,265
-	115,031	-	-	244,671
-	115,091	150	8,541	17,838,936
(75,226)	579,818	150	794,047	17,190,339
272,657	11,564,665	236,098	8,180,401	286,779,399
$ 197,431	$ 12,144,483	$ 236,248	$ 8,974,448	$ 303,969,738

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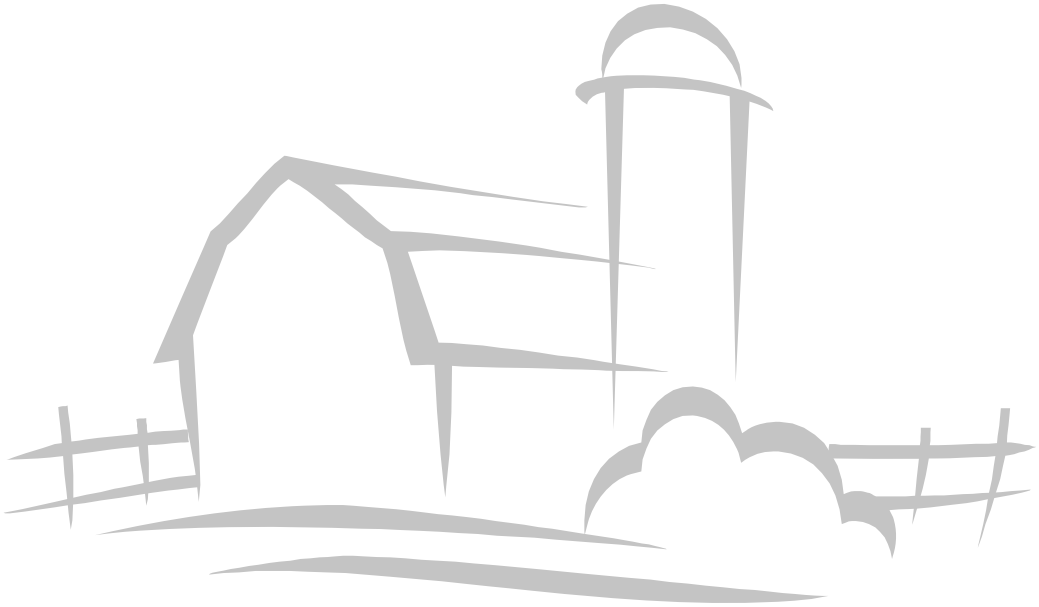

Vermont

STATISTICAL SECTION CONTENTS
JUNE 30, 2014

The Statistical Section of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicates about the State of Vermont's overall financial health. Below is a summary of the components and purpose of the tables provided in this section.

Financial Trends – Tables 1 through 4
These schedules contain trend information extracted from the State's financial statements, to help the reader understand how the State's financial performance and financial position have changed over time.

Revenue Capacity – Tables 5 through 7
These schedules contain information to help the reader assess the State's most significant revenue source – the personal income tax.

Debt Capacity – Tables 8 and 9
These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt, the State's ability to issue additional debt in the future, and related historical trend data.

Demographic and Economic Information – Tables 10 and 11
These schedules contain demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Operating Indicators – Tables 12 through 14
These schedules contain service levels and capital asset data to help the reader understand how the information in the State's financial report relates to the services the State provides to its citizens and visitors.

This information is unaudited.

STATE OF VERMONT
Statistical Section - Table 1
Financial Trends
Net Position by Component, Last Ten Fiscal Years
(accrual basis of accounting)
(expressed in thousands)

	2014	2013	2012	2011
Primary Government				
Governmental Activities				
Net investment in capital assets	$ 2,010,724	$ 1,781,928	$ 1,727,652	$ 1,607,970
Restricted	579,356	605,531	499,377	491,166
Unrestricted	(856,544)	(758,397)	(582,203)	(505,129)
Total governmental activities net position	1,733,536	1,629,062	1,644,826	1,594,007
Business-type Activities				
Net investment in capital assets	985	682	745	857
Restricted	149,345	86,006	26,216	-
Unrestricted	7,086	6,811	5,244	(6,476)
Total business-type activities net position	157,416	93,499	32,205	(5,619)
Primary Government Totals				
Net investment in capital assets	2,011,709	1,782,610	1,728,397	1,608,827
Restricted	728,701	691,537	525,593	491,166
Unrestricted	(849,458)	(751,586)	(576,959)	(511,605)
Total primary government net position	$ 1,890,952	$ 1,722,561	$ 1,677,031	$ 1,588,388
Discretely Presented Component Units				
Net investment in capital assets	$ 163,417	$ 172,470	$ 142,584	$ 145,157
Restricted	811,175	751,082	803,221	807,031
Unrestricted	167,184	180,383	126,560	141,397
Total discretely presented component units net position	$ 1,141,776	$ 1,103,935	$ 1,072,365	$ 1,093,585

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2010	2009	2008	2007	2006	2005
$ 1,456,846	$ 1,318,708	$ 1,245,908	$ 1,161,200	$ 1,080,092	$ 1,055,464
117,250	121,701	117,117	143,355	167,490	111,943
(254,502)	(280,552)	(112,440)	(27,414)	(85,684)	(69,649)
1,319,594	1,159,857	1,250,585	1,277,141	1,161,898	1,097,758
944	937	584	412	372	484
963	78,452	169,206	194,832	209,321	227,856
3,057	3,656	3,328	3,743	4,015	3,846
4,964	83,045	173,118	198,987	213,708	232,186
1,457,790	1,319,645	1,246,492	1,161,612	1,080,464	1,055,948
118,213	200,153	286,323	338,187	376,811	339,799
(251,445)	(276,896)	(109,112)	(23,671)	(81,669)	(65,803)
$ 1,324,558	$ 1,242,902	$ 1,423,703	$ 1,476,128	$ 1,375,606	$ 1,329,944
$ 139,623	$ 190,955	$ 171,918	$ 165,901	$ 165,431	$ 171,459
728,751	610,237	605,214	606,080	516,629	470,245
130,072	116,630	180,870	231,293	239,323	215,839
$ 998,446	$ 917,822	$ 958,002	$ 1,003,274	$ 921,383	$ 857,543

STATE OF VERMONT
Statistical Section - Table 2
Financial Trends
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)
(expressed in thousands)

