VERMONT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ending JUNE 30, 1999

EDWARD S. FLANAGAN
STATE AUDITOR

STATE OF VERMONT

OFFICE OF THE STATE AUDITOR
133 STATE STREET
MONTPELIER, VERMONT 05635-5101

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, 1999 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general purpose statements based on our audit. We did not audit the financial statements of certain entities that aggregate the following percentages of total assets and revenues:

	Percentage of	
	Total Assets	Total Revenues
Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units:		
Special Revenue Funds	23.6%	N/A
Enterprise Funds	39.0%	N/A
Discretely Presented Component Units	100.0%	N/A
Trust and Agency Funds	9.9%	N/A
Combined Statement of Revenues, Expenditures and Changes In Fund Equity - All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units:		
Special Revenue Funds	N/A	1.7%
Expendable Trust Funds	N/A	99.4%
Discretely Presented Component Units	N/A	100.0%
Combined Statement of Revenues, Expenses and Changes In Fund Equity - All Proprietary Fund Types, Nonexpendable Trust Funds and Discretely Presented Component Units:		
Enterprise Funds	N/A	69.6%
Discretely Presented Component Units	N/A	100.0%
Combined Statement of Current Funds Revenue, Expenditures and Other Changes:		
University of Vermont	N/A	100.0%
Vermont State Colleges	N/A	100.0%

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 general purpose financial statements are free of material misstatement. The financial statements of the Special Environmental Revolving Fund (blended into the Special Revenue Fund Type) 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, 1999, 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 purpose 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.

As discussed in Note 6 to the general purpose financial statements, the State implemented GASB No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* during the year ended June 30, 1999.

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 March 1, 2000.

Edward S. Flanagan
Vermont State Auditor

March 1, 2000

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EDWARD S. FLANAGAN
STATE AUDITOR

STATE OF VERMONT

OFFICE OF THE STATE AUDITOR
133 STATE STREET
MONTPELIER, VERMONT 05635-5101

Report on Compliance and Internal Control Over Financial Reporting Based on An Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

The Auditor of Accounts has audited the accompanying general purpose financial statements of the State of Vermont, as of June 30, 1999 and for the year then ended, as listed in the table of contents and issued a report thereon dated March 1, 2000. The opinion on the general purpose financial statements was qualified because of the omission of the General Fixed Asset Account Group. The report also refers to the adoption of GASB No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Auditor of Accounts conducted the 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.

The Auditor of Accounts did not audit the financial statements of certain entities included in the reporting entity of the State of Vermont. Those financial statements were audited by other auditors who issued separate reports on compliance and internal control over financial reporting in accordance with *Government Auditing Standards*. The financial statements of the Special Environmental Revolving Fund (blended into the Special Revenue Fund Type) were not audited in accordance with *Government Auditing Standards* and accordingly this report does not extend to that entity.

Compliance

As part of obtaining reasonable assurance about whether the State of Vermont's general purpose financial statements referred to above are free of material misstatement, the Auditor of Accounts and KPMG LLP performed tests of the State's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing the audit, the Auditor of Accounts and KPMG LLP considered the State of Vermont's internal control over financial reporting in order to determine auditing procedures for the purpose of expressing the opinion on the general purpose financial statements referred to above and not to provide assurance on the internal control over financial reporting. However, certain matters involving the internal control over financial reporting and its operation were noted that we considered to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the State of Vermont's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements referred to above. The reportable conditions noted are described below:

1. State agencies, departments, and offices control a significant number of bank accounts that are not included in the State Treasurer's accounting for cash. These accounts, with a combined balance of $1.7 million at June 30, 1999, were not included in the State Treasurer's book of accounts and their existence was not previously known to the State Treasurer or to the Department of Finance and Management. Lack of control over cash

accounts can lead to increased risk of misappropriation or theft.

2. The manual compilation of the State’s Budget and Actual Statement of Revenues, Expenditures and Changes in Fund Balance for the General and Special Revenue Funds adversely affected the State’s ability to routinely summarize and report financial data.
3. The State's ability to pay goods or services received during one fiscal year with funds budgeted for the subsequent fiscal year does not allow proper matching of budgets and spending against those budgets. For fiscal 1999, over $70 million of bills for goods or services received during fiscal year 1999 were paid for from the fiscal year 2000 budget.
4. As of June 30, 1999, the Vermont Economic Progress Council had issued contingent liabilities/commitments in the form of tax credit certificates to businesses and municipalities totaling $50.9 million. Approximately $1 million of these tax credits had been claimed in fiscal 1999. All of these tax commitments must be taken as tax credits within 5 years of the date of the issuance of the tax credit certificates. As of the date of this report, no system of internal controls is in place to verify or assess whether these tax credits have or will generate additional tax revenue for the State.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Other matters involving the design and operation of the internal control over financial reporting were also noted and have been reported to management of the State in a separate letter dated March 1, 2000.

This report is intended solely for the information and use of management, the cognizant Federal agency, the Office of Inspector General and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Ed Flanagan

Edward S. Flanagan
Vermont State Auditor
&
KPMG LLP

March 1, 2000

STATE OF VERMONT
COMBINED BALANCE SHEET-ALL FUND TYPES, ACCOUNT GROUP
AND DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30,1999

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Group	Total Primary Government (Memorandum Only)	Discretely Presented Component Units			Total Reporting Entity (Memorandum Only)
ASSETS AND OTHER DEBITS	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Long-Term Debt	June 30, 1999	Other	Vermont State Colleges	University of Vermont	June 30,1999
Assets:												
Cash and Cash Equivalents (Note 3)	$ 99,427,323	$ 118,461,136	$ 31,820,891	$ 2,258,194	$ 25,179,300	$ 314,876,664	$	$ 592,023,508	$ 184,398,451	$ 2,633,289	$ 32,031,000	$ 811,086,248
Investments (Note 3)				2,025,255		2,309,907,987		2,311,933,242	128,985,967	27,900,858	232,487,000	2,701,307,067
Receivables (Net):												
Accounts		4,737,278		371,479	8,622,990			13,731,747	59,336	4,339,763	15,342,000	33,472,846
Taxes	85,686,284	11,836,612				12,239,751		109,762,647				109,762,647
Contributions						6,360,924		6,360,924				6,360,924
Investment Principal and Interest		7,845		609	29,628	11,141,180		11,179,262	623,077	10,302		11,812,641
Loans and Notes	20,720,995	61,589,698			702,349			83,013,042	1,092,381,410	4,647,016	33,344,000	1,213,385,468
Other (Note 1)	1,032,679	2,116,556				144,441,715		147,590,950	12,475,432	19,665		160,086,047
Intergovernmental Receivable-Federal Governn		93,675,863						93,675,863	6,353,563			100,029,426
Due From Other Funds	2,203,953	4,665,929			1,967	38,606		6,910,455		1,000,026		7,910,481
Due From Component Units	907,235	2,248,066						3,155,301			30,000	3,185,301
Interfund Loans Receivable	5,860,966							5,860,966				5,860,966
Advances To Other Funds	310,700							310,700				310,700
Advances To Component Units	1,863,770							1,863,770				1,863,770
Inventories, at cost (Note 1)				4,419,184	2,276,723			6,695,907		131,041	1,988,000	8,814,948
Prepaid Expenses				107,960	162,164			270,124	1,940	903,534	6,080,000	7,255,598
Restricted Cash		2,842,954		637,000				3,479,954				3,479,954
Fixed Assets (Net Book Value)(Note 4)				1,084,169	14,753,290			15,837,459	3,792,255	143,863,969	150,601,000	314,094,683
Other Assets				63,991	1,222,879			1,286,870	11,496,259	432,577	82,701,000	95,916,706
Amount to be Provided for Retirement of General Long-Term Debt							685,029,847	685,029,847				685,029,847
Total Assets and Other Debits	**$ 218,013,905**	**$ 302,181,937**	**$ 31,820,891**	**$ 10,967,841**	**$ 52,951,290**	**$ 2,799,006,827**	**$ 685,029,847**	**$ 4,099,972,538**	**$ 1,440,567,690**	**$ 185,882,040**	**$ 554,604,000**	**$ 6,281,026,268**
LIABILITIES, FUND EQUITY AND OTHER CREDITS												
Liabilities:												
Accounts Payable	$ 30,594,293	$ 94,699,668	$ 2,885,910	$ 5,118,954	$ 3,466,647	$ 1,701,647	$	$ 138,467,119	$ 4,020,375	$ 1,548,784	$ 10,551,000	$ 154,587,278
Claims Payable (Note 16)				0	19,615,437	2,906,430		22,521,867				22,521,867
Accrued Salaries and Benefits	9,366,030	15,130,855	6,533	424,495	921,809			25,849,722	85,968	4,493,581	15,359,000	45,788,271
Tax Refunds Payable	35,413,868							35,413,868				35,413,868
Accrued Interest Payable								0	4,389,536	430,686		4,820,222
Retainage Payable	2,700	2,951,580	724,325					3,678,605				3,678,605
Intergovernmental Payable - Other Governments		991,542						991,542	33,941,545			34,933,087
Due To Other Funds	513,230	5,530,569		228,951	1,817	635,888		6,910,455		1,000,026		7,910,481
Due To Primary Government								0	3,185,301			3,185,301
Interfund Loans Payable				35,560	5,659,510	165,896		5,860,966				5,860,966
Advances From Other Funds				307,600	3,100			310,700				310,700
Advances From Primary Government								0	1,863,770			1,863,770
Deferred Revenue	6,229,734	66,788,253		200,895	50,300			73,269,182	30,512,321	2,840,803	18,465,000	125,087,306
Amounts Held in Custody for Others				149,245		108,048,723		108,197,968				108,197,968
Current Portion of Long Term Debt								0	52,517,773			52,517,773
Other Liabilities (Note 1)				3,067,417		151,925,400	2,000,000	156,992,817	7,720,171			164,712,988
Capital Lease Obligation (Note 7)					1,943,976			1,943,976		335,352		2,279,328
Net Pension Obligation (Note 5)							123,541,348	123,541,348				123,541,348
Compensated Absences (Note 1)							21,697,339	21,697,339				21,697,339
Bonds and Notes Payable (Note 8)							537,791,160	537,791,160	1,200,358,412	22,829,665	74,097,000	1,835,076,237
Total Liabilities	**$ 82,119,855**	**$ 186,092,467**	**$ 3,616,768**	**$ 9,533,117**	**$ 31,662,596**	**$ 265,383,984**	**$ 685,029,847**	**$ 1,263,438,634**	**$ 1,338,595,172**	**$ 33,478,897**	**$ 118,472,000**	**$ 2,753,984,703**
FUND EQUITY AND OTHER CREDITS (Notes 1,2,10 and 14):												
Investment in General Fixed Assets	$	$	$	$	$	$	$	$ 0	$ 220,859	$	$	$ 220,859
Contributed Capital				761,135	12,562,824			13,323,959				13,323,959
Retained Earnings				673,589	8,725,870			9,399,459	27,072,928			36,472,387
Fund Balances:												
Net Investment in Plant								0	3,448,072	124,886,244	114,527,000	242,861,316
Reserved For:												
Encumbrances	213,131	1,655,371	8,022,439					9,890,941	14,064,795		2,039,000	25,994,736
Budget Stabiliztion	40,033,528	9,309,164						49,342,692				49,342,692
Debt Service	4,445,231							4,445,231			9,268,000	13,713,231
Endowments, Claims and Distributions						1,282,750		1,282,750		9,859,770	198,867,000	210,009,520
Employee Retirement Benefits						2,255,588,131		2,255,588,131				2,255,588,131
Unemployment Compensation Benefits						276,497,277		276,497,277				276,497,277
Contingencies						222,248		222,248		822,939		1,045,187
Advances and Notes Receivable	16,300,460							16,300,460				16,300,460
General Fund Surplus	11,139,728							11,139,728				11,139,728
Human Services Caseload Management	9,901,162							9,901,162				9,901,162
Restricted								0	36,532,640	8,293,596	75,275,000	120,101,236
Unreserved-Designated For:												
Continuing Appropriations			20,181,684					20,181,684	8,252,486			28,434,170
Other Specific Purposes		6,285,223						6,285,223		7,091,370	36,156,000	49,532,593
Unreserved-Undesignated	53,860,810	98,839,712				32,437		152,732,959	12,380,738	1,449,224		166,562,921
Total Fund Equity and Other Credits	**$ 135,894,050**	**$ 116,089,470**	**$ 28,204,123**	**$ 1,434,724**	**$ 21,288,694**	**$ 2,533,622,843**	**$ 0**	**$ 2,836,533,904**	**$ 101,972,518**	**$ 152,403,143**	**$ 436,132,000**	**$ 3,527,041,565**
Total Liabilities, Fund Equity, and Other Credits	**$ 218,013,905**	**$ 302,181,937**	**$ 31,820,891**	**$ 10,967,841**	**$ 52,951,290**	**$ 2,799,006,827**	**$ 685,029,847**	**$ 4,099,972,538**	**$ 1,440,567,690**	**$ 185,882,040**	**$ 554,604,000**	**$ 6,281,026,268**

