

Independent Auditor's Report

Speaker, House of Representatives
and
President Pro-Tem of the Senate
Governor
General Assembly, State of Vermont
State House
Montpelier, Vermont

We have audited the accompanying general purpose financial statements of the State of Vermont, as of June 30, 1998 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these statements based on our audit. We did not audit the financial statements of certain entities that aggregate 3 percent of the assets and operating revenues of the Special Fund, 43 percent and 1 percent, respectively, of the assets and operating revenues of the Federal Revenue Fund, 46 percent and 71 percent, respectively, of the assets and operating revenues of the Enterprise Funds, and 99 percent and 97 percent, respectively, of the assets and operating revenues of the Expendable Trust Funds and 100 percent of the assets and operating revenues of the component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Universal Service Fund (blended into the Special Fund), the Special Environmental Revolving Fund (blended into the Federal Revenue Fund), the Vermont Lottery Fund (an Enterprise Fund) and the Vermont Center for Geographic Information (a component unit) were not audited in accordance with Government Auditing Standards.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, a General Fixed Asset Account Group is not presented in the accompanying general purpose financial statements, nor is disclosure of changes in general fixed assets provided in the footnotes, as required by generally accepted accounting principles because the State does not maintain such records.

In our opinion, based on our audit and the reports of the other auditors, except for the effects on the financial statements of the omission of the General Fixed Asset Account Group, as described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Vermont as of June 30, 1998, and the results of its operations and cash flows of its proprietary and nonexpendable trust fund types for the year ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group financial statements listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of Vermont. Such information has been subjected to the auditing procedures applied in the audit of the general purposes financial statements and, in our opinion, based upon our report and the report of other auditors, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The year 2000 supplementary information on page 85 is not a required part of the general purpose financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the State is or will become year 2000 compliant, that the State's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the State does business are or will become year 2000 compliant.

As discussed in Note 3 to the General Purpose Financial Statements, the State implemented GASB No. 31 during the year ended June 30, 1998.

We did not audit the data included in the Introductory, Supplemental Financial Data and Statistical Sections of this report and, accordingly, express no opinion thereon.

In accordance with Government Auditing Standards, we have also issued our report on our consideration of the State's internal controls over financial reporting and our tests of its compliance with certain laws and regulations, contracts and grants, dated May 28, 1999.

Edward S. Flanagan
Vermont State Auditor

May 28, 1999