	2014	2013	2012	2011
Governmental activities				
Expenses				
General government	$ 139,920	$ 176,506	$ 185,484	$ 161,192
Protection to persons and property	344,315	348,122	328,292	325,959
Human services	2,271,233	2,210,850	2,013,616	1,969,294
Labor	30,580	34,795	30,004	32,194
General education	1,803,049	1,735,794	1,680,443	1,670,517
Natural resources	105,590	94,616	91,452	106,875
Commerce and community development	44,004	33,763	38,782	48,206
Transportation	425,563	479,411	542,055	390,837
Public service enterprises	-	-	-	-
Interest on long-term debt	11,259	20,948	19,776	20,888
Total expenses	5,175,513	5,134,805	4,929,904	4,725,962
Program revenues				
Charges for services				
General government	33,744	31,204	50,734	22,092
Protection to persons and property	165,869	163,635	144,071	150,756
Human services	31,886	64,336	34,765	22,759
Natural resources	32,139	30,662	26,915	24,974
Transportation	120,607	123,249	121,345	119,422
Other	23,495	19,180	17,048	16,956
Operating grants and contributions	1,775,500	1,739,160	1,590,271	1,703,947
Capital grants and contributions	190,092	152,851	306,956	314,577
Total program revenues	2,373,332	2,324,277	2,292,105	2,375,483
Total governmental activities net program expense	(2,802,181)	(2,810,528)	(2,637,799)	(2,350,479)
General revenues and other changes in net position				
Taxes				
Personal and corporate income	743,818	760,334	696,664	677,862
Sales and use	355,569	348,137	347,283	323,353
Meals and rooms	143,473	136,623	128,592	122,558
Purchase and use	91,922	83,618	81,909	76,994
Motor fuel	58,051	61,375	61,791	63,712
Statewide property	974,466	932,973	913,639	917,936
Other taxes	475,368	411,663	397,012	379,269
Unrestricted investment earnings	1,229	1,240	998	2,966
Tobacco litigation settlement	37,278	34,514	34,519	33,864
Miscellaneous	1,159	4,700	3,254	4,159
Transfers	24,322	23,953	22,958	22,026
Total general revenues and other changes in net position	2,906,655	2,799,130	2,688,619	2,624,699
Total governmental activities change in net positon	$ 104,474	$ (11,398)	$ 50,820	$ 274,220

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2010	2009	2008	2007	2006	2005
$ 169,294	$ 116,802	$ 101,536	$ 114,688	$ 110,055	$ 130,521
266,916	280,434	259,691	255,621	233,163	213,426
1,861,517	1,750,911	1,652,680	1,518,969	1,445,868	1,392,266
35,774	29,071	28,020	24,740	21,154	20,583
1,688,315	1,657,335	1,614,447	1,622,441	1,555,674	1,446,411
73,004	98,136	95,657	85,901	82,814	78,422
71,762	33,310	36,954	31,947	32,252	35,651
324,660	308,457	310,702	307,899	301,626	269,066
2,732	3,894	4,503	1,890	1,994	1,650
18,599	18,714	19,361	20,072	21,047	19,307
4,512,573	4,297,064	4,123,551	3,984,168	3,805,647	3,607,303
22,037	23,076	20,973	52,384	46,749	59,498
137,883	151,730	112,100	115,546	97,700	78,017
20,498	22,311	15,683	14,807	33,475	20,717
23,934	23,749	25,514	23,078	23,868	24,438
108,229	81,435	86,370	86,295	74,646	69,299
15,330	15,838	12,857	7,511	4,789	4,355
1,669,593	1,315,550	1,182,605	1,083,832	1,072,042	1,032,577
232,155	165,844	151,735	167,181	128,658	130,646
2,229,659	1,799,533	1,607,837	1,550,634	1,481,927	1,419,547
(2,282,914)	(2,497,531)	(2,515,714)	(2,433,534)	(2,323,720)	(2,187,756)
563,170	572,032	698,305	679,886	612,566	568,059
316,755	317,599	336,164	332,314	327,075	312,395
118,926	117,842	119,758	116,888	111,570	111,980
69,828	65,862	79,084	80,591	80,987	84,047
64,061	64,303	65,080	65,427	67,580	67,335
909,758	876,408	798,905	878,714	813,588	732,330
333,770	326,519	317,438	331,017	317,187	294,257
3,448	2,636	8,732	11,286	7,426	6,664
36,216	42,879	38,236	24,986	24,057	26,206
3,364	2,178	3,555	3,432	2,277	5,875
23,355	21,945	23,900	24,236	23,548	20,723
2,442,651	2,410,203	2,489,157	2,548,777	2,387,861	2,229,871
$ 159,737	$ (87,328)	$ (26,557)	$ 115,243	$ 64,141	$ 42,115

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STATE OF VERMONT
Statistical Section - Table 2
Financial Trends
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)
(expressed in thousands)

	2014	2013	2012	2011
Business-type activities				
Expenses				
Vermont Lottery Commission	$ 79,875	$ 79,210	$ 78,556	$ 74,147
Liquor Control	55,218	52,151	50,519	47,928
Unemployment Compensation	87,783	109,211	139,340	190,679
Other	7,202	6,218	5,394	4,761
Total expenses	230,078	246,790	273,809	317,515
Program revenues				
Charges for services				
Vermont Lottery Commission	102,312	102,089	100,931	95,543
Liquor Control	57,343	54,781	51,700	50,249
Unemployment Compensation	143,987	148,866	138,550	116,323
Other	6,666	6,065	5,011	4,423
Operating grants and contributions	5,928	19,705	38,239	62,445
Total program revenues	316,236	331,506	334,431	328,983
Total busines-type activities net program expense	86,158	84,716	60,622	11,468
General revenues and other changes in net position				
Unrestricted investment earnings	2,079	514	160	(23)
Miscellaneous	-	18	-	12
Capital asset transfers	-	-	-	-
Transfers	(24,321)	(23,953)	(22,958)	(22,026)
Total general revenues and other changes in net position	(22,242)	(23,421)	(22,798)	(22,037)
Total business-type activities change in net position	$ 63,916	$ 61,295	$ 37,824	$ (10,569)
Total primary government change in net position	$ 168,390	$ 49,897	$ 88,644	$ 263,651
Component units				
Expenses				
Vermont Student Assistance Corporation	$ 85,695	$ 105,927	$ 101,216	$ 111,490
University of Vermont and State Agricultural College	652,107	642,630	614,136	609,156
Vermont State Colleges	201,204	200,920	191,327	184,785
Vermont Housing Finance Agency	27,165	38,291	37,065	40,224
Other	93,898	90,217	88,973	69,851
Total expenses	1,060,069	1,077,985	1,032,717	1,015,506
Program revenues				
Charges for services				
Vermont Student Assistance Corporation	55,462	58,349	59,239	63,072
University of Vermont and State Agricultural College	374,032	368,358	359,596	344,995
Vermont State Colleges	119,477	119,811	117,848	113,624
Vermont Housing Finance Agency	1,032	792	704	1,153
Other	51,271	45,531	47,463	47,990
Operating grants and contributions	384,000	385,610	361,803	379,585
Capital grants and contributions	3,386	18,609	9,836	17,535
Total program revenues	988,660	997,060	956,489	967,954
Total component units net program expense	(71,409)	(80,925)	(76,228)	(47,552)
General revenues and other changes in net position				
Taxes	14,014	13,689	8,047	6,102
Unrestricted investment earnings	98,110	86,835	44,142	117,674
Other	3,373	20,535	10,589	18,916
Total general revenues and other changes in net position	115,497	121,059	62,778	142,692
Total component units changes in net position	$ 44,088	$ 40,134	$ (13,450)	$ 95,140