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

STATE OF VERMONT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	Governmental Fund Types			Fiduciary Fund Types	Total Primary Government (Memorandum Only)	Governmental Fund Types	Total Reporting Entity (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	1999	Component Units	1999
REVENUES:							
Earnings of Departments:							
Fees	$ 8,978,160	$ 24,438,115	$	$	$ 33,416,275	$ 70,388	$ 33,486,663
Rents and Leases		214,157			214,157		214,157
Sales of Service	1,194,352	14,412,537			15,606,889		15,606,889
Federal Grants		752,470,334		619,831	753,090,165	7,995,937	761,086,102
Fines, Forfeits and Penalties	2,335,711	6,617,692			8,953,403		8,953,403
Interest	4,893,242	4,516,989			9,410,231	19,762,864	29,173,095
Investment Income				17,152,361	17,152,361	7,381,777	24,534,138
Licenses:							
Business	2,841,680	11,675,206			14,516,886		14,516,886
Non-Business		48,883,000			48,883,000		48,883,000
Special Assessments	374,157	7,206,869			7,581,026		7,581,026
Taxes	820,158,375	272,422,762		48,834,359	1,141,415,496		1,141,415,496
Other Revenues	498,414	43,099,175		108,212	43,705,801	226,193	43,931,994
Total Revenues	**$ 841,274,091**	**$ 1,185,956,836**	**$**	**$ 66,714,763**	**$ 2,093,945,690**	**$ 35,437,159**	**$ 2,129,382,849**
EXPENDITURES:							
General Government	$ 41,275,225	$ 16,677,981	$ 14,629,094	$	$ 72,582,300	$	$ 72,582,300
Protection to Persons and Property	42,524,964	82,824,078	1,187,966		126,537,008		126,537,008
Human Services	286,524,461	536,127,808	1,910,889		824,563,158		824,563,158
Employment and Training	362,793	25,634,981			25,997,774		25,997,774
Education	31,032,948	455,538,801	6,132,758		492,704,507		492,704,507
Natural Resources	11,650,047	59,437,831	5,100,765		76,188,643		76,188,643
Commerce and Community Development	12,518,242	27,778,078	579,488		40,875,808		40,875,808
Transportation		245,901,601	815,283		246,716,884		246,716,884
Public Service Enterprises		1,517,976			1,517,976		1,517,976
Debt Service	66,072,948	5,994,154			72,067,102		72,067,102
Benefit Payments				43,867,949	43,867,949		43,867,949
Other Expenditures		1,304,778		269,797	1,574,575	40,065,702	41,640,277
Total Expenditures	**$ 491,961,628**	**$ 1,458,738,067**	**$ 30,356,243**	**$ 44,137,746**	**$ 2,025,193,684**	**$ 40,065,702**	**$ 2,065,259,386**
Excess of Revenues Over(Under) Expenditures	**$ 349,312,463**	**$ (272,781,231)**	**$ (30,356,243)**	**$ 22,577,017**	**$ 68,752,006**	**$ (4,628,543)**	**$ 64,123,463**
Other Financing Sources (Uses):							
Proceeds from Sale of Bonds and Notes	$	$	$ 34,285,000	$	$ 34,285,000	$ 27,685,000	$ 61,970,000
Operating Transfers In (Note 18)	25,678,281	349,048,294	2,494,635	354,358	377,575,568		377,575,568
Operating Transfers In-Component Units (Note 18)	92,579				92,579		92,579
Operating Transfers In-Primary Government (Note					0	15,189,461	15,189,461
Operating Transfers Out (Note 18)	(247,113,016)	(37,738,188)	(3,858,246)	(672,892)	(289,382,342)		(289,382,342)
Operating Transfers Out-Component Units (Note 18	(77,871,154)	(204,324)	(1,461,476)		(79,536,954)		(79,536,954)
Operating Transfers Out-Primary Government (Note					0	(92,579)	(92,579)
Payments To Bond Escrow					0	(29,442,462)	(29,442,462)
Other Sources (Uses)	(579,936)	(170,357)	4,238,613		3,488,320	(764,465)	2,723,855
Total Other Financing Sources (Uses)	**$ (299,793,246)**	**$ 310,935,425**	**$ 35,698,526**	**$ (318,534)**	**$ 46,522,171**	**$ 12,574,955**	**$ 59,097,126**
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	**$ 49,519,217**	**$ 38,154,194**	**$ 5,342,283**	**$ 22,258,483**	**$ 115,274,177**	**$ 7,946,412**	**$ 123,220,589**
Fund Balances, July 1, as restated (Note 10)	**90,574,833**	**77,935,276**	**22,861,840**	**255,327,339**	**446,699,288**	**18,499,121**	**465,198,409**
Residual Equity Transfers:							
To Enterprise Fund (Note 18)	(4,200,000)				(4,200,000)		(4,200,000)
Fund Balances, June 30	**$ 135,894,050**	**$ 116,089,470**	**$ 28,204,123**	**$ 277,585,822**	**$ 557,773,465**	**$ 26,445,533**	**$ 584,218,998**

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

STATE OF VERMONT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL AND SPECIAL REVENUE FUNDS
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 1999

	General Fund			Special Revenue Funds			Totals (Memorandum Only)		
	Budget	Actual (Budgetary Basis)	Variance- Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)	Variance- Favorable (Unfavorable)	Budget	Actual (Budgetary Basis)	Variance- Favorable (Unfavorable)
Revenues:									
Taxes…………	$ 815,750,000	$ 820,477,446	$ 4,727,446	$ 180,382,000	$ 268,530,336	$ 88,148,336	$ 996,132,000	$ 1,089,007,782	$ 92,875,782
Licenses…………	3,200,000	3,147,587	(52,413)	45,120,000	60,508,071	15,388,071	48,320,000	63,655,658	15,335,658
Fines, Forfeits and Penalties…………	1,600,000	1,853,126	253,126		7,139,359	7,139,359	1,600,000	8,992,485	7,392,485
Earnings of Departments…………	10,000,000	10,179,882	179,882	6,215,914	40,147,372	33,931,458	16,215,914	50,327,254	34,111,340
Federal…………			0	760,914,092	733,599,793	(27,314,299)	760,914,092	733,599,793	(27,314,299)
Interest and Premiums…………	3,100,000	4,618,110	1,518,110	500,000	4,062,687	3,562,687	3,600,000	8,680,797	5,080,797
Lottery Transfer…………			0	20,200,000	19,055,102	(1,144,898)	20,200,000	19,055,102	(1,144,898)
Other…………	800,000	851,886	51,886	10,683,000	45,069,396	34,386,396	11,483,000	45,921,282	34,438,282
Special Fund Revenues…………				165,708,793			165,708,793	0	0
Total Revenues…………	**$ 834,450,000**	**$ 841,128,037**	**$ 6,678,037**	**$ 1,189,723,799**	**$ 1,178,112,116**	**$ 154,097,110**	**$ 2,024,173,799**	**$ 2,019,240,153**	**$ 160,775,147**
Expenditures:									
General Government…………	$ 88,188,389	$ 44,987,479	$ 43,200,910	$ 21,171,163	$ 16,781,028	$ 4,390,135	$ 109,359,552	$ 61,768,507	$ 47,591,045
Protection to Persons and Property…………	42,325,199	41,643,355	681,844	92,911,464	82,283,224	10,628,240	135,236,663	123,926,579	11,310,084
Human Services…………	282,604,506	277,040,479	5,564,027	533,723,986	518,351,418	15,372,568	816,328,492	795,391,897	20,936,595
Employment and Training…………	390,067	376,166	13,901	27,221,386	25,245,677	1,975,709	27,611,453	25,621,843	1,989,610
General Education…………	38,215,378	30,340,561	7,874,817	456,550,944	445,807,363	10,743,581	494,766,322	476,147,924	18,618,398
Natural Resources…………	12,077,337	11,608,884	468,453	57,977,604	56,260,396	1,717,208	70,054,941	67,869,280	2,185,661
Commerce and Community Development…………	12,215,863	11,925,300	290,563	29,586,689	27,295,678	2,291,011	41,802,552	39,220,978	2,581,574
Transportation…………			0	277,575,216	238,994,437	38,580,779	277,575,216	238,994,437	38,580,779
Public Service Enterprises…………			0	1,345,163	1,345,154	9	1,345,163	1,345,154	9
Debt Service…………	66,221,741	66,056,281	165,460	6,376,818	6,045,147	331,671	72,598,559	72,101,428	497,131
Total Expenditures…………	**$ 542,238,480**	**$ 483,978,505**	**$ 58,259,975**	**$ 1,504,440,433**	**$ 1,418,409,522**	**$ 86,030,911**	**$ 2,046,678,913**	**$ 1,902,388,027**	**$ 144,290,886**
Excess of Revenues over (Under) Expenditures…………	**$ 292,211,520**	**$ 357,149,532**	**$ 64,938,012**	**$ (314,716,634)**	**$ (240,297,406)**	**$ 240,128,021**	**$ (22,505,114)**	**$ 116,852,126**	**$ 305,066,033**
Other Financing Sources (Uses):									
Operating Transfers In…………	$ 25,352,275	$ 25,352,275	$ 0	$ 321,767,225	$ 321,767,224	$ (1)	$ 347,119,500	$ 347,119,499	$ (1)
Operating Transfers Out…………	(385,151,646)	(385,151,646)	0	(33,241,732)	(33,241,730)	2	(418,393,378)	(418,393,376)	2
Other Sources…………		294,709	294,709		(101,052)	(101,052)	0	193,657	193,657
Total Other Financing Sources (Uses)…………	**$ (359,799,371)**	**$ (359,504,662)**	**$ 294,709**	**$ 288,525,493**	**$ 288,424,442**	**$ (101,051)**	**$ (71,273,878)**	**$ (71,080,220)**	**$ 193,658**
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses…………	**$ (67,587,851)**	**$ (2,355,130)**	**$ 65,232,721**	**$ (26,191,141)**	**$ 48,127,036**	**$ 240,026,970**	**$ (93,778,992)**	**$ 45,771,906**	**$ 305,259,691**
Fund Balance, July 1. …………	**129,100,903**	**129,100,903**		**61,227,015**	**61,227,015**		**190,327,918**	**190,327,918**	
Fund Balance, June 30…………	**$ 61,513,052**	**$ 126,745,773**	**$ 65,232,721**	**$ 35,035,874**	**$ 109,354,051**	**$ 240,026,970**	**$ 96,548,926**	**$ 236,099,824**	**$ 305,259,691**