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2010	2009	2008	2007	2006	2005
$ 75,940	$ 74,895	$ 79,596	$ 81,225	$ 82,263	$ 71,720
47,059	46,377	45,312	43,187	40,512	38,155
293,674	214,561	98,955	94,396	85,483	79,968
1,943	2,471	3,140	2,937	2,948	3,873
418,616	338,304	227,003	221,745	211,206	193,716
97,485	95,983	102,001	104,551	104,879	92,600
47,986	47,789	45,927	43,994	41,480	39,209
215,334	117,920	65,327	70,821	57,428	57,250
1,738	2,341	3,027	2,599	2,649	2,919
-	-	-	-	-	-
362,543	264,033	216,282	221,965	206,436	191,978
(56,073)	(74,271)	(10,721)	220	(4,770)	(1,738)
1,417	6,035	8,740	9,286	9,832	12,389
-	9	11	9	8	(275)
-	-	-	-	-	(40)
(23,355)	(21,945)	(23,900)	(24,236)	(23,548)	(20,723)
(21,938)	(15,901)	(15,149)	(14,941)	(13,708)	(8,649)
$ (78,011)	$ (90,172)	$ (25,870)	$ (14,721)	$ (18,478)	$ (10,387)
$ 81,726	$ (177,500)	$ (52,427)	$ 100,522	$ 45,663	$ 31,728
$ 123,148	$ 153,088	$ 199,476	$ 176,918	$ 154,884	$ 130,083
581,900	577,357	559,961	505,403	453,127	423,317
179,282	165,975	154,615	141,662	135,103	125,540
43,487	51,877	NA	NA	NA	NA
64,479	74,103	65,527	70,646	61,848	58,683
992,296	1,022,400	979,579	894,629	804,962	737,623
63,758	82,628	106,106	106,540	84,537	65,044
331,072	314,917	290,105	262,342	241,837	215,925
111,308	105,179	95,772	91,035	83,361	76,557
1,121	728	NA	NA	NA	NA
46,144	44,077	45,211	44,386	41,441	41,326
372,492	337,110	344,598	343,609	335,395	317,304
59,243	11,847	14,506	19,094	10,651	16,618
985,138	896,486	896,298	867,006	797,222	732,774
(7,158)	(125,914)	(83,281)	(27,623)	(7,740)	(4,849)
6,101	12,464	15,483	13,764	15,671	12,604
49,250	(13,250)	19,393	93,754	55,018	45,837
32,381	2,263	2,048	1,504	891	65
87,732	1,477	36,924	109,022	71,580	58,506
$ 80,574	$ (124,437)	$ (46,357)	$ 81,399	$ 63,840	$ 53,657

STATE OF VERMONT
Statistical Section - Table 3
Financial Trends
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(expressed in thousands)

	2014	2013	2012	2011
General Fund (GASB 54)				
Nonspendable	$ 92,613	$ 1,739	$ 2,059	$ 2,204
Restricted	-	-	-	-
Committed	-	-	18,502	60,165
Assigned	6,456	5,274	6,834	5,364
Unassigned	26,062	152,171	150,986	146,642
General Fund (before GASB 54)				
Reserved	-	-	-	-
Unreserved	-	-	-	-
Total General Fund	$ 125,131	$ 159,184	$ 178,381	$ 214,375
All Other Governmental Funds (GASB 54)				
Nonspendable	$ 7,416	$ 7,416	$ 7,416	$ 7,416
Restricted	569,971	579,996	482,743	468,530
Committed	210,014	194,159	200,626	179,819
Assigned	-	-	-	323
Unassigned	(4,826)	(6,458)	(2,065)	(1,331)
All Other Governmental Funds (before GASB 54)				
Reserved	-	-	-	-
Unreserved, reported in				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Permanent funds	-	-	-	-
Total All Other Governmental Funds	$ 782,575	$ 775,113	$ 688,720	$ 654,757

In 2011 the State implemented GASB Statement No. 54. Under GASB Statement No. 54, fund balances are classified as Nonspendable, Reserved, Committed, Assigned or Unassigned. Prior to GASB 54, fund balances were classified as Reserved or Unreserved. Amounts for fiscal years 2010 and earlier have not been restated to reclassify these balances.

See Independent Auditor's Report

2010	2009	2008	2007	2006	2005
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
67,159	103,187	101,265	94,973	93,133	95,058
72,503	46,713	54,458	68,057	68,317	68,610
$ 139,662	$ 149,900	$ 155,723	$ 163,030	$ 161,450	$ 163,668
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
78,692	71,115	75,076	70,650	79,808	63,821
215,804	98,211	145,881	160,166	156,102	127,909
21,850	24,758	32,616	26,294	22,097	20,817
12,389	11,900	11,269	11,547	9,637	4,414
$ 328,735	$ 205,984	$ 264,842	$ 268,657	$ 267,644	$ 216,961

STATE OF VERMONT
Statistical Section - Table 4
Financial Trends
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(expressed in thousands)

	2014	2013	2012	2011
Revenues				
Taxes	$ 2,867,311	$ 2,734,774	$ 2,604,185	$ 2,539,488
Fees	105,764	131,497	116,636	105,503
Sales of services, rents and leases	23,031	25,011	21,009	18,218
Federal grants	1,938,208	1,865,540	1,887,156	2,008,105
Fines, forfeits and penalties	27,777	31,393	22,302	17,729
Investment income	5,575	3,794	2,993	6,337
Licenses	112,692	110,313	105,104	103,479
Special assessments	68,323	55,486	69,750	60,474
Other revenues	128,168	131,060	100,452	90,179
Total revenues	5,276,849	5,088,868	4,929,587	4,949,512
Expenditures				
General government	126,159	139,725	153,865	140,016
Protection to persons and property	324,341	321,811	318,406	302,765
Human services	2,325,405	2,211,947	2,008,480	1,956,180
Labor	28,986	34,000	17,728	19,551
General education	1,756,437	1,678,815	1,629,885	1,618,734
Natural resources	92,146	87,579	89,833	100,830
Commerce and community development	37,555	30,936	37,771	35,435
Transportation	520,760	507,219	633,113	536,660
Public service enterprises	-	-	-	-
Capital outlay	119,775	73,416	55,652	78,421
Debt service				
Interest	22,936	19,842	22,293	23,754
Principal	53,865	52,120	50,098	48,158
Total expenditures	5,408,365	5,157,409	5,017,124	4,860,504
Excess of revenues over (under) expenditures	(131,516)	(68,541)	(87,537)	89,008
Other financing sources (uses)				
Proceeds from the sale of bonds	78,975	104,005	63,000	89,400
Proceeds from the sale of refunding bonds	18,935	-	69,060	-
Premium on the sale of bonds	5,500	9,923	12,721	1,602
Payment to bond escrow agent	(20,046)	-	(79,022)	-
Transfers in	1,036,177	985,963	929,060	783,696
Transfers out	(1,014,615)	(963,675)	(909,314)	(758,137)
Total other financing sources (uses)	104,926	136,216	85,505	116,561
Net change in fund balances	$ (26,590)	$ 67,675	$ (2,032)	$ 205,569
Debt service as a percentage of noncapital expenditures	1.54%	1.46%	1.51%	1.57%