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

STATE OF VERMONT
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND BALANCES-ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS, AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Fiduciary Fund Types	Total	Component Units	Total
	Enterprise	Internal Service	Nonexpendable Trust	Primary Government (Memorandum Only) 1999	Proprietary Fund Type	Reporting Entity (Memorandum Only) 1999
Operating Revenues:						
Charges For Sales and Services	$ 29,348,231	$ 80,212,778	$	$ 109,561,009	$	$ 109,561,009
Lottery Ticket Sales	70,386,798			70,386,798		70,386,798
Fees	835,875			835,875	7,232,297	8,068,172
Investment Income			15,064	15,064	63,582,469	63,597,533
Other Operating Revenues	1,585,086	9,407,233		10,992,319	9,085,590	20,077,909
Total Operating Revenues	**$ 102,155,990**	**$ 89,620,011**	**$ 15,064**	**$ 191,791,065**	**$ 79,900,356**	**$ 271,691,421**
Operating Expenses:						
Cost of Sales and Services	$ 23,209,737	$ 22,494,397	$	$ 45,704,134	$	$ 45,704,134
Lottery Prizes	42,441,998			42,441,998		42,441,998
Lottery Tickets, Commissions and Fees	6,295,083			6,295,083		6,295,083
Claims Expense		31,273,910		31,273,910		31,273,910
Salaries, Wages and Benefits	1,675,580	6,402,671		8,078,251	12,467,991	20,546,242
Supplies and Parts	44,918	381,168		426,086		426,086
Depreciation and Amortization	284,969	3,659,764		3,944,733	2,351,751	6,296,484
Rentals	37,782	683,456		721,238		721,238
Stores and Agencies	2,712,459			2,712,459		2,712,459
Administrative Expenses	2,275,543	3,285,595		5,561,138	7,295,288	12,856,426
Inspection and Enforcement Expense	951,696			951,696		951,696
Equipment Purchased for Agencies		877,931		877,931		877,931
Repairs and Maintenance		1,862,029		1,862,029		1,862,029
Interest Expense				0	43,135,174	43,135,174
Insurance Premium Expense		14,335,402		14,335,402		14,335,402
Education Grants & Scholarships				0	15,269,901	15,269,901
Purchase of Defaulted Loans					2,032,691	2,032,691
Loss on Bad Debts and Guarantees	1,023,722	33,239		1,056,961	536,111	1,593,072
Other Operating Expenses	1,786,439	1,956,848	14,042	3,757,329	8,248,787	12,006,116
Total Operating Expenses	**$ 82,739,926**	**$ 87,246,410**	**$ 14,042**	**$ 170,000,378**	**$ 91,337,694**	**$ 261,338,072**
Operating Income(Loss)	**$ 19,416,064**	**$ 2,373,601**	**$ 1,022**	**$ 21,790,687**	**$ (11,437,338)**	**$ 10,353,349**
Non-Operating Revenues(Expenses):						
Gain(Loss) on Disposal of Fixed Assets	$ (26,848)	$ 75,646	$	$ 48,798	$	$ 48,798
Gain (Loss) on Investments	74,996			74,996		74,996
Investment Income	268,764	1,103,433		1,372,197		1,372,197
Interest Expense		(110,142)		(110,142)		(110,142)
Other Non-Operating Revenues(Expenses)	261,690			261,690	44,204	305,894
Total Non-Operating Revenues(Expenses)	**$ 578,602**	**$ 1,068,937**	**$ 0**	**$ 1,647,539**	**$ 44,204**	**$ 1,691,743**
Income(Loss) Before Operating Transfers, Sale of Business and Extraordinary Item	**$ 19,994,666**	**$ 3,442,539**	**$ 1,022**	**$ 23,438,227**	**$ (11,393,134)**	**$ 12,045,093**
Operating Transfers In (Note 18)		143,443		143,443		143,443
Operating Transfers In - Primary Government (Note 18)				0	17,316,856	17,316,856
Operating Transfers Out (Note 18)	(19,657,205)	(2,200,399)		(21,857,604)		(21,857,604)
Loss on Sale of Business (Note 12)	(644,944)			(644,944)		(644,944)
Net Income(Loss) Before Extraordinary Item	**$ (307,483)**	**$ 1,385,583**	**$ 1,022**	**$ 1,079,122**	**$ 5,923,722**	**$ 7,002,844**
Extraordinary Item (Reauthorization Transfer) (Note 1)					(2,796,353)	(2,796,353)
Net Income(Loss) After Extraordinary Item	**$ (307,483)**	**$ 1,385,583**	**$ 1,022**	**$ 1,079,122**	**$ 3,127,369**	**$ 4,206,491**
Retained Earnings/Fund Balances, July 1, as restated (Note 10)	**(3,218,928)**	**7,340,287**	**447,868**	**4,569,227**	**72,178,757**	**76,747,984**
Residual Equity Transfer In From General Fund (Note 18)	4,200,000			4,200,000		4,200,000
Retained Earnings/Fund Balances, June 30	**$ 673,589**	**$ 8,725,870**	**$ 448,890**	**$ 9,848,349**	**$ 75,306,126**	**$ 85,154,475**

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

STATE OF VERMONT
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS
AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Fiduciary Fund Types	Total Primary Government	Component Unit	Total Reporting Entity
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)	Proprietary Fund Types	(Memorandum Only 1999
Cash Flows from Operating Activities:						
Cash Received from Customers	$ 110,615,155	$ 88,632,970	$	$ 199,248,125	$ 148,011,964	$ 347,260,089
Loan Repayments Received		1,087,860		1,087,860		1,087,860
Cash Paid to Suppliers For Goods and Services	(27,802,980)	(43,312,914)		(71,115,894)	(49,082,283)	(120,198,177)
Loans Made		(1,242,559)		(1,242,559)	(240,892,479)	(242,135,038)
Cash Paid to Employees For Services	(3,117,251)	(7,613,680)		(10,730,931)	(15,392,438)	(26,123,369)
Cash Paid for Prizes and Commissions	(46,451,660)			(46,451,660)		(46,451,660)
Cash Paid to Claimants	(1,653,224)	(31,055,835)		(32,709,059)		(32,709,059)
Liquor Taxes and Licenses Paid	(9,576,041)			(9,576,041)		(9,576,041)
Interest Received (Paid)			15,064	15,064	49,577,357	49,592,421
Cash Paid for Fees, Operations and Other	(4,575,164)			(4,575,164)		(4,575,164)
Other Operating Revenues(Expenses)	757,059	(278,106)	(14,042)	464,911		464,911
Net Cash Provided (Used) by Operating Activities	**$ 18,195,894**	**$ 6,217,736**	**$ 1,022**	**$ 24,414,652**	**$ (107,777,879)**	**$ (83,363,227)**
Cash Flows from Noncapital Financing Activities:						
Proceeds from Sale of Bonds/Notes	$	$	$	$ 0	$ 20,655,000	$ 20,655,000
Proceeds from Sale of Notes Receivable				0	558,398	558,398
Payments on Notes				0	(22,395,337)	(22,395,337)
Operating/Equity Transfers In (Out)	(15,146,542)	(2,056,956)		(17,203,498)		(17,203,498)
Operating Transfers In (Out) - Primary Government				0	17,316,856	17,316,856
Interfund Loans and Advances		628,553		628,553	64,561	693,114
Extraordinary Item - Reauthorization Adjustment				0	(2,796,353)	(2,796,353)
Other Non-Operating Revenue	261,690			261,690		261,690
Net Cash Provided (Used)by Noncapital Financing Activities	**$ (14,884,852)**	**$ (1,428,403)**	**$ 0**	**$ (16,313,255)**	**$ 13,403,125**	**$ (2,910,130)**
Cash Flows from Capital and Related Financing Activities:						
Acquisition and Construction of Fixed Assets	$ (368,864)	$ (2,407,213)	$	$ (2,776,077)	$ (2,248,354)	$ (5,024,431)
Proceeds from Sale of Fixed Assets	16,461	165,280		181,741		181,741
Principal and Interest Paid on Capital Leases		(1,314,094)		(1,314,094)	(3,564)	(1,317,658)
Net Cash Provided (Used) by Capital and Related Financing Activities	**$ (352,403)**	**$ (3,556,027)**	**$ 0**	**$ (3,908,430)**	**$ (2,251,918)**	**$ (6,160,348)**
Cash Flows From Investing Activities:						
Interest and Dividends on Investments	$ 344,981	$ 1,100,418	$	$ 1,445,399	$	$ 1,445,399
Payment on Sale of Business	(7,076,709)			(7,076,709)		(7,076,709)
Proceeds from Sales/Maturities of Investments	3,851,400			3,851,400	2,103,684	5,955,084
Purchase of Investments	(621,279)			(621,279)	(3,951,465)	(4,572,744)
Net Cash Provided (Used) by Investing Activities	**$ (3,501,607)**	**$ 1,100,418**	**$ 0**	**$ (2,401,189)**	**$ (1,847,781)**	**$ (4,248,970)**
Net Increase(Decrease) in Cash and Cash Equivalents	**$ (542,968)**	**$ 2,333,724**	**$ 1,022**	**$ 1,791,778**	**$ (98,474,453)**	**$ (96,682,675)**
Cash and Cash Equivalents at July 1, as restated (Note 10	**3,438,162**	**22,845,576**	**447,868**	**26,731,606**	**264,960,427**	**291,692,033**
Cash and Cash Equivalents at June 30	**$ 2,895,194**	**$ 25,179,300**	**$ 448,890**	**$ 28,523,384**	**$ 166,485,974**	**$ 195,009,358**

The accompanying notes are an integral part of the financial statements

STATE OF VERMONT
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS
AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	Proprietary Fund Types: Enterprise	Proprietary Fund Types: Internal Service	Fiduciary Fund Type: Nonexpendable Trust	Totals Primary Government (Memorandum Only): 1999	Component Units: Proprietary Fund Types	Totals Reporting Entity (Memorandum Only): 1999
Operating Income(Loss)........	$ 19,416,064	$ 2,373,601	$ 1,022	$ 21,790,687	$ (11,437,338)	$ 10,353,349
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation and Amortization........	$ 284,969	$ 3,659,764	$	$ 3,944,733	$ 2,351,751	$ 6,296,484
Provision for Uncollectible Accounts........				0	7,332	7,332
Loss on Disposal of Property........				0	9,197	9,197
(Increase)Decrease in Accounts Receivable........	31,854	(866,794)		(834,940)	(18,819)	(853,759)
(Increase) Decrease in Loans Receivable........		(157,969)		(157,969)	(102,579,103)	(102,737,072)
Increase(Decrease) in Allowance for Uncollectible Accou				0	239,761	239,761
(Increase)Decrease in Accrued Interest Receivable........				0	(1,907,375)	(1,907,375)
(Increase)Decrease in Due from Other Funds........		(2,349)		(2,349)	(4,803,279)	(4,805,628)
(Increase) Decrease in Other Receivables........				0	272,356	272,356
(Increase)Decrease in Inventory........	(349,288)	(107,453)		(456,741)		(456,741)
(Increase)Decrease in Prepaid Expenses........	(3,544)	(15,390)		(18,934)	2,039	(16,895)
(Increase)Decrease in Other Assets........				0	114,198	114,198
Increase(Decrease) in Accounts Payable........	217,097	747,437		964,534	(2,826,852)	(1,862,318)
(Increase)Decrease in Accrued Interest Payable........				0	(205,832)	(205,832)
Increase(Decrease) in Accrued Salaries and Benefits........	14,830	112,844		127,674	(2,136)	125,538
Increase (Decrease) in Claims Payable........	(698,363)	470,041		(228,322)		(228,322)
Increase(Decrease) in Due to Agents........	43,865			43,865		43,865
Increase(Decrease) in Future and Unclaimed Prizes Payable........	(22,871)			(22,871)		(22,871)
Increase in Deferred Income........	(194,666)	18,131		(176,535)	(1,689,349)	(1,865,884)
Increase(Decrease) in Due to Other Funds........	(550,480)	(14,127)		(564,607)	4,809,921	4,245,314
(Decrease)Increase in Other Liabilities........				0	9,885,649	9,885,649
Increase(Decrease) in Subscription Reserves........	6,427			6,427		6,427
Total Adjustments........	**$ (1,220,170)**	**$ 3,844,135**	**$ 0**	**$ 2,623,965**	**$ (96,340,541)**	**$ (93,716,576)**
Net Cash Provided (Used) by Operating Activities........	**$ 18,195,894**	**$ 6,217,736**	**$ 1,022**	**$ 24,414,652**	**$ (107,777,879)**	**$ (83,363,227)**

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

STATE OF VERMONT
PENSION TRUST FUNDS
COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Year Ended June 30, 1999

		Totals
Additions :		
Contributions		
Employer	$	45,610,523
Plan Member		27,170,443
Other Contributions		299,862
Total Contributions	**$**	**73,080,828**
Investment Income:		
Net Appreciation (Depreciation) in		
Fair value of Investments	$	156,460,641
Dividends		23,301,642
Interest Income		32,772,554
Securities Lending Income		4,190,857
Other Income		224,757
Total Investment Income	**$**	**216,950,451**
Less Investment Expenses:		
Investment Managers and Consultants	$	8,000,865
Securities Lending Expenses		3,980,233
Total Investment Expenses	**$**	**11,981,098**
Net Investment Income	**$**	**204,969,353**
Total Additions	**$**	**278,050,181**
Deductions:		
Retirement Allowances	$	71,179,919
Refunds of Contributions		2,216,145
Death Claims		147,923
Operating Expenses		9,058,960
Total Deductions	**$**	**82,602,947**
Net Increase	**$**	**195,447,234**
Net Assets Held In Trust For		
Pension Benefits:		
Beginning of Year		**2,060,140,897**
End of Year	**$**	**2,255,588,131**

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

STATE OF VERMONT
THE UNIVERSITY OF VERMONT AND
STATE AGRICULTURAL COLLEGE
COMBINED BALANCE SHEET
June 30, 1999
(In Thousands Of Dollars)
(With comparative totals for June 30, 1998)

	Current	Loan	Endowment and similar	Plant	Agency	Totals June 30, 1999	Totals June 30, 1998
ASSETS:							
Cash and cash equivalents..........................	$ 2,595	$ 7,646	$ 5,438	$ 15,663	$ 689	$ 32,031	$ 24,303
Deposits with trustees..................................	1,028		16,588	56,721	8,364	82,701	37,064
Investments at market.................................	54,132		178,204	151		232,487	215,643
Accounts receivable, net.............................	12,974		13	724	1,631	15,342	17,183
Student loans receivable, net......................		33344				33344	32762
Due From Component Units……………….	30					30	28
Inventories at lower of cost or market..........	1,988					1,988	2,049
Prepaid expenses and deferred charges.....	5,384			696		6,080	5,741
Land, buildings and equipment, net............	2		307	150,292		150,601	139,931
Total Assets..	**$ 78,133**	**$ 40,990**	**$ 200,550**	**$ 224,247**	**$ 10,684**	**$ 554,604**	**$ 474,704**
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accrued liabilities..	$ 14,498	$	$	$ 861	$	$ 15,359	$ 13,102
Accounts payable..	7,512			2,939	100	10,551	10,428
Deferred tuition, deposits, and funds held for others............................	6,182			16	10,465	16,663	15,780
Obligations under deferred giving arrangements............................			1683		119	1802	1502
Notes payable...				296		296	3,885
Bonds and mortgages payable...................				73,801		73,801	20,153
Total Liabilities...................................	**$ 28,192**	**$ 0**	**$ 1,683**	**$ 77,913**	**$ 10,684**	**$ 118,472**	**$ 64,850**
Interfund Balances......................................	$ 42	$ 13	$	$ (55)	$	$ 0	$ 0
Total Interfund....................................	**$ 42**	**$ 13**	**$**	**$ (55)**	**$**	**$ 0**	**$ 0**
FUND BALANCES:							
Unrestricted-Internally designated for:							
Working capital....................................	$ 2,000	$	$	$	$	$ 2,000	$ 2,000
Provision for encumbrances................	2,039					2,039	1,818
Future years' operations......................	17,422					17,422	17,094
Restricted..	28,438					28,438	26,922
U.S. Government capital contribution..........		12,148				12,148	12,360
University loans...		28,829				28,829	25,416
Endowment...			130,777			130,777	120,596
Quasi-endowment-unrestricted...................			14,607			14,607	13,843
Quasi-endowment-restricted.......................			33,701			33,701	29,962
Term endowment, life income and annuity funds................................			19,782			19,782	19,789
Unexpended plant.......................................				5,860		5,860	5,197
Renewals and replacements.......................				16,734		16,734	15,542
Retirement of indebtedness........................				9,268		9,268	2,825
Invested in plant, net..................................				114,527		114,527	116,490
Total Fund Balances..........................	**$ 49,899**	**$ 40,977**	**$ 198,867**	**$ 146,389**	**$ 0**	**$ 436,132**	**$ 409,854**
Total Liabilities and Fund Balances..............................	**$ 78,133**	**$ 40,990**	**$ 200,550**	**$ 224,247**	**$ 10,684**	**$ 554,604**	**$ 474,704**

STATE OF VERMONT
THE UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE
COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(In Thousands of Dollars)
(With comparative totals for the fiscal year ended June 30, 1998)

	Unrestricted	Restricted	Totals 1999	Totals 1998
Revenues and Other Additions:				
Tuition and fees	$ 127,799	$	$ 127,799	$ 124,076
Federal appropriations		4,785	4,785	4,055
State appropriations:				
Vermont: General University	28,253		28,253	27,320
Other States	200		200	183
Local appropriations, grants, contracts		29	29	21
Federal grants and contracts		37,722	37,722	33,084
State grants and contracts		4,612	4,612	4,223
Private gifts and grants	3,128	28,194	31,322	28,710
Endowment income	786	5,258	6,044	5,613
Income from short term investments	4,485		4,485	3,885
Sales and services of educational activities	4,107		4,107	3,737
Sales and services of auxiliary enterprises	31,550		31,550	30,339
Recovery of indirect costs of grants and contracts	11,797		11,797	10,776
Change in unrealized investment appreciation	(1,106)	546	(560)	994
Other sources	11,424	815	12,239	11,869
Total Revenues and Other Additions	**$ 222,423**	**$ 81,961**	**$ 304,384**	$ **288,885**
Expenditures and Mandatory Transfers:				
Educational and general:				
Instruction	$ (65,200)	$ (14,642)	$ (79,842)	$ (73,248)
Research	(6,293)	(40,374)	(46,667)	(41,551)
Public service	(6,495)	(14,531)	(21,026)	(20,346)
Academic support	(23,079)	(614)	(23,693)	(22,614)
Student services	(9,455)	(1,442)	(10,897)	(10,467)
Institutional support	(31,291)	(1,119)	(32,410)	(30,321)
Operation and maintenance of plant	(19,175)	(98)	(19,273)	(19,833)
Scholarships and fellowships	(18,235)	(7,608)	(25,843)	(24,112)
Educational and General Expenditures	**$ (179,223)**	**$ (80,428)**	**$ (259,651)**	$ **(242,492)**
Mandatory transfers	$ (653)	$ 925	$ 272	$ (514)
Total Educational and General	**$ (179,876)**	**$ (79,503)**	**$ (259,379)**	$ **(243,006)**
Auxiliary Enterprises				
Expenditures	$ (25,949)	$ (589)	$ (26,538)	$ (24,758)
Mandatory transfers	(3,859)		(3,859)	(3,924)
Total Auxiliary Enterprises	**$ (29,808)**	**$ (589)**	**$ (30,397)**	$ **(28,682)**
Total Expenditures and Mandatory Transfers	**$ (209,684)**	**$ (80,092)**	**$ (289,776)**	$ **(271,688)**
Other Additions/(Deductions)				
Excess of revenue transfers over restricted receipts	$	$ (931)	$ (931)	$ 2,117
Other transfers (to)/from other funds:	(12,190)	578	(11,612)	(14,380)
Total Other Additions/(Deductions)	**$ (12,190)**	**$ (353)**	**$ (12,543)**	$ **(12,263)**
Net Increase For The Year	**$ 549**	**$ 1,516**	**$ 2,065**	$ **4,934**

STATE OF VERMONT

THE UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(In Thousands of Dollars)

(With comparative totals for the fiscal year ended June 30, 1998)

	Current			Endowment		Totals	
	Unrestricted	Restricted	Loan	and similar	Plant	1999	1998
Revenues and Other Additions:							
Tuition and fees	$ 127,799	$	$	$	$ 833	$ 128,632	$ 124,905
Federal appropriations		52,583	149		152	52,884	46,383
Vermont State appropriations for University capital projects						0	462
Vermont State grants		5,095				5,095	4,705
Other states	200					200	183
County and municipal grants		31				31	46
Private gifts and grants	3,128	30,745	1	2,821	1,237	37,932	37,870
Endowment income	786	2,878	311			3,975	5,430
Income from short term investments	4,485				2,484	6,969	4,750
Net realized loss from sale of investments and real property				(45)		(45)	(4)
Sales and services of educational activities	4,107					4,107	3,737
Sales and services of auxiliary enterprises	31,550					31,550	30,339
Recovery of indirect costs	11,797	(11,797)				0	0
Interest received on student loan notes			977			977	901
Change in unrealized investment appreciation	(1,106)	546		13,833	(20)	13,253	24,258
Other sources	11,424	1,090	50		1,085	13,649	13,661
Total Revenues and Other Additions	**$ 194,170**	**$ 81,171**	**$ 1,488**	**$ 16,609**	**$ 5,771**	**$ 299,209**	**$ 297,626**
Expenditures and Other Deductions:							
Educational and general expenditures	$ (179,223)	$ (80,428)	$	$	$	$ (259,651)	$ (242,492)
Auxiliary enterprises expenditures	(25,949)	(589)				(26,538)	(24,758)
Plant expenditures and debt retirement					(3,542)	(3,542)	(3,559)
Interest on indebtedness					(3,537)	(3,537)	(1,101)
Depreciation					(7,407)	(7,407)	(6,795)
Provision for doubtful loans, cancellations and notes returned to U.S. Government			(686)			(686)	(179)
Other deductions, refunds, amortization		(141)	(299)	(576)	(56)	(1,072)	(1,236)
Total Expenditures and Other Deductions	**$ (205,172)**	**$ (81,158)**	**$ (985)**	**$ (576)**	**$ (14,542)**	**$ (302,433)**	**$ (280,120)**
Transfers:							
Mandatory	$ (4,512)	$ 925	$ 9	$ (2,233)	$ 5,811	$ 0	$ 0
Primary Government Appropriations	28,253				1,249	29,502	27,320
Other	(12,190)	578	2,689	877	8,046	0	0
Total Transfers	**$ 11,551**	**$ 1,503**	**$ 2,698**	**$ (1,356)**	**$ 15,106**	**$ 29,502**	**$ 27,320**
Net Increase For The Year	**$ 549**	**$ 1,516**	**$ 3,201**	**$ 14,677**	**$ 6,335**	**$ 26,278**	**$ 44,826**
Fund Balances, Beginning Of The Year	**20,912**	**26,922**	**37,776**	**184,190**	**140,054**	**409,854**	**365,028**
Fund Balances, End Of The Year	**$ 21,461**	**$ 28,438**	**$ 40,977**	**$ 198,867**	**$ 146,389**	**$ 436,132**	**$ 409,854**

STATE OF VERMONT
VERMONT STATE COLLEGES
COMBINED BALANCE SHEET
June 30, 1999
(With comparative totals for June 30, 1998)

	Current Funds				Plant Funds			Totals	
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Retirement of Indebtedness	Investment in Plant	June 30, 1999	June 30, 1998
ASSETS:									
Cash and Short Term Investments	$ 2,067,194	$	$ 566,095	$	$	$	$	$ 2,633,289	$ 2,336,701
Investments	8,222,424			9,859,770	6,960,431	2,858,233		27,900,858	29,684,464
Receivables:									
Accounts (Net)	3,746,816	592,947						4,339,763	3,428,592
Loans (Net)			4,647,016					4,647,016	4,804,428
Accrued Interest						10,302		10,302	14,454
Other			19,665					19,665	4,398
Inventories	131,041							131,041	133,880
Prepaid Expenses	903,534							903,534	1,015,306
Due From Other Funds		1,000,026						1,000,026	718,022
Bond Issuance Cost					146,653	107,353		254,006	267,583
Land and Improvements							11,779,076	11,779,076	11,499,959
Buildings and Improvements							91,001,362	91,001,362	83,768,557
Furniture Fixtures, and Equipment							41,083,531	41,083,531	39,944,718
Construction-In-Progress					178,571			178,571	130,418
Total Assets	**$ 15,071,009**	**$ 1,592,973**	**$ 5,232,776**	**$ 9,859,770**	**$ 7,285,655**	**$ 2,975,888**	**$ 143,863,969**	**$ 185,882,040**	**$ 177,751,480**
LIABILITIES AND FUND BALANCES									
LIABILITIES:									
Accounts Payable	$ 1,548,784	$	$	$	$	$	$	$ 1,548,784	$ 1,287,473
Bonds and Notes Payable					4,187,292		18,642,373	22,829,665	23,695,717
Capital Lease Obligations							335,352	335,352	398,903
Accrued Interest						430,686		430,686	451,819
Accrued Expenses	4,493,581							4,493,581	5,201,478
Due To Other Funds	949,040		50,986					1,000,026	718,022
Deferred Revenues and Advanced Deposits	2,830,536					10,267		2,840,803	3,997,233
Total Liabilities	**$ 9,821,941**	**$ 0**	**$ 50,986**	**$ 0**	**$ 4,187,292**	**$ 440,953**	**$ 18,977,725**	**$ 33,478,897**	**$ 35,750,645**
FUND BALANCES:									
General	$ 1,449,224	$	$	$	$	$	$	$ 1,449,224	$ 1,645,020
Designated	2,976,905				3,098,363	176,424		6,251,692	5,759,522
Net Investment In Plant							124,886,244	124,886,244	118,661,186
Auxiliary	822,939							822,939	705,234
Restricted		1,592,973		9,859,770		2,358,511		13,811,254	10,199,081
College's Portion			839,678					839,678	867,169
U.S. Government Portion			4,342,112					4,342,112	4,163,623
Total Fund Balances	**$ 5,249,068**	**$ 1,592,973**	**$ 5,181,790**	**$ 9,859,770**	**$ 3,098,363**	**$ 2,534,935**	**$ 124,886,244**	**$ 152,403,143**	**$ 142,000,835**
Total Liabilities and Fund Balances	**$ 15,071,009**	**$ 1,592,973**	**$ 5,232,776**	**$ 9,859,770**	**$ 7,285,655**	**$ 2,975,888**	**$ 143,863,969**	**$ 185,882,040**	**$ 177,751,480**

VERMONT STATE COLLEGES
COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(With comparative totals for the fiscal year ended June 30, 1998)