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2010	2009	2008	2007	2006	2005
$ 2,370,547	$ 2,372,150	$ 2,409,101	$ 2,460,571	$ 2,337,341	$ 2,160,131
85,052	82,561	61,444	70,221	52,813	58,291
21,002	23,723	17,697	13,724	13,455	13,251
1,926,853	1,426,347	1,317,932	1,243,958	1,195,619	1,149,687
21,446	27,089	21,972	19,315	19,172	19,383
5,553	4,056	11,994	17,317	11,469	7,906
102,449	94,517	96,079	92,593	82,772	79,897
65,675	59,196	44,802	29,062	27,320	25,154
79,185	86,115	80,021	71,338	58,328	69,137
4,677,762	4,175,754	4,061,042	4,018,099	3,798,289	3,582,837
139,166	96,344	85,545	66,605	63,455	69,638
265,368	265,402	250,028	247,732	227,085	222,239
1,857,822	1,717,878	1,637,940	1,521,057	1,433,190	1,397,574
19,781	13,565	27,056	24,488	21,090	20,946
1,623,796	1,583,191	1,533,340	1,609,653	1,513,712	1,414,259
95,142	111,567	97,321	97,456	93,673	82,298
70,515	19,941	35,465	30,608	30,843	35,026
448,047	379,344	369,815	379,347	321,421	310,061
2,732	3,893	4,502	1,890	1,994	1,650
73,584	56,289	37,208	37,035	43,063	52,774
22,727	23,369	22,083	23,033	21,959	22,005
48,015	48,090	46,615	46,097	45,272	45,348
4,666,695	4,318,873	4,146,918	4,085,001	3,816,757	3,673,818
11,067	(143,119)	(85,876)	(66,902)	(18,468)	(90,981)
72,000	50,500	46,000	44,500	45,000	41,000
42,310	-	29,195	-	-	23,267
1,457	1,850	798	305	744	93
(42,230)	-	(29,375)	-	-	(22,432)
1,332,246	1,328,985	1,212,740	1,092,593	1,155,078	478,210
(1,304,333)	(1,302,897)	(1,184,603)	(1,067,903)	(1,133,889)	(447,193)
101,450	78,438	74,755	69,495	66,933	72,945
$ 112,517	$ (64,681)	$ (11,121)	$ 2,593	$ 48,465	$ (18,036)
1.59%	1.72%	1.72%	1.77%	1.83%	1.91%

STATE OF VERMONT
Statistical Section - Table 5
Revenue Capacity
Personal Income and Earnings by Major Industry
Last Ten Fiscal Years
(expressed in thousands)

	2014 (1)	2013	2012	2011
Total personal income	$ 29,689,643	$ 28,501,222	$ 27,818,999	$ 26,911,715
Earnings	*19,735,520*	*19,112,765*	*18,481,110*	*17,971,051*
Farm earnings	289,669	182,442	161,412	213,251
Non-farm earnings	19,445,851	18,930,323	18,319,698	17,757,800
Private earnings	*15,697,476*	*15,252,788*	*14,761,179*	*14,197,404*
Forestry, fishing and related activities	103,595	80,123	78,476	71,255
Mining	44,742	45,562	45,802	43,760
Utilities	293,846	268,073	259,439	259,339
Construction	1,448,821	1,387,322	1,304,980	1,239,126
Manufacturing	*2,219,488*	*2,243,785*	*2,249,525*	*2,144,584*
Durable goods	1,534,303	1,598,672	1,638,203	1,608,103
Nondurable goods	685,185	645,113	611,322	536,481
Wholesale trade	689,588	667,372	661,053	667,475
Retail trade	1,530,980	1,464,800	1,401,275	1,410,241
Transportation and warehousing	406,697	395,404	395,960	396,441
Information	342,796	326,335	314,625	333,739
Finance and insurance	828,715	829,184	816,637	803,291
Real estate, rental and leasing	345,802	349,465	328,395	278,935
Professional and technical services	1,461,700	1,442,580	1,392,670	1,344,094
Management of companies and enterprises	191,023	196,498	188,537	136,666
Administrative and waste services	579,875	532,294	487,796	434,316
Education services	621,830	593,287	580,400	561,423
Healthcare and social assistance	2,833,635	2,735,552	2,634,187	2,546,220
Arts, entertainment and recreation	167,442	157,907	149,315	139,511
Accomodations and food services	863,188	824,897	784,393	743,392
Other services, except public administration	723,713	712,348	687,714	643,596
Government and government enterprises	*3,748,375*	*3,677,535*	*3,558,519*	*3,560,396*
Federal, civilian	661,891	637,011	615,699	600,012
Military	151,654	149,171	154,464	160,862
State and local	*2,934,830*	*2,891,353*	*2,788,356*	*2,799,522*
State	N/A	1,222,285	1,162,313	1,152,471
Local	N/A	1,669,068	1,626,043	1,647,051
Other personal income (2)	9,954,123	9,388,457	9,337,889	8,940,664
Averge effective tax rate (3)	N/A	2.19%	2.24%	2.13%

(1) Data for 2014 are projected annual estimates based on information through 2014 second quarter. The estimates for 2011 and forward are based on the 2012 North American Industry Classification System ("NAICS"). Prior years are based on the 2002 NAICS.
(2) Includes non-earned income, such as interest and dividends, rental income, and government transfers to individuals.
(3) Total direct tax rate is not available. Average effective tax rate equals personal income tax collections (see Statistical Section Table 6) divided by total personal income. Source of collections data: Vermont Department of Taxes

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

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2010	2009	2008	2007	2006	2005
$ 25,115,662	$ 24,710,781	$ 25,051,542	$ 24,109,284	$ 22,897,243	$ 21,446,306
17,081,639	*16,637,305*	*17,024,109*	*16,573,850*	*16,096,049*	*15,623,333*
149,412	104,736	174,426	218,440	117,737	201,542
16,932,227	16,532,569	16,849,683	16,355,410	15,978,312	15,421,791
13,545,308	*13,224,932*	*13,605,781*	*13,257,680*	*12,985,492*	*12,563,843*
78,069	62,485	62,859	64,602	71,834	66,255
41,999	45,037	52,590	55,210	53,852	37,535
245,353	223,761	227,843	213,120	198,497	187,759
1,158,590	1,134,266	1,196,804	1,291,502	1,362,100	1,282,777
2,090,325	*2,065,282*	*2,276,075*	*2,264,107*	*2,185,612*	*2,194,078*
1,577,650	1,571,035	1,753,909	1,763,170	1,691,455	1,687,328
512,675	494,247	522,166	500,937	494,157	506,750
628,947	621,183	655,353	639,044	620,199	591,838
1,363,485	1,337,829	1,389,340	1,385,613	1,382,596	1,369,166
368,745	365,365	379,550	387,575	380,353	380,983
322,199	338,722	339,894	339,538	323,209	333,432
775,769	751,307	771,814	766,542	720,867	708,931
236,442	208,401	166,478	149,851	177,799	195,521
1,289,706	1,229,540	1,281,222	1,185,657	1,172,188	1,053,287
84,954	72,926	71,938	13,954	14,474	24,146
383,144	385,642	387,885	363,699	345,588	331,013
537,279	547,173	531,437	498,510	477,975	456,036
2,484,396	2,421,134	2,362,498	2,176,294	2,044,122	1,940,738
136,574	130,572	132,534	131,619	131,277	125,997
697,912	677,903	710,005	694,579	676,238	666,679
621,420	606,404	609,662	636,664	646,712	617,672
3,386,919	*3,307,637*	*3,243,902*	*3,097,730*	*2,992,820*	*2,857,948*
580,469	553,353	521,770	482,004	467,134	462,033
171,443	169,679	150,244	131,109	127,885	139,108
2,635,007	*2,584,605*	*2,571,888*	*2,484,617*	*2,397,801*	*2,256,807*
1,088,449	1,084,918	1,111,770	1,062,293	1,022,357	957,531
1,546,558	1,499,687	1,460,118	1,422,324	1,375,444	1,299,276
8,034,023	8,073,476	8,027,433	7,535,434	6,801,194	5,822,973
2.09%	2.05%	2.19%	2.44%	2.42%	2.37%

STATE OF VERMONT
Statistical Section - Table 6
Revenue Capacity
Personal Income Tax Rates and Tax Calculations
Last Ten Calendar Years

Calendar Year		Tax Rates for Taxable Income Within Range, Single Filing Status [1] 3.55%	6.80%	7.80%	8.80%	8.95%	Tax Collections (000's)	Personal Income [4] (000's)	Average Effective Tax Rate
2013		$ 0 - $36,250	$36,251 - $87,850	$87,851 - $183,250	$183,251 - $398,350	> $398,350	$ 622,853	$ 28,501,222	2.19%
2012		$ 0 - $35,350	$35,351 - $85,650	$85,651 - $178,650	$178,651 - $388,350	> $388,350	$ 622,109	$ 27,818,999	2.24%
2011		$ 0 - $34,500	$34,501 - $83,600	$83,601 - $174,400	$174,401 - $379,150	> $379,150	$ 573,429	$ 26,911,715	2.13%
2010	[2]	$ 0 - $34,000	$34,001 - $82,400	$82,401 - $171,850	$171,851 - $373,650	> $373,650	$ 524,170	$ 25,115,662	2.09%
2009	[3]	$ 0 - $33,950	$33,951 - $82,250	$82,251 - $171,550	$171,551 - $372,950	>$372,950	$ 507,525	$ 24,710,781	2.05%
2008	[3]	$ 0 - $32,550	$32,551 - $78,850	$78,851 - $164,550	$164,551 - $357,700	>$357,700	$ 548,983	$ 25,051,542	2.19%
2007	[3]	$ 0 - $31,850	$31,851 - $77,100	$77,101 - $160,850	$160,851 - $349,700	>$349,700	$ 588,335	$ 24,109,284	2.44%
2006	[3]	$ 0 - $30,650	$30,651 - $74,200	$74,201 - $154,800	$154,810 - $336,550	>$336,550	$ 553,846	$ 22,897,243	2.42%
2005	[3]	$ 0 - $29,700	$29,701 - $71,950	$71,951 - $150,150	$150,151 - $326,450	>$326,450	$ 507,701	$ 21,446,306	2.37%
2004	[3]	$ 0 - $29,050	$29,051 - $70,350	$70,351 - $146,750	$146,751 - $319,100	>$319,150	$ 463,755	$ 20,908,377	2.22%

[1] Different taxable income ranges apply to these rates for other filing statuses, including Married Filing Jointly, Married Filing Separately, Head of Household, etc.

[2] Commencing in 2010, the tax rates applied to the five income ranges for single status filers were 3.55%, 6.80%, 7.80%, 8.80% and 8.95%, respectively.

[3] For 2004 - 2009, the tax rates applied to the five income ranges for single status filers were 3.6%, 7.0%, 8.3%, 8.9%, and 9.4% respectively.

[4] See Statistical Section Table 5 for additional detail regarding personal income.

Source: Vermont Department of Taxes

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STATE OF VERMONT
Statistical Section - Table 7
Revenue Capacity
Personal Income Tax Filers and Liability by Income Level
Calendar Years 2013 and 2004

	Calendar Year 2013 [1]				
Income Level	Number of Filers	Percentage of Total Filers	State Taxable Income [2]	State Personal Income Tax (net) [3]	Percentage of Total State
$300,000 and higher	2,848	0.79%	$ 2,248,964,730	$ 149,953,797	24.08%
$150,000 - $299,999	7,411	2.05%	1,472,296,775	83,908,124	13.47%
$100,000 - $149,999	12,600	3.48%	1,513,120,270	75,017,664	12.04%
$75,000 - $99,999	17,255	4.77%	1,482,408,039	65,736,692	10.55%
$50,000 - $74,999	34,358	9.50%	2,106,367,610	81,503,839	13.09%
$25,000 - $49,999	61,967	17.13%	2,243,176,873	79,360,444	12.74%
$10,000 - $24,999	58,070	16.06%	998,659,226	34,194,418	5.49%
$9,999 and lower	121,436	33.57%	233,653,914	8,723,941	1.40%
Out of State	45,741	12.65%	5,371,978,987	44,454,244	7.14%
Totals	361,686	100.00%	$ 17,670,626,424	$ 622,853,163	100.00%

	Calendar Year 2004				
Income Level	Number of Filers	Percentage of Total Filers	State Taxable Income [2]	State Personal Income Tax (net) [3]	Percentage of Total State
$300,000 and higher	1,586	0.47%	$ 1,100,943,655	$ 82,545,094	17.80%
$150,000 - $299,999	3,840	1.14%	771,376,759	49,879,588	10.76%
$100,000 - $149,999	6,705	1.98%	800,878,089	44,371,494	9.57%
$75,000 - $99,999	10,251	3.03%	876,691,285	43,845,535	9.45%
$50,000 - $74,999	28,219	8.35%	1,711,146,037	73,704,141	15.89%
$25,000 - $49,999	61,876	18.32%	2,224,459,048	81,813,394	17.64%
$10,000 - $24,999	64,454	19.08%	1,102,924,473	38,304,996	8.26%
$9,999 and lower	119,183	35.28%	271,002,332	9,472,684	2.04%
Out of State	41,670	12.35%	8,559,347,768	39,818,001	8.59%
Totals	337,784	100.00%	$ 17,418,769,446	$ 463,754,927	100.00%

[1] Information for Tax Year 2013 is preliminary data for returns processed through November 7, 2014.

[2] State Taxable Income is the total taxable income reported on line 15 less returns for taxpayers with an income adjustment of zero.

[3] State Personal Income Tax is net of taxable income adjustments, Vermont credits and other tax credits.