	Unrestricted Funds					Totals	
	General Fund	Designated Fund	Auxiliary Fund	Total Unrestricted	Total Restricted	1999	1998
REVENUES:							
Education and General:							
Tuition and fees	$ 40,018,747	$ 1,064,714	$	$ 41,083,461	$	$ 41,083,461	$ 40,374,163
Federal and private grants	27,040	3,428,292		3,455,332	14,934,361	18,389,693	17,905,165
Investment income	1,028,651	9,664		1,038,315	9,900	1,048,215	1,138,758
Sales and services of educational departments	673,189	3,349,350		4,022,539		4,022,539	3,719,562
Change in fair value of investments	(100,355)			(100,355)		(100,355)	28,366
Other sources	400,435	429,740		830,175	115,161	945,336	702,531
Total educational & general	$ 42,047,707	$ 8,281,760	$ 0	$ 50,329,467	$ 15,059,422	$ 65,388,889	$ 63,868,545
Auxiliary enterprises			10,651,722	10,651,722		10,651,722	10,978,481
Total Revenues	**$ 42,047,707**	**$ 8,281,760**	**$ 10,651,722**	**$ 60,981,189**	**$ 15,059,422**	**$ 76,040,611**	**$ 74,847,026**
Expenditures and mandatory transfers:							
Instruction	$ 25,078,439	$ 1,804,979	$	$ 26,883,418	$ 575,673	$ 27,459,091	$ 26,911,349
Research				0	15,692	15,692	55,030
Public service	1,311,124	1,424,405		2,735,529	3,253,925	5,989,454	5,438,055
Academic support	8,564,438	2,227,919		10,792,357	1,057,825	11,850,182	11,616,897
Student services	3,332,001	1,630,004		4,962,005	685,227	5,647,232	5,574,192
Institutional support	14,618,991	803,337		15,422,328	84,760	15,507,088	14,542,019
Operation and maintenance of plant	5,130,396	73,531		5,203,927		5,203,927	5,178,503
Student financial aid	2,292,872	158,937		2,451,809	7,979,717	10,431,526	9,315,579
Mandatory transfers:							
Debt service	394,800	42,424		437,224		437,224	431,713
Loan fund matching grant	6,324			6,324		6,324	7,513
Total Educational & General	**$ 60,729,385**	**$ 8,165,536**	**$ 0**	**$ 68,894,921**	**$ 13,652,819**	**$ 82,547,740**	**$ 79,070,850**
Auxiliary enterprises:							
Expenditures	$	$	$ 7,847,277	$ 7,847,277	$	$ 7,847,277	$ 8,216,540
Mandatory transfers for debt service			1,385,900	1,385,900		1,385,900	1,389,800
Total Auxiliary Enterprises	**$ 0**	**$ 0**	**$ 9,233,177**	**$ 9,233,177**	**$ 0**	**$ 9,233,177**	**$ 9,606,340**
Total Expenditures and Mandatory Transfers	**$ 60,729,385**	**$ 8,165,536**	**$ 9,233,177**	**$ 78,128,098**	**$ 13,652,819**	**$ 91,780,917**	**$ 88,677,190**
Net Increase (Decrease) Before Other Transfers	**$ (18,681,678)**	**$ 116,224**	**$ 1,418,545**	**$ (17,146,909)**	**$ 1,406,603**	**$ (15,740,306)**	**$ (13,830,164)**
Excess of restricted receipts over transfers to revenues					**400,034**	**400,034**	**0**
Transfers from primary government	17,216,125			17,216,125		17,216,125	16,543,655
Other transfers, net	1,269,757	(100,639)	(1,300,840)	(131,722)	(1,423,782)	(1,555,504)	(1,726,415)
Net Increase For The Year	**$ (195,796)**	**$ 15,585**	**$ 117,705**	**$ (62,506)**	**$ 382,855**	**$ 320,349**	**$ 987,076**

STATE OF VERMONT
VERMONT STATE COLLEGES
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(With comparative totals for the fiscal year ended June 30, 1998)

	Current Funds							Plant Funds			Totals	
	Unrestricted Funds			Total	Total		Endowment &		Retirement of	Investment		
	General Fund	Designated Fund	Auxiliary Fund	Unrestricted	Restricted	Loan Funds	Similar Funds	Unexpended	Indebtedness	in Plant	1999	1998
Revenues and other Additions:												
Education and General	$ 59,364,187	$ 8,281,760	$	$ 67,645,947	$ 15,459,456	$	$	$	$	$	$ 83,105,403	$ 63,840,179
Auxiliary enterprises			10,651,722	10,651,722							10,651,722	11,770,680
Private gifts - restricted							1,335,836				1,335,836	200,000
Federal grants - restricted						25,157			29,734		54,891	54,116
Investment income, including student loan interest						117,291	405,880	304,176	47,973		875,320	623,889
Change in fair value of investments	(100,355)			(100,355)			356,558	(35,107)	(7,686)		213,410	640,956
Net additions to plant facilities, including $2,458,768 charged to current fund expenditures										9,895,938	9,895,938	4,207,683
Retirement of indebtedness										1,067,919	1,067,919	1,068,960
Other						54,478					54,478	34,034
Total revenues and other additions	**$ 59,263,832**	**$ 8,281,760**	**$ 10,651,722**	**$ 78,197,314**	**$ 15,459,456**	**$ 196,926**	**$ 2,098,274**	**$ 269,069**	**$ 70,021**	**$ 10,963,857**	**$ 107,254,917**	**$ 82,440,497**
Expenditures and other deductions:												
Educational and general expenditures	$ 60,328,261	$ 8,123,112	$	$ 68,451,373	$ 13,652,819	$	$	$	$	$	$ 82,104,192	$ 78,631,624
Auxiliary enterprises expenditures			7,847,277	7,847,277							7,847,277	8,216,540
Student aid program						60,871					60,871	56,413
Expended for plant facilities, including non-capitalized expenditures of $513,853								1,206,498		3,539,108	4,745,606	1,538,089
Retirement of indebtedness									1,067,919	63,551	1,131,470	1,068,960
Interest on indebtedness								150,622	1,064,192	23,387	1,238,201	1,095,907
Other						(17,775)		16,133	16,849	1,199,691	1,214,898	1,587,222
Total expenditures and other deductions	**$ 60,328,261**	**$ 8,123,112**	**$ 7,847,277**	**$ 76,298,650**	**$ 13,652,819**	**$ 43,096**	**$ 0**	**$ 1,373,253**	**$ 2,148,960**	**$ 4,825,737**	**$ 98,342,515**	**$ 92,194,755**
Transfers to (from) funds:												
Mandatory:												
Debt service	$ (394,800)	$ (42,424)	$ (1,385,900)	$ (1,823,124)	$	$	$	$ (248,563)	$ 2,071,687	$	$ 0	$ 135,328
Perkins Loan Fund matching grant	(6,324)			(6,324)		6,324					0	(135,328)
Transfers From Primary Government				0			100,000	212,476			312,476	16,543,655
Other, net	1,269,757	(100,639)	(1,300,840)	(131,722)	(1,423,782)	(9,156)	51,237	1,624,107	(197,622)	86,938	0	0
Total transfers	**$ 868,633**	**$ (143,063)**	**$ (2,686,740)**	**$ (1,961,170)**	**$ (1,423,782)**	**$ (2,832)**	**$ 151,237**	**$ 1,588,020**	**$ 1,874,065**	**$ 86,938**	**$ 312,476**	**$ 16,543,655**
Net increase (decrease) for the year	$ (195,796)	$ 15,585	$ 117,705	$ (62,506)	$ 382,855	$ 150,998	$ 2,249,511	$ 483,836	$ (204,874)	$ 6,225,058	$ 9,224,878	$ 6,789,397
Fund balances at beginning of year, as restated (Note 10)	1,645,020	2,961,320	705,234	5,311,574	1,210,118	5,030,792	7,610,259	2,614,527	2,739,809	118,661,186	143,178,265	135,211,438
Fund balances at end of year	**$ 1,449,224**	**$ 2,976,905**	**$ 822,939**	**$ 5,249,068**	**$ 1,592,973**	**$ 5,181,790**	**$ 9,859,770**	**$ 3,098,363**	**$ 2,534,935**	**$ 124,886,244**	**$ 152,403,143**	**$ 142,000,835**

Note 1: SIGNIFICANT ACCOUNTING POLICIES:

A. Financial Reporting Entity:

For financial reporting purposes, the State of Vermont includes all funds, account groups, departments and agencies, commissions, and authorities of the State as well as legally separate agencies, commissions, authorities, and colleges and universities over which the State's executive, legislative and judicial branches exercise oversight responsibility. Oversight responsibility, as defined by the Governmental Accounting Standards Board (GASB)'s Codification of Governmental Accounting and Financial Reporting Standards, Section 2100 includes the following considerations:

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

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

- The scope of public services as to whether its activity benefits the State and/or its citizens, and whether the activity is conducted within the geographic boundaries of Vermont and is generally available to Vermont residents.
- The existence of any special relationships regardless of whether the government exercises oversight responsibilities that would cause the State's financial statements to be misleading or incomplete if the entity's financial activity were omitted.

As required by generally accepted accounting principles, these financial statements present the State of Vermont's primary government, which consists of all the organizations that make up its legal entity, and its component units. Complete financial statements issued by the individual component units as indicated below, can be obtained from their respective administrative offices. Authorizing statutes and reporting fund type classifications have been included where applicable.

1. Blended Component Units

The following legally separate organizations provide services entirely or almost entirely to the State or otherwise exclusively or almost exclusively benefit the State. Therefore, these organizations' balances and transactions are reported as though they were part of the primary government.

a) Vermont Low Level Radioactive Waste Authority
(Special Revenue Fund) (10 VSA 7010)

The Vermont Low Level Radioactive Waste Authority was created by the Vermont Legislature to manage the collection, handling and disposal of low level radioactive waste generated through the operation of nuclear power plants (primarily Vermont Yankee) and as by-products of medical research and industrial wastes in Vermont. It was terminated by Section 4 of Act 137 of the Vermont General Assembly, 1994 Adjourned Session effective June 30, 1994 in anticipation of Vermont becoming a member of the Texas Low Level Radioactive Waste Compact upon the Compact's ratification by the United States Congress. As of June 30, 1999, the Texas Low Level Radioactive Waste Authority, which was due to be the successor organization to the Vermont Low Level Radioactive Authority (statutorily terminated at June 30, 1994) has been ratified by the United States Congress but no site in Texas has been identified.

b) Vermont Transportation Authority
(29 VSA 711)

The Vermont Transportation Authority was created by the Vermont Legislature pursuant to the acquisition, operation, or support of an authorized transportation facility as defined in 29 VSA 701 and as specifically authorized by the Vermont General Assembly. It has been effectively defunct since 1975.

c) Vermont Home Mortgage Guarantee Board
(Enterprise Funds) (10 VSA 382)

During 1999, the Vermont Home Mortgage Guarantee Board effectively became defunct through entering into agreements with the Vermont Housing and Finance Administration and the PMI Mortgage Insurance Company. See Note 12 –Contingent and Limited Liabilities for a full discussion of this transaction.

2. Discretely Presented Component Units

These component units are entities which are legally separate from the State, and which are either financially accountable to the State or, whose relation with the State is such that exclusion would cause the state's financial statements to be misleading or incomplete. They are reported on three separate discrete columns that are labeled (1) Component Units - Other, (2) Vermont State Colleges, and (3) University of Vermont, to emphasize their separation from the State's primary government.

a) Component Units - Other

This category includes the following organizations:

1) Vermont Student Assistance Corporation
(Proprietary Fund Type) (16 VSA 2861)

The Vermont Student Assistance Corporation (VSAC) was established by the General Assembly 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. VSAC issues audited financial statement under separate cover. For further information, contact their administrative offices at the Champlain Mill, P.O.Box 2000, Winooski, Vermont. 05404-2601.

2) Vermont Educational and Health Building Financing Agency
(Governmental Fund Type) (16 VSA 3852)

This is a non-profit entity which finances or assists in the financing of projects for eligible educational or health related entities. It has a December 31 (annual) year-end and issues audited financial statements under separate cover. For further information, they can be contacted at 2 Spring St., P.O. Box 1219, Montpelier, Vermont. 05601-1219.

3) Vermont Housing and Conservation Board (VHCB)
(Governmental Fund Type) (10 VSA 311)

The Vermont General Assembly created and charged this non-profit organization with the two goals of (1) creating affordable housing for Vermont residents, and (2) conserving and protecting Vermont's agricultural land, historical properties, important natural areas, and recreational lands. VHCB issues audited financial statements under separate cover. Additional information may be obtained by contacting them at 136 Main St., Drawer 20, Montpelier, Vermont. 05620-3501

4) Vertmont Economic Development Authority
(Proprietary Fund Type) (10 VSA 213)

The Vermont Economic Development Authority (VEDA), formerly the Vermont Industrial Development Authority, was created by the Vermont Legislature for the purpose of promoting economic prosperity in the State by (1) directly financing eligible businesses and projects, including manufacturing, agricultural, and travel and tourism enterprises; and (2) operating programs which provide eligible borrowers with access to capital.

In 1983, VEDA incorporated a wholly owned Small Business Administration (SBA) Section 503 Certified Development Corporation (VT503) which is involved in providing loans under the "REAL and REAL II Programs" under the Vermont Intermediary Relending Programs.

During fiscal year 1995, the Authority was authorized by the Vermont General Assembly to incorporate a non-profit corporation to operate as the Vermont Small Business Development Corporation (VSBDC). The Authority contributed $50,000 to the capital of the VSBDC in order to secure a $1 million Farmers Home Administration Intermediary Relending Program loan.

Effective June 30, 1999 the Vermont General Assembly repealed the statute governing the Agricultural Finance Program ("AFP") and the Debt Stabilization Program ("JST") and authorized the Authority to incorporate the Vermont Agricultural Credit Corporation ("VACC") and consolidate the assets and liabilities of both the AFP and DSP into it. The General Assembly appropriated $3.5 million to further capitalize the VACC.