Source: Vermont Department of Taxes

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STATE OF VERMONT
Statistical Section - Table 8
Debt Capacity
Ratios of Outstanding Debt by Type, Last Ten Years
(Expressed in Thousands, Except per Capita)

	Governmental Activities							
Fiscal Year	General Obligation Current Interest Bonds	Special Obligation Current Interest Bonds	General Obligation Capital Appreciation Bonds [1]	Total Bonds	Capital Leases	Total Primary Government	Ratio of Debt to Personal Income [2]	Debt Per Capita [3]
2014	$ 560,850	$ 32,865	$ -	$ 593,715	$ 1,630	$ 595,345	2.01%	N/A
2013	545,390	23,090	1,945	570,425	2,054	572,479	2.01%	914
2012	502,715	13,260	3,542	519,517	3,619	523,136	1.88%	836
2011	489,445	13,835	6,296	509,576	4,340	513,916	1.91%	820
2010	459,935	-	12,856	472,791	4,820	477,611	1.90%	763
2009	433,975	-	19,007	452,982	4,908	457,890	1.85%	733
2008	429,360	-	25,110	454,470	384	454,854	1.82%	729
2007	426,415	-	30,840	457,255	600	457,855	1.90%	734
2006	425,060	-	36,214	461,274	741	462,015	2.02%	742
2005	422,212	-	41,178	463,390	694	464,084	2.16%	747

(1) Net of Unaccreted Interest

(2) See Statistical Section Table 5 for additional detail regarding personal income.

(3) See Statistical Section Table 10 for population statistics.

Note: The State has no constitutional or other limit on its power to issue obligations or incur indebtedness except for the requirement that borrowing only be for public purposes.

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STATE OF VERMONT
Statistical Section - Table 9
Debt Capacity
Ratios of General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years*
(Expressed in Thousands, Except Per Capita)

Fiscal Year	General Obligation Bonded Debt	State Taxable Personal Income [1]	Ratio of General Bonded Debt to Taxable Personal Income	General Bonded Debt Per Capita [2]
2013	$ 547,335	$ 17,670,626	3.10%	$ 873
2012	506,257	18,992,772	2.67%	809
2011	495,741	18,059,852	2.74%	791
2010	472,791	17,528,441	2.70%	755
2009	452,982	15,488,787	2.92%	725
2008	454,470	17,348,455	2.62%	728
2007	457,255	22,158,713	2.06%	733
2006	461,274	20,159,272	2.29%	741
2005	463,390	19,693,250	2.35%	746
2004	469,123	17,418,769	2.69%	757

* State Taxable Personal Income is not available for the 2014 year, so the data reported here is for the ten years 2004-2013.

[1] Source: Vermont Department of Taxes.
[2] See Statistical Section Table 10 for population statistics.

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STATE OF VERMONT
Statistical Section - Table 10
Demographic and Economic Statistics
Population, Per Capita Personal Income, Civilian Labor Force,
Public School Enrollment, and Motor Vehicle Registration Data
Last Ten Years*

	Population (1)				Per Capita Personal Income (1)		
Year	U.S.	Change From Prior Period	State of Vermont	Change From Prior Period	U.S.	State of Vermont	Vermont as a Percentage of U.S.
2013	316,128,839	0.71%	626,630	0.10%	$ 44,543	$ 45,783	102.78%
2012	313,914,040	0.75%	626,011	-0.09%	43,735	44,545	101.85%
2011	311,587,816	0.73%	626,592	0.11%	42,298	42,911	101.45%
2010	309,326,225	0.83%	625,916	0.18%	40,163	40,126	99.91%
2009	306,771,529	0.88%	624,817	0.11%	39,357	39,527	100.43%
2008	304,093,966	0.95%	624,151	0.11%	40,873	40,148	98.23%
2007	301,231,207	0.96%	623,481	0.09%	39,804	38,675	97.16%
2006	298,379,912	0.97%	622,892	0.27%	38,127	36,768	96.44%
2005	295,516,599	0.93%	621,215	0.21%	35,888	34,530	96.22%
2004	292,805,298	1.80%	619,920	0.73%	34,300	33,742	98.37%

* Most of the information for this table is not available for the 2014 year, so the data reported here is for the ten years 2004-2013. Some data previously reported for prior years has been modified to reflect updated estimates

(1) Source: Regional Economic Information System, Bureau of Economic Analysis, US Department of Commerce. Last updated May 30, 2014.

(2) Source: Local Area Unemployment Statistics, Vermont Department of Labor, Economic & Labor Market Information Not Seasonally Adjusted. 2013 Benchmark: 2009-2013 revision released March 17, 2014. Last updated August 18, 2014.

(3) Source: Vermont Department of Education, "Elementary/Secondary Public School Enrollment.

(4) Source: Vermont Department of Motor Vehicles, All Registered Vehicle Types; excludes agriculture vehicles, mototcycles and trailers; data is on a calendar year basis.

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Civilian Labor Force [2]					
State Employed	State Unemployed	State Total	State Unemploy-ment Rate	Public School Enrollment [3]	Motor Vehicles Registered [4]
336,000	15,300	351,300	4.4%	90,606	582,685
338,300	17,300	355,600	4.9%	91,572	615,585
338,300	19,900	358,200	5.6%	90,289	615,608
336,800	23,000	359,800	6.4%	91,239	619,610
334,900	24,700	359,600	6.9%	92,572	583,813
341,700	16,200	357,900	4.5%	94,114	601,675
341,300	14,000	355,300	3.9%	95,481	619,459
343,100	13,300	356,400	3.7%	96,636	620,144
336,600	12,200	348,800	3.5%	98,361	617,476
334,200	12,900	347,100	3.7%	99,104	611,158

STATE OF VERMONT
Statistical Section - Table 11
Demographic and Economic Information
Annual Average Non-Farm Employment by Industry
For the Years 2013 and 2004

	2013			2004		
	Employees	Rank	Percent of Total	Employees	Rank	Percent of Total
Total non-farm employment	330,700		100.0%	324,034		100.0%
Private total	275,700		83.4%	271,700		84.0%
Natural resources and mining	800		0.2%	900		0.3%
Construction	14,100	8	4.3%	16,700	7	5.2%
Durable goods	21,200	6	6.4%	26,400	4	8.1%
Nondurable goods	10,500	10	3.2%	10,500	10	3.2%
Wholesale trade	9,200		2.8%	10,200		3.1%
Retail trade	37,700	2	11.4%	40,100	2	12.4%
Transportation, warehousing and utilities	8,600		2.6%	8,700		2.7%
Information	4,700		1.4%	6,400		2.0%
Finance and insurance	9,000		2.7%	10,000		3.1%
Real estate and rental and leasing	3,100		0.9%	3,200		1.0%
Professional and technical services	14,100	7	4.3%	12,600	8	3.9%
Management of companies and enterprises	26,400	4	8.0%	21,300	6	6.6%
Administrative and waste services	10,400		3.1%	8,400		2.6%
Education services	12,800	9	3.9%	12,300	9	3.8%
Healthcare and social assistance	48,900	1	14.8%	40,700	1	12.6%
Arts, entertainment and recreation	4,000		1.2%	3,800		1.2%
Accomodations and food services	30,300	3	9.2%	29,400	3	9.1%
Other services, except public administration	9,900		3.0%	10,100		3.1%
Government total	55,000		16.6%	52,334		16.0%
Federal	6,600		2.0%	6,300		1.9%
State government education	9,300		2.8%	7,800		2.4%
Local government education	22,500	5	6.8%	21,942	5	6.7%
Other state government	9,300		2.8%	9,300		2.8%
Other local government	7,300		2.2%	6,992		2.2%

Source: Vermont Department of Labor, Labor Market Information, data release date March 17, 2014

Note - Data for specific businesses that comprise the top employers in the state is not available due to confidentiality regulations; thus information by industry is presented.