VEDA also administers the State Infrastructure Bank and the Drinking Water State Revolving Loan Fund – Private Loans. These two funds are administered for the benefit of the State and are combined in the Authority's Agency Fund.

Audited financial statements or additional information for any of these entities may be obtained by contacting VEDA, 56 East State Street, Montpelier, Vermont 05602.

5) Vermont Municipal Bond Bank
(Governmental Fund Type) (24 VSA 4571)

The Vermont Municipal Bond Bank (VMBB) was established by the Vermont Legislature for the purpose of fostering and promoting adequate capital markets and facilities for borrowing money by governmental units of the State of Vermont for financing of public improvements or other purposes. The Bank is authorized to carry out this function by borrowing money and by issuing its own bonds and notes to obtain funds in order to purchase bonds and notes issued by local governmental units. It has a December 31 year-end and issues audited financial statements under separate cover.

VMBB also administers the Special Environmental Revolving Fund in accordance with 24 VSA 4753(b). This fund has a June 30 year-end and issues its own audited financial statements. For reporting purposes its financial statements have been blended into the State's Federal Fund Financial Statements in this CAFR.

Further information may be obtained by contacting VMBB at 2 Spring Street, P.O. Box 1219, Montpelier, Vermont 05601-1219.

6) Vermont Center for Geographic Information
(Governmental Type Fund) (10 VSA 121)

The Vermont Legislature established the Vermont Center for Geographic Information and charged it with creating a comprehensive strategy for the development and use of a geographic information system. Audited financial statements may be obtained by contacting them at the University of Vermont, 206 Morrill Hall, Burlington, Vermont. 05405-0106.

b) University of Vermont (16 VSA 2281)

This reporting entity includes the financial activity of both the University of Vermont and the State Agricultural College. Its financial statements, which have been issued under separate cover, have been prepared on the accrual basis in accordance with generally accepted accounting principles as promulgated in the Industry Audit Guide for Colleges and Universities issued by the American Institute of Certified Public Accountants. Additional information may be obtained by contacting the University's administrative offices.

c) Vermont State College System (16 VSA 2171)

This reporting entity includes financial activity for the following organizations:

1) Community College of Vermont
2) Castleton State College
3) Johnson State College
4) Lyndon State College
5) Vermont Technical College
6) Vermont Interactive Television
7) Offices and Services

It issues audited financial statements under separate cover which are prepared on the accrual basis using the fund method of accounting. Additional information may be obtained by contacting the Office of the Chancellor, Vermont State Colleges, P.O. Box 359, Waterbury, Vermont 05676.

3. Joint Ventures

A joint venture is a legal entity or other contractual arrangement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. The following list of entities shown with the statutes authorizing the State's participation has been classified as joint ventures. The financial activities of these organizations have not been included in the State's financial statements; however, see Note 15 for a summary of the financial activity of the Tri-State Lotto Commission.

a) Connecticut River Atlantic Salmon Committee (10 VSA 4654)
b) Connecticut River Valley Flood Control Commission (10 VSA 1191)
c) New England Board of Higher Education (16 VSA 2731)
d) New England Interstate Water Pollution Control Commission (10 VSA 1372)
e) Northeastern Forest Fire Protective Commission (10 VSA 2503)
f) Tri-State Lotto Commission (31 VSA 674)
g) Texas Low Level Radioactive Waste Disposal Compact (10 VSA 7013)

4. Related Organizations

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

a) Vermont State Housing Authority (24 VSA 4004)
b) Vermont Housing Finance Agency (10 VSA 611)

5. 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"

a) Vermont Council on the Humanities
b) Vermont Council on the Arts
c) Vermont Historical Society
d) Vermont Public Power Supply Authority

These organizations are not 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 financial reporting entity would not render Vermont's financial statements incomplete or misleading.

B. Fund Accounting and Fund Structure:

The State of Vermont's Accounting System is organized and operated on a fund basis. A fund is defined as an accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying-on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The accompanying financial statements are structured into three fund types and one account group. The general characteristics of the fund types and account group are as follows:

1. Governmental Fund Types:

a) General Fund: The General Assembly has established the General Fund as the basic operating fund of the State. As such, the General Fund is used to finance 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 other 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.

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

1) Transportation Fund: Transportation fund revenues are used to fund state police activities, Transportation Bond Fund debt service requirements, and the construction and maintenance of the highways of the State. In addition, that portion of the gas tax pertaining to town highways is placed in this fund for distribution to local governments. Statutory provisions require that motor vehicle fees and motor fuel taxes must be expended exclusively for highway purposes and related activities. The principal sources of revenue in this fund are motor fuel taxes, licenses and permits for motor vehicles and reimbursements from the federal government for highway programs.

2) Education Fund: The Education Fund is established effective July 1, 1999 in accordance with 16 VSA 4025. An Education Fund Budget Stabilization Reserve is also established in accordance with the terms of 16 VSA 4026. The expenditure of receipts is restricted by the statutory provisions of 16 VSA 4025(b) and may only be made for legitimate items of current education expense.

3) Fish and Wildlife Fund: Receipts are restricted by statute and can only be used for fish and wildlife purposes. The principal sources of revenue are license fees and federal grants.

4) Federal Revenue Fund: All federal grant receipts are recorded in the Federal Revenue Fund except for those federal funds specifically designated for transportation related or fish and wildlife purposes. Grants of the latter types are recorded in the State's Transportation Fund or Fish and Wildlife Fund, respectively.

5) Special Fund: This fund accounts for proceeds or specific revenues not categorized above that are legally restricted to expenditures for specified purposes.

c) Capital Projects Funds: These funds, consisting of the General Bond Fund and the Transportation Bond Fund, account for capital improvement expenditures. These appropriations are or will be primarily funded by the issue of State bonds.

2. Proprietary Fund Types:

a) Enterprise Funds: These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises. The State's intent in these funds is to recover the cost (expenses, including depreciation) of providing goods or services to the public primarily through user charges. In some instances this fund type is utilized to periodically determine the revenues earned, expenses incurred, and/or that the amount of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

b) **Internal Service Funds:** These funds are used to account for the financing of goods or services provided by one state department or agency to other state departments or agencies, or to other governmental units. The objective is not to make a profit but rather to recover, over a period of time, the total cost of providing the goods and services.

3. Fiduciary Fund Types:

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

a) **Pension Trust Funds:** These funds are used to account for the activities for the state-administered retirement systems.

b) **Non-expendable Trust Funds:** These funds are used to account for the activities of trusts whose income is used to fund the trust purpose but whose principal is to be maintained intact.

c) **Expendable Trust Funds:** These funds are used to account for the activities of trusts whose principal and income may be used for purposes of the trust.

d) **Agency Funds:** These funds are used to account for amounts held in trust for others. Agency Funds include such accounts as federal and state withholding taxes and other payroll deductions of state employees and applicable state matching contributions.

4. Account Groups:

a) **General Long Term Debt Account Group:** This account group is a self balancing set of accounts set up to provide management control and an accountability list of the unmatured general long term debt and other obligations of the State**.** This account group is not a fund and it does not measure the results of operations. It is concerned only with the measurement of financial position. The State of Vermont's General Long Term Debt Account Group includes long-term liabilities for the retirement of general obligation bonds, compensated leave, and net pension obligation.

b) **General Fixed Assets Account Group:** Contrary to generally accepted accounting principles, no accounting records are maintained and no statements are presented for the general fixed assets for governmental fund type operations of the State of Vermont.

C. Basis of Accounting:

1. All Governmental Funds, Expendable Trust Funds, Agency Funds, and Governmental Type Discretely Presented Component Units:

These funds are accounted for utilizing the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the revenue can be reasonably determined and "available" means the amounts are collectible within the current period or soon enough thereafter to pay the liabilities of the current period. Except for personal income taxes and federal grant revenues, the State considers all revenues available if they are collected within 60 days after fiscal year end. At June 30, 1999, the State considered as available, $31.2 million of payments for personal income taxes to be received by the State during the period January 1 to April 15, 2000. Federal grant revenues are recognized when the qualifying expenditures have been incurred. Revenue received by the State before it has a legal claim to it is recorded as deferred revenue.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources. In accordance with Section 1600.110 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the State recorded, at June 30, 1999 as a current liability, $35.4 million of estimated personal income tax refunds which will be paid out during fiscal year 2000.

2. Proprietary Funds, Pension Trust Funds, Non-expendable Trust Funds and Discretely Presented Proprietary Fund Type Component Units:

These funds are accounted for utilizing the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recorded at the time liabilities are incurred.

The State's Proprietary Funds have elected not to apply standards issued by the Financial Accounting Standards Board (FASB) after November 30, 1989. The proprietary funds have applied all applicable pronouncements issued by the Governmental Accounting Standards Board (GASB).

3. University Of Vermont (UVM) and The Vermont State College System (VSC):

These entities account for their activity using the accrual basis of accounting in accordance with generally accepted accounting principles set forth for public colleges and universities. VSC has elected not to apply standards issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

D. Budgetary Process:

The head of every State department, board or commission, and any officer or individual having in charge any activity for which funds are appropriated by the General Assembly, on or before September 1, preceding each biennium, is required to file with the Commissioner of Finance and Management statements showing in detail the amounts appropriated and expended for both the current and preceding fiscal year and the amount estimated for such activity to be necessary for the current and preceding fiscal year and the amount estimated for such activity to be necessary 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 together with any other estimates, for the two ensuing fiscal years. The Governor submits to the General Assembly, no later than the third Tuesday of every regular session, a budget which shall embody estimates, requests and recommendations for appropriations or other authorizations for expenditures from the state treasury for at least the succeeding fiscal year. The General Assembly 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 205 of 1979 Section 125, it has been the practice of the Governor to submit an annual budget and the General Assembly to enact appropriations on an annual basis.

Budgets are prepared and appropriated on the cash basis usually at the program level. The Governor may amend appropriations within limits established by statute. The Agency of Administration maintains budgetary control by major object (i.e. personal services, operating expense, etc.) at the appropriation level. General, Transportation, Education, Special Fund and Fish and Wildlife Fund appropriation balances revert to fund balance at the end of each fiscal year unless authorized to be carried forward to the following year by legislative act. Unexpended balances of capital projects and federal revenue funds are available for expenditure in the following fiscal year.

The State also utilizes, to a limited degree, encumbrance accounting for governmental funds under which certain purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable unexpended appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balance. Reported encumbrances do not include all commitments.

E. Cash and Cash Equivalents:

Cash balances for most funds are deposited with the State Treasurer, except for the Pension Trust Funds, Capital Projects Funds, and the Single Deposit Investment Account Fund. Cash balances deposited with the State Treasurer are pooled together and available amounts beyond immediate cash requirements are invested in short term investments.

Income earned on the short-term investments is allocated to those funds authorized to receive it with the balance of the allocated income going to the General Fund.

Cash and cash equivalents as reported in the financial statements, include bank accounts, impress 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.

F. Receivables:

Receivables in the governmental funds consist primarily of accrued taxes, federal grant receivables, and notes receivables from component units. Personal income tax receivables are primarily taxpayer-assessed taxes owed by the taxpayer for the period ended June 30, and which were received by the State during the following 10 months. These revenues are susceptible to accrual in accordance with measurable and available criteria under the modified accrual basis of accounting. Federal receivables are amounts due from the federal government to reimburse the State for expenditures incurred pursuant to federally funded programs. Notes Receivable in the General Fund consists primarily of advances in the form of Vermont Economic Development Authority (VEDA) notes purchased by the State. See Note 12 – Contingent and Limited Liabilities for further information. No allowances for non-collectible accounts have been recognized in these receivables as taxes receivable are substantially based on subsequent collections and the collection of amounts due from the federal government are reasonably assured.

The "Other Receivables" balance under the Fiduciary Fund Types – Trust and Agency column includes $99,781,028 for the Vermont State Retirement Fund, $44,409,250 for the Vermont Teacher's Retirement Fund, and $66,267 for the Vermont Municipal Employees Retirement Fund. These receivable amounts represent monies due to the respective pension trust funds for investments sold prior to June 30, 1999, but for which the receipts were received subsequent to June 30, 1999.

G. Inventories:

Inventories of materials and supplies of governmental funds are recorded as expenditures when purchased. During the fiscal year, the State converted from paper Food Stamps to Electronic Debit Cards and no longer maintains any inventory of Food Stamps. Inventories of the proprietary fund types are generally valued at the lower of average cost or market.

H. Fixed Assets and Depreciation:

General fixed assets are recorded as expenditures in the governmental funds when the assets are acquired. No accounting records are maintained and no statements are presented for governmental general fixed assets.

Fixed assets in the proprietary funds are capitalized at cost when acquired. Depreciation is calculated and recorded using the straight-line method and estimated useful lives of 20-50 years for buildings and improvements and 3-24 years for equipment, machinery, and furnishings.

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

I. Payables:

The accounts payable amount consists of operating liabilities incurred prior to fund year-end (usually June 30) for which payment was due as of June 30; and for which payment will be made subsequent to June 30.

The "Other Payable" balance under the Fiduciary Fund Type – Trust and Agency includes $101,793,083 for the Vermont State Retirement Fund, $48,418,558 for the Vermont Teachers' Retirement Fund, and $351,641 for the Vermont Municipal Employees' Retirement Fund. These figures represent amounts due for securities purchased prior to June 30, 1999 but which were paid subsequent to June 30,1999.

J. Accrued Liabilities:

Accrued liabilities consist of employee wages and related fringe benefit accruals earned as of June 30 but paid subsequent to June 30, calculated using the rate of pay in effect on June 30, 1999. Retainage payable consists of portions of progress payment amounts due to contractors that are being withheld and which will be paid by the State to the contractors upon final completion and acceptance of the contracted item or service.

K. Tax Refunds:

Tax refunds primarily represent amounts owed by the State to taxpayers because of overpayment of their 1998 calendar year and first and second quarter 1999 calendar year 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 of personal income tax refunds payable is comprised of estimates of overpayments of the first and second calendar quarters of 1999 tax liability and payments of 1998 calendar and prior year refunds. The remaining portion of tax refunds payable is comprised of payments made subsequent to the end of the fiscal year and estimates of the refund liability.

L. Reserve for Debt Service:

The General Fund reserve balance of $4,445,231 at June 30, 1999 is comprised of the following:

1. During fiscal year 1993, the State initiated a lawsuit to recover costs associated with asbestos removal. A settlement agreement between the contractor and State was reached which has resulted in net proceeds of $1,734,543 being credited to and reserved in the General Fund to meet future debt service obligations associated with the issuance of bonds relating to asbestos removal. The reserved amount is reduced annually through fiscal year 2009 in proportion to the repayment schedule of the bonds issued to refinance the asbestos removal. Public Act 178 of 1996 authorized the use of $860,874 of these funds in fiscal year 1996. The remaining reserved balance at June 30,1999 is $133,524.

2. During fiscal year 1982 the State Treasurer issued bonds to purchase $1,470,000 of notes of the Vermont Economic Development Authority. Debt service obligations for these bonds are funded from General Fund appropriations. The reserve in the fund balance is reduced each year by the amount of principal payments made over the term of the bonds, through fiscal year 2001. Principal payments totaling $1,323,882 have been made through fiscal year 1999 resulting in an unamortized balance of $146,118 remaining at June 30, 1999.

3. The State Treasurer issued $5,000,000 in bonds during fiscal year 1994 to purchase notes of the Vermont Economic Development Authority pursuant to Title 10, Vermont Statutes Annotated, Chapter 12. Debt service obligations for these bonds are funded from General Fund appropriations with a portion of the fund balance being reserved for these payments. The reserve is being reduced each year, starting in fiscal year 1998, by a proportionate amount of the principal payments made over the term of the bonds, through fiscal year 2014. Public act 178 of 1996 authorized the use of $371,250 of the reserve during fiscal year 1996. The unamortized balance at June 30, 1999 of $4,165,589 has been appropriated for expenditure in Public Act 62 of 1999, Sections 157a(b) and 222(a) during fiscal year 2000.

M. Reserve for Human Services Caseload Management:

The Reserve for Human Services Caseload Management, established pursuant to Title 32 of the Vermont Statutes Annotated, Section 308b(a), was created to be available for appropriation to meet caseload-related needs at the Agency of Human Services. The Secretary of Administration may transfer to the reserve any general fund unexpended appropriations directly attributable to Aid to Needy Families with Children (ANFC) caseload reductions and the effective management of related federal receipts. During fiscal year 1999, $2,512,854 was transferred to the reserve, bringing the reserve balance to $9,901,162 at June 30, 1999.

N. Reserve for General Fund Surplus:

The Reserve for General Fund Surplus was established pursuant to Public Act 147 of 1998, Section 277(5) as amended by Public Act 1 of 1999, Section 88. The reserve is to be credited with the budgetary based surplus for the year ended June 30, 1999, as determined by the Commissioner of Finance and Management. The reserve shall not be expended except by specific appropriation of the general assembly. The reserve balance at June 30, 1999 is $11,139,728.

O. Compensated Employee Absences:

Compensated absences include accumulated unpaid vacation, compensatory time, and personal leave credits. Liabilities related to proprietary fund types are recorded in the fund where-as compensated absences related to governmental funds are recorded in the General Long Term Debt Account Group.

Classified state employees may accrue vacation leave based on the number of years employed up to a maximum rate of 24-days a year, but may accumulate no more than a maximum of 45 days. At June 30, 1999, the State has a liability for employees' earned vacation credits totaling approximately $18,170,763 in the governmental funds which will be liquidated in future periods either as salary payments as vacation leave is taken or by cash payment upon termination of employment.

The State also has governmental funds' liability of approximately $3,526,576 at June 30, 1999 for compensatory time and personal leave which are accumulated as earned by employees.

Employees have also earned sick leave credits that may only be liquidated if and when sickness or injury is incurred and which, therefore, do not represent a liability of the State. Employees accrue sick leave at a maximum rate of 21 days a year. There is no limit on the total accumulation of earned sick leave days. The accumulated amount of unused sick leave at June 30, 1999 is approximately $89,317,796 for all governmental funds.

The above amounts are calculated based on state employees' pay rates at June 30, 1999.

P. Interfund Transactions:

1. Interfund Loans: Short-term loans between funds outstanding at fiscal year end are recorded as Interfund Receivables/Payables. Advances To/From Other Funds represent long term interfund loans receivable and payable.

2. Reimbursements: Reimbursements result when one fund makes an expenditure/expense 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.

3. Quasi-external Transactions: These transactions occur between two governmental funds that would be accounted for as revenue and expenditures/expenses as if they occurred between a government entity and a private sector entity.

4. Residual Equity Transfers: These transfers are defined as nonrecurring and non-routine transfers of equity between two funds.

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

Q. Prepaid Assets:

In the Governmental Type Funds, all purchases are recorded as expenditures when paid. Proprietary funds, non-expendable trust funds, and pension trust funds are reported on an accrual basis of accounting under which expenses are recorded when the related liability is incurred.

R. Use of Estimates:

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

S. Reclassifications:

Certain amounts in prior year financial statements have been reclassified to conform with the current year presentation.

T. Extraordinary Items:

Extraordinary items are situations that occur outside of the norm and that are very unusual. If they are material to the situation in which they occur, disclosure of them may be required.

In fiscal year 1999, a change in federal law under the Higher Education Acts of 1998 mandated that all liquid and non liquid assets related to the FFEL program guaranty functions be transferred to the Federal Loan Reserve Fund (Federal Fund) on October 31, 1998. This fund is administered by Vermont Student Assistance Corporation (VSAC) on behalf of the Education Department and is the property of the Federal Government. At October 31, 1998, VSAC recognized an extraordinary item of $2,796,353 to move the FFEL assets from its fund balance to the Federal Fund balance.

U. Total Columns on Combined Statements:

Total Columns on the accompanying combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not portray present financial position or operating results nor does it reflect data comparable to a consolidation. Interfund transactions have not been eliminated.

Note 2: DEFICIT FUND BALANCES/RETAINED EARNINGS:

The following individual funds have deficit Fund Balances/Retained Earnings at June 30, 1999:

Enterprise Funds:

- Industrial Homework Office Fund: Although this fund has deficit retained earnings of $71,092 at June 30, 1999, it does not have a negative fund equity position at that date.

- Vermont Life Magazine Fund: Although this fund has deficit retained earnings of $540,628 at June 30, 1999, it does not have a negative fund equity position at that date.

- Federal Surplus Property Fund: This fund has a deficit fund equity of $28,640 at June 30,1999. The State plans to reduce the cost of acquiring federal surplus property through an agreement with neighboring states that allows the states to take turns making trips to acquire property for all the states participating in the agreement and by being more selective of what items to acquire.

Internal Service Funds:

- State Liability Insurance Fund: This fund has a deficit fund equity of $471,026 as of June 30, 1999, which is expected to be extinguished by June 30, 2000 through a combination of better management of liability exposure and an increase in premium charges.

Note 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS:

The State pools substantially all cash and investments of governmental, proprietary, and agency funds, except those which are maintained separately in accordance with legal restrictions. Separate cash and investment accounts are generally maintained for pension funds and capital projects funds. Each fund's equity share of the total pooled cash and investments and restricted assets are included on the accompanying balance sheets.

Schedule of Deposit and Investment Disclosures
June 30, 1999
Combined Balance Sheet

Cash and Cash Equivalents	$ 811,086,248
Investments	2,701,307,067
Restricted Cash	3,479,954
Total	**$ 3,515,873,269**
Deposits, Investments, and Reconciling Items	
Carrying Value of Deposits	$ 271,209,191
Carrying Value of Investments	2,976,868,921
Cash on Hand	1,257,903
U.S. Treasury - Unemployment Account	266,537,254
Total	**$ 3,515,873,269**

DEPOSITS:

The following statutory requirement and Treasury Department policy have been implemented to minimize risk associated with 32 VSA Sec. 431 establishes the requirements the State Treasurer must adhere to when depositing public monies. The statute s parameters regarding the amount of funds that may be on deposit with any particular institution at any one time. Although not sta required, the State Treasurer requires State cash deposits to be collateralized with either United States Treasury securities or Ver Municipal securities or a combination of same with a current market value equal to at least 102% of the amount of the deposit.

Deposits are classified as to credit risk by the three categories described below:

Category 1 Fully insured or collateralized with securities held by the State or its agent in the State's name.

Category 2 Collateralized with securities held by the pledging institution's trust department or its agent in the State's name.

Category 3 Uncollateralized

At June 30, 1999, the State's deposits, listed by credit risk category, are shown in the following schedule:

	Categories 1	2	3	Bank Balance	Reported Amount
Primary Government	$ 3,793,333	$ 8,207,626	$ 84,333,820	$ 96,334,779	$ 70,582,768
Component Units	1,752,199	14,590,453	189,304,447	205,647,099	200,626,423
Total	**$ 5,545,532**	**$ 22,798,079**	**$ 273,638,267**	**$ 301,981,878**	**$ 271,209,191**

INVESTMENTS:

Effective July 1, 1997, the State adopted provisions of GASB No.31, "Accounting and Reporting for Certain Investments and for External Investment Pools." GASB No.31 requires investments to be reported at fair value in the balance sheet.

The U.S. Treasury - unemployment account balance of $266,537,254 at June 30, 1999 is on deposit with the U.S.Treasury and is not categorized.

The disclosure of carrying (book) amounts by type of investment are classified in the following three categories of credit risk:

1. Insured, registered or securities held by the State or its agent in the State's name.
2. Uninsured and unregistered, with securities held by counterparty's Trust Department or agent in the State's name.
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the State'

32 VSA 433 defines the parameters the Treasurer must adhere to when investing State monies. Types of investments the Treasurer may utilize include obligations of the United States, its agencies and instrumentalities, and any repurchase agreements underlying collateral consists of such obligations; certificates of deposit issued by banks and savings and loan associations appro Treasurer; prime banker acceptances; prime commercial paper; tax exempt securities; and domestic money market funds. The b overseeing the various pension funds have adopted their own sets of investment guidelines.