Totals may not add due to rounding.

See Independent Auditor's Report

STATE OF VERMONT
Statistical Section - Table 12
Operating Information
Full-Time Equivalent State Government Employees by Function/Program
Last Ten Years

Function/Program	2014 [6]	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
Agency of Administration	38	7	6	4	5	6	5	4	4	4
Auditor of Accounts	15	15	13	14	12	12	12	11	11	11
Buildings & General Services	310	347	340	355	353	380	424	417	424	396
Finance & Management	34	35	35	33	31	40	47	37	39	36
Executive (Governor's) Office	13	13	13	14	10	13	18	18	17	17
Green Mountain Care Board [4]	25	20	17	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Information & Innovation	110	86	75	70	72	53	61	57	50	49
Libraries	26	26	25	26	26	29	32	31	34	34
Lieutenant Governor	2	2	2	2	2	2	2	2	2	2
Human Resources [3]	85	87	73	72	37	47	51	59	57	56
State Treasurer	36	37	32	30	34	35	35	36	37	34
Taxes	157	153	157	159	155	169	181	176	183	184
Vermont Labor Relations Board	2	1	2	1	2	2	2	2	2	2
VOSHA Review Board	1	1	1	0	0	1	1	1	1	1
Protection to Persons and Property										
Agency of Agriculture, Food & Markets	95	94	90	85	83	90	98	96	95	89
Attorney General	77	77	73	73	69	69	71	69	72	68
Financial Regulation	101	112	105	107	107	109	110	108	105	99
Criminal Justice Training Council	11	11	10	9	7	12	10	10	10	11
Defender General	71	68	69	65	62	62	64	63	61	62
Enhanced 911 Board [4]	11	11	11	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Labor & Industry [1,2]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	43
Liquor Control	50	50	50	52	51	54	56	54	56	54
Military	116	121	122	123	121	126	126	117	118	109
Public Safety [2]	592	587	577	561	562	584	592	599	602	568
Public Service Department	49	46	49	55	53	50	50	52	49	47
Public Service Board	26	25	25	25	24	25	25	24	27	25
Secretary of State	66	67	64	61	63	63	52	52	51	48
State's Attorneys & Sheriffs	153	152	150	149	151	155	156	155	154	153
Vermont Human Rights Commission	5	5	5	5	5	5	5	5	5	5
Vermont Lottery Commission	21	18	20	20	20	21	19	18	19	19
Human Services [1]										
Children & Families	990	977	935	944	918	970	960	947	941	932
Vermont Department of Health Access	180	154	124	116	89	91	93	79	65	43
Aging & Independent Living	274	275	269	254	251	279	298	288	275	268
Corrections	1,052	1,057	1,035	1,003	1,011	1,045	1,115	1,150	1,146	1,129
Health	476	472	458	441	439	484	525	753	749	715
Developmental and Mental Health Services [5]	225	171	140	235	243	233	237	n/a	n/a	n/a
Secretary of Human Services	108	109	104	93	106	98	99	95	89	59
Governor's Commission on Women	3	3	3	3	3	3	3	3	3	3
Veteran's Home (discrete component unit)	199	206	203	193	200	206	200	204	190	188
Employment & Training										
Department of Labor [2]	261	261	266	271	286	276	277	276	281	250
General Education										
Agency of Education	150	159	156	151	156	181	184	194	196	182
Natural Resources										
Environmental Board	27	26	26	27	27	30	31	29	30	29
Environmental Conservation	282	268	259	250	250	262	283	285	286	273
Fish & Wildlife	136	127	125	124	122	126	130	124	119	121
Forsts, Parks & Recreation	102	101	99	98	98	108	114	113	113	111
Secretary of Natural Resources	35	32	33	30	39	52	59	56	58	52
Water Resources Board	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3
Commerce & Community Development										
Agency of Commerce & Community Development	91	85	75	76	80	86	96	97	93	101
Transportation										
Agency of Transportation	1,238	1,254	1,222	1,190	1,216	1,233	1,253	1,255	1,242	1,255
	8,127	8,011	7,743	7,669	7,651	7,977	8,262	8,221	8,161	7,940

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

[2] In 2006 portions of the Department of Labor and Industry merged with the Department of Employment and Training and the new consolidated department was named the Department of Labor.

[3] Executive Order No. 01-10 consolidated human resource services statewide by transferring certain human resource positions within state government to the Department of Human Resources. The effective date of this consolidation was July 1, 2010.

[4] In 2012 Act 64 of 2011 Session established the Enhanced 911 Board as an independent entity. Act 48 of the 2011 Session established the Green Mountain Care Board as an independent entity.

[5] The reduction in employees in 2012 is the result of the Vermont State Hospital in Waterbury being forced to close due to Tropical Storm Irene.

[6] In 2014 FTE's employees by function/program were provided by the Department of Human Resources.

Source: Vermont Department of Human Resources - State of Vermont Workforce Report

See Independent Auditor's Report

STATE OF VERMONT
Statistical Section - Table 13
Operating Information
Operating Indicators by Function
Last Ten Years

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
Square feet of State owned facilities [1]	2,919,433	3,100,220	3,288,254	3,272,199	3,339,135	3,377,312	3,941,153	3,928,255	3,377,476	3,035,161
State Pension Plan membership [2]	48,630	47,547	46,577	45,936	45,507	45,354	44,947	44,015	43,171	42,097
Number of State employees (full-time and part-time) [3]	8,189	8,073	7,805	7,743	7,732	8,075	8,383	8,352	8,292	8,069
Protections to Persons and Property [4]										
Number of State Agency law enforcement officers	n/a	370	411	408	413	405	397	399	399	405
Number of Sheriff's Department law enforcement officers	n/a	129	122	114	136	122	117	119	132	133
Human Services [5]										
Total Corrections population	10,404	10,743	10,718	10,814	11,262	11,215	11,148	11,703	12,303	13,528
Immunization coverage, ages 19-35 months	n/a	62%	63%	73%	64%	60%	65%	67%	75%	67%
Bed nights in homeless shelters	141,778	122,893	154,129	133,355	130,939	120,464	100,473	112,715	98,786	101,647
Employment & Training [6]										
Number of Unemployment Compensation payments	n/a	284,585	321,624	390,035	499,360	629,794	374,278	318,235	304,612	295,674
General Education [7]										
Statewide average expenditure per student	17,351	16,621	16,024	15,789	15,475	14,903	14,076	13,287	12,624	11,759
Total local education agencies	n/a	344	345	346	348	349	352	352	353	351
Natural Resources										
Gallons of maple syrup produced [8]	1,320,000	1,480,000	750,000	1,140,000	890,000	920,000	700,000	450,000	460,000	410,000
Number of moose permit applications [9]	n/a	10,378	10,603	11,217	12,028	14,228	13,839	13,199	11,987	13,091
Commerce and Community Development										
Net change in employer businesses [10]	n/a	70	(71)	33	55	(37)	(126)	79	(19)	61
Median purchase price of a new home [11]	192,250	200,000	199,000	195,000	195,000	190,000	200,000	201,000	197,000	182,000
Number of skier visits [12]	4.5 Million	4.5 Million	3.9 Million	4.4 Million	4.1 Million	4.0 Million	4.3 Million	3.8 Million	4.1 Million	4.4 Million
Transportation [13]										
Total snowplowing hours	n/a	172,658	116,333	165,173	73,734	110,770	144,488	174,022	123,674	339,987
Structurally deficient bridges	n/a	72	85	91	107	178	190	192	197	193
Paving projects (miles)	n/a	195	208	156	330	145	109	113	122	90

n/a - Information not available at time of printing.

Note: Information for these statistics is not available for years prior to 2004, when the State began compiling this data.

Sources:

[1] Vermont Department of Buildings & General Services, Space Book
[2] Vermont Office of the State Treasurer
[3] Vermont Department of Human Resources
[4] Vermont Department of Public Safety
[5] Vermont Agency of Human Services
[6] Vermont Department of Labor
[7] Vermont Department of Education
[8] US Department of Agriculture
[9] Vermont Agency of Natural Resources
[10] bls.gov
[11] Vermont Housing Finance Agency
[12] skivermont.com
[13] Vermont Agency of Transportation

See Independent Auditor's Report

STATE OF VERMONT
Statistical Section - Table 14
Operating Information
Capital Asset Statistics by Function
Last Ten Years

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government										
Department of Buildings & General Services										
Land holdings (acres)	2,499	2,752	2,807	2,809	2,809	2,875	2,924	2,924	2,916	2,851
State-owned space (square feet)	2,919,433	3,100,220	3,288,254	3,272,199	3,339,135	3,377,312	3,941,153	3,928,255	3,377,476	3,035,161
Protection to Persons and Property										
Number of state police vehicles	485	503	511	515	490	405	420	412	413	383
Number of armory locations	22	22	22	22	22	22	20	20	20	20
Number of agriculture research stations	32	34	29	31	30	31	28	27	25	23
Human Services										
Department of Health - Number of lab instruments										
(analyzer, module, counters, meters, etc.)	115	129	108	178	182	122	103	105	85	71
Department of Children and Families - number of vans	35	27	27	29	25	26	30	25	23	23
Department of Corrections - number of vehicles	-	1	-	-	-	2	3	11	11	11
Employment and Training										
Department of Labor - number of capitalized										
computer assets	16	16	12	14	17	19	19	10	29	27
General Education										
Agency of Education - number of capitalized										
computer assets	26	26	27	27	27	20	21	16	16	12
Natural Resources										
Number of dams	93	93	92	90	90	81	99	96	94	93
Agency of Natural Resources										
Number of vehicles	219	229	228	216	218	224	214	221	204	309
Number of building and improvement assets	476	471	459	452	442	429	441	430	423	410
Commerce and Community Development										
Number of historic sites	20	20	20	21	21	21	18	17	16	17
Number of covered bridges	7	7	7	7	7	7	6	6	7	6
Number of underwater preserves	100+	100+	100+	100+	100+	100+	100+	100+	100+	100+
Transportation										
Number of bridges over 20 feet	1,089	1,086	1,080	1,078	1,078	1,077	1,077	1,077	1,077	1,077
State highway miles	2,707	2,703	2,703	2,703	2,704	2,704	2,707	2,708	2,708	2,708
Agency of Transportation buildings (square feet)	1,327,397	1,361,017	1,361,017	1,349,017	1,328,717	1,326,407	1,307,415	1,289,171	1,250,673	1,233,099

See Independent Auditor's Report

STATE OF VERMONT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

LEGEND OF ACRONYMS

Acronym	Description
AAL	Actuarial Accrued Liability
AD&D	Accidental Death and Dismemberment
AFC	Average Final Compensation
AHS	Agency of Human Services
ANFC	Aid to Needy Families With Children
AOC	Annual OPEB Cost
APC	Annual Pension Cost
ARC	Annual Required Contribution
ARRA	American Recovery and Reinvestment Act
BFS	Basic Financial Statements
CAFR	Comprehensive Annual Financial Report
CDAAC	Capital Debt Affordability Advisory Committee
CFTC	Commodity Futures Trading Commission
CMO's	Collateralized Mortgage Obligations
CMS	Center for Medicaid and Medicare Services
COLA	Cost of Living Adjustment
CPI	Consumer Price Index
DII	Department of Information and Innovation
DVHA	Department of Vermont Health Access
EAN	Entry Age Normal
EAP	Employee Assistance Program
EGWP	Employer Group Waiver Plan
FAP	Financial Access Program
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FEMA	Federal Emergency Management Agency
FHWA	Federal Highway Administration
FICA	Federal Insurance Contributions Act
FIL	Frozen Initial Liability
FSA	Flexible Spending Account
FTA	Federal Transit Administration
FX	Foreign Exchange
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association of the United States and Canada
GIS	Geographic Information Systems
HMO	Health Maintenance Organization
HR	Human Resources
IBNR	Incurred But Not Reported
ICMA-RC	International City/County Management Association - Retirement Corporation

See Independent Auditor's Report

LEGEND OF ACRONYMS

Acronym	Description
ISDA	International Swaps and Deriviatives Association
IT	Information Technology
MD&A	Management's Discussion and Analysis
MERS	Vermont Municipal Employees Retirement System
MIP	Mortgage Insurance Program
MMA	Medicare, Prescription Drug, Improvement, and Modernization Act of 2003
NAICS	North American Industry Classification System
NOO	Net OPEB Obligation
NPL	Net Pension Liability
NPO	Net Pension Obligation
OPEB	Other Post Employment Benefits
OTC	Over The Counter
PAC	Planned Amortization Classes
PRO	Pollution Remediation Obligation
RHS	Retirement Health Savings
RSI	Required Supplementary Information
S&P	Standard & Poor's
SDIA	Single Deposit Investment Account
SIB	State Infrastructure Bank
SIR	Self-insured Retention
STC	Standard Terms and Conditions
STRS	State Teachers Retirement System
UAAL	Unfunded Actuarial Accrued Liability
USD	United States Dollar
USEPA	United States Environmental Protection Agency
UTF	Unemployment Trust Fund
UVM	University of Vermont and State Agricultural College
V.S.A.	Vermont Statutes Annotated
VCGI	Vermont Center for Geographic Information
VEDA	Vermont Economic Development Authority
VEHBFA	Vermont Educational and Health Buildings Financing Agency
VEHI	Vermont Education Health Initiative
VHCB	Vermont Housing and Conservation Board
VHFA	Vermont Housing Finance Agency
VITL	Vermont Information Technology Leaders, Inc.
VMBB	Vermont Municipal Bond Bank
VPIC	Vermont Pension Investment Committee
VSAC	Vermont Student Assistance Corporation
VSC	Vermont State College System
VSECU	Vermont State Employees' Credit Union
VSJF	Vermont Sustainable Jobs Fund, Inc.
VSRS	Vermont State Retirement System
VTA	Vermont Transportation Authority
VTHR	Vermont Human Resources