At June 30, 1999 the State's investments, categorized by the credit risk categories listed above, are shown in the following sc

INVESTMENTS

	Categories 1	2	3	Carrying Amount
<u>Primary Government</u>				
Stocks	$ 1,372,364,464	$	$	$ 1,372,364,464
U.S. Government Securities	309,050,118			309,050,118
Corporate Bonds and Notes	428,525,625			428,525,625
Other Investments	53,887,786			53,887,786
Subtotals				$ 2,163,827,993
Not Categorized:				
Real Estate/Venture Capital				198,800,748
Single Deposit Investment Account				105,226,664
Mutual Funds				99,992,621
Lottery Annuity				961,855
Mortgages				301,794
Totals - Primary Government	$ 2,163,827,993	$ 0	$ 0	$ 2,569,111,675
<u>Component Units</u>				
U.S. Government Obligations	$ 81,941,490	$ 4,813,114	$ 38,642,109	$ 125,396,713
Corporate Bonds	22,711,219	4,197,000		26,908,219
Stocks	35,811,272	1,981,000		37,792,272
Other	33,048,000	141,750,271	27,150,465	201,948,736
Subtotals				$ 392,045,940
Not Categorized				
Vermont State Colleges				
- Investment Held in Common Trust				13,505,955
Money Market Funds				2,205,351
Totals - Component Units	**$ 173,511,981**	**$ 152,741,385**	**$ 65,792,574**	**$ 407,757,246**
Totals - Reporting Entity				**$ 2,976,868,921**

<u>Securities Lending Transactions</u>

State statutes and board of trustees policies permit the State of Vermont Treasurer's office to use investments of the three pension plans to enter into securities lending transactions - loans of securities to broker dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The system's securities dealer, State Street Bank and Trust Company, is the agent in lending the plan's domestic securities for cash collateral of 102% and internaional securities for cash collateral of 105%. Secutities on loan at year-end are presented as unclassified in the schedule of custodial risk. At year-end the system has no credit risk exposure to borrowers because the amounts Vermont owes to borrowers exceed the amount the borrowers owe to Vermont. The lending agent indemnified Vermont by agreeing to purchase replacement securities or to return cash collateral in the event borrowers failed to return the securities (and if the collateral is inadequate to replace the secuities lent) or failed to pay Vermont for

During the fiscal year, Vermont and the borrowers maintained the right to terminate all securities loans on demand. The cash collateral received on each loan was invested in collective investment pools with an average duration of 47 days at June 30, 1999. Because loans were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral. On June 30, 1999, the collateral held and the market value of the securities on loan for Vermont was $114,293,645 and

Below are the statutory references that allow the pension plans to participate in the securities lending

<u>Statute Reference</u>	<u>Retirement Plan</u>
3 VSA 471(m)	Vermont State Employees Retirement Fund
16 VSA 1942(q)	Vermont Teachers' Retirement Fund
24 VSA 5062(o)	Vermont Municipal Employees Retirement Fund

Note 4: SUMMARY OF PROPRIETARY FUND FIXED ASSETS:

A summary of Proprietary Funds' property, plant and equipment at June 30, 1999 is shown below:

	Enterprise	Internal Service
Land	$ 0	$ 26,156
Buildings & Leasehold Improvements	117,117	0
Machinery and Equipment	2,619,974	39,486,829
Accumulated Depreciation	(1,652,922)	#########
Total	$ 1,084,169	$ 14,753,290

Note 5: RETIREMENT PLANS AND OTHER POST EMPLOYMENT BENEFITS:

A. Retirement Plan Descriptions

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 one defined contribution plan. These systems are considered part of the State's reporting entity and are included in the accompanying financial statements as pension trust funds in the Trust and Agency fund type. There are no separate stand-alone financial statements issued for these plans.

The Vermont State Retirement System (VSRS) (3 VSA 455) is a single-employer public employee defined benefit retirement system which covers substantially all general state employees and State Police, except employees hired in a temporary capacity. Membership in the system is a condition of employment. The membership consists of:

(1) employees who belonged to the original contributory system (Groups A and D with a contribution rate of 5.1% of payroll and Group C with a contribution rate of 6.28% of payroll)

(2) vested members of the non-contributory system (Group E)

(3) members of the new contributory system (Group F) who contribute at a rate of 2.85% of payroll.

The State Teachers' Retirement System (STRS) (16 VSA 1931) is a cost sharing multiple-employer public employee retirement system. It covers nearly all public day school and nonsectarian private high school teachers and administrators as well as teachers in schools and teacher training institutions within and supported by the State which are controlled by the state board of education. Membership in the system for those covered classes is a condition of employment. The membership is made up of:

(1) contributory members from the old system (Group A) who contribute at a rate of 5.5%

(2) vested members of the non-contributory system (Group B)

(3) members of a new contributory system who contribute at a rate of 3.7% of covered payroll (Group C).

The State appropriates funding for pension costs associated with the above two plans. In fiscal years prior to 1982, both systems were solely contributory. Under legislation effective July 1, 1981, Vermont State employees and State teachers could elect to transfer their current memberships from a contributory to a non-contributory membership class (see Note 5 E. Single Deposit Investment Account). However, in 1990, the legislature again made both systems contributory effective July 1, 1990 for the STRS and January 1, 1991 for the VSRS. The State's contribution to each system is based on percentage rates of each member's annual earnable compensation. These rates include a "normal contribution" rate and an "accrued liability contribution" rate and are calculated based upon the liabilities of each system as determined by actuarial valuations. Present law provides that each system's unfunded accrued liability will be amortized over 30 years. This amortization began July 1, 1988 and has 19 years remaining (the liability will be fully amortized in fiscal year 2018).

The Vermont Municipal Employees Retirement System (MERS) (24 VSA 1091) is a cost sharing multiple-employer public employees retirement system that is administered by the State Treasurer and its Board of Trustees. It is designed for school district 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 employers is required to join the system upon the completion of three years of continuous service.

Prior to July 1, 1987, the State was statutorily responsible for contributions to the MERS's pension accumulation fund. Effective July 1, 1987 and thereafter, all payments to the system's pension accumulation fund are supported entirely by employer (municipal) and employee contributions. Employers make quarterly payments into the pension accumulation fund. These payments are percentages of annual earnable compensation for each membership group and consist of a "normal" and an "accrued liability" portion. The percentage rates of such contributions are fixed on the basis of the liabilities of the system pursuant to actuarial evaluations.

In accordance with Title 3 of the Vermont Statutes Annotated Section 500, the State established an optional defined contribution plan for exempt state employees effective January 1, 1999. The Vermont State Defined Contribution Plan is reported in the Pension Trust Funds. Over 800 eligible employees had a one-time irrevocable option of transferring the actuarial value of their accrued benefit from the defined benefit plan to the defined contribution plan on January 1, 1999.

The actuarial calculations were performed on a cost-neutral basis so that the accrued balances and liabilities were equivalent. 374 exempt employees representing approximately 45% of the eligible employees elected to transfer to the defined contribution plan. Assets totaling $21 million were transferred from the defined benefit plan to the defined contribution plan on January 4, 1999 as a result of the election. As the attendant decrease in liabilities in the defined benefit plan was equal to $21 million, there was no material effect on the financial health of the defined benefit system resulting from the transfer. Exempt employees hired after January 1, 1999 have a one-time opportunity to elect either the defined benefit or defined contribution plan.

Employees are required to contribute at the rate equivalent to the contribution rate for Group F members of the VSRS. The State is required to contribute, to each employee's account, at the rate of 7% of the employee's compensation for each payroll period. An employee becomes vested in the plan after completion of 23 months of creditable service as a State employee. For the fiscal year ended June 30, 1999, plan member contributions were $232,424 and State employer contributions were $734,098. As of June 30, 1999, the Vermont State Defined Contribution Plan's net assets totaled $23,131,953 and there were 365 participants.

The Legislature has granted authority to the Vermont Municipal Employees' Retirement System's Board of Trustees to establish a defined contribution plan that may be offered in lieu of the defined benefit plans currently available under the Municipal Retirement System. The board is in the process of implementing a defined contribution plan that will be available to new members effective July 1, 2000. The defined contribution plan may be offered by municipal employers to one or more groups of eligible employees. Once offered by the employer, each eligible employee will be required to make an election to participate. Employees currently in one of the municipal defined benefit plans who elect the defined contribution plan will transfer the actuarial value of their accrued benefit on July 1, 2000. Employers that do not offer the defined contribution plan to their employees by December 31, 1999 will have an opportunity to do so by December 31 of any subsequent year with transfer effective the following July 1.

Copies of each individual defined benefit retirement plan's annual actuarial valuation as well as information describing each plan's provisions including vesting requirements, benefits provided, post retirement adjustments, etc., are available for inspection at the Office of Retirement and Social Security, 133 State Street, Montpelier, Vermont 05633-6901.

B. Plan Membership

At June 30, 1999, VSRS, STRS, and MERS membership consisted of:

	VSRS	STRS	MERS
Retirees and beneficiaries of deceased retirees currently receiving benefits	3,394	3,485	769
Terminated employees entitled to benefits but not yet receiving them (vested)	1,505	2,654	1,242
Active employees:			
Vested	5,228	5,643	2,248
Non-vested	1,830	4,363	1,345
Total active employees	7,058	10,006	3,593
Total participants	11,957	16,145	5,604

C. Schedules of Employer Contributions and Funding Progress

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

	VSRS	STRS	MERS
Valuation date	06/30/99	06/30/99	07/01/99
Actuarial cost method	Entry age normal cost with frozen initial liability	Entry age normal cost with frozen initial liability	Projected benefit cost method
Amortization method	Level percentage of payroll	Level percentage of payroll	level percentage of payroll
Remaining amortization period	19 years	19 years	19 years
Asset valuation method	Actuarial value of assets using a five year smoothing technique	Actuarial value of assets using a five year smoothing technique	Actuarial value of assets using a five year smoothing technique
Actuarial assumptions			
Investment rate of return *	8.5%	8.5%	8.0%
Projected salary increases*	4.5%-7.8%	4.9%-8.9%	5.6%
Cost-of-living adjustments	2.25%-4.5%	2%-4%	2%-2.3%

* Includes inflation at 4.6%

Funding policies adopted by the systems' boards of trustees provide for periodic contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage-of-payroll contribution rates are determined using actuarial funding cost methods.

Schedule Of Employer Contributions

	VSRS		STRS		MERS	
Year Ended 6/30	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1992	########	69.30%	28,595,000	51.12%	2,497,000	100.00%
1993	########	81.64%	28,820,000	69.02%	2,692,000	100.00%
1994	########	80.04%	25,805,000	79.75%	3,004,000	100.00%
1995	########	69.70%	27,452,000	65.86%	3,046,000	100.00%
1996	########	88.52%	28,712,000	39.98%	3,366,000	100.00%
1997	########	99.48%	30,722,000	58.85%	3,542,000	100.00%
1998	########	104.26%	26,927,000	67.14%	3,666,000	100.00%
1999	########	98.66%	20,724,000	87.24%	4,234,000	100.00%

Information for years prior to 1992 is not available.

Schedule of Funding Progress
(dollar amounts in 1000's)

Actuarial Valuation Date 6/30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
VSRS						
1992	364,628	609,139	244,511	59.9%	205,627	118.9%
1993	400,084	631,637	231,553	63.3%	210,032	110.2%
1994	428,678	665,427	236,749	64.4%	217,043	109.1%
1995	480,049	679,427	199,378	70.7%	225,089	88.6%
1996	560,659	664,173	103,514	84.4%	226,792	45.6%
1997	639,128	753,883	114,755	84.8%	227,000	50.6%
1998	733,716	804,501	70,785	91.2%	235,956	30.0%
1999	804,970	876,412	71,441	91.9%	238,281	30.0%
STRS						
1992	390,098	509,140	119,042	76.6%	312,347	38.1%
1993	433,327	555,220	121,893	78.1%	324,537	37.6%
1994	473,229	597,851	124,622	79.2%	335,155	37.2%
1995	520,850	648,052	127,202	80.4%	346,975	36.7%
1996	570,776	700,377	129,601	81.5%	355,895	36.4%
1997	717,396	849,179	131,783	84.5%	364,695	36.1%
1998	821,977	955,694	133,717	86.0%	357,899	37.4%
1999	931,056	1,066,400	135,344	87.3%	372,299	36.4%
MERS						
1992	44,379	45,331	952*	97.9%	52,000	1.8%
1993	52,536	51,292	(1,244)	102.4%	55,900	-2.2%
1994	60,646	59,251	(1,394)	102.4%	62,300	-2.2%
1995	70,082	67,039	(3,043)	104.5%	62,200	-4.9%
1996	81,396	73,401	(7,994)	110.9%	68,700	-11.6%
1997	96,197	85,686	(10,510)	112.3%	70,800	-14.8%
1998	113,678	102,005	(11,673)	111.4%	79,056	-14.8%
1999	137,454	114,481	(22,973)	124.6%	70,808	-32.4%

* Decrease from prior year due to change in actuarial cost method and asset valuation method

Information for years prior to 1992 is not available.

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

The State's annual pension cost and net pension obligation (NPO) to the Vermont State Retirement System and th Teachers' Retirement System at June 30, 1999 were as follows:

	VSRS	STRS
Annual Required Contribution (ARC)	$23,268,197	##########
Interest on NPO	3,186,146	7,171,584
Adjustment to ARC	(3,288,077)	(8,231,373)
Annual Pension Cost (APC)	$23,166,266	##########
Employer Contribution Made	22,956,245	18,080,000
Increase (Decrease) in NPO	$210,021	$1,584,085
NPO - Beginning of Year	37,349,088	84,398,154
NPO - End of Year	$37,559,109	##########
Percentage of APC contributed	98.66%	87.24%

E. Single Deposit Investment Account

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

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

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

The VSRS's members in the Group A contributory plan could elect to either remain in the Group A plan or transfer to the new Group E non-contributory plan. Group A members electing to transfer to the Group B plan had their

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

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, 1999, there were 1,791 STRS members and 1,377 VSRS members, with total assets of $105,226,664, in the Single Deposit Investment

F. Other Post Employment Benefits

The State offers both post employment medical insurance and life insurance benefits in addition to providing pensic

Employees retiring for any reason (disability, early, or normal) including the State Police, are entitled to receive medical coverage for themselves and their dependents over the lifetime of the retiree, with 20% of the cost to be paid by the retiree. If the retiree chooses the joint and survivor pension option, and predeceases his or her spouse, the medical benefits also continue for the spouse, along with the pension. However, generally, the

In the case of life insurance, if a state employee retires or terminates due to disability prior to age 65, and proper documentation is approved by the life insurance company, full life insurance coverage will continue at the State's expense up to age 65. At that time, if the retiree has a total of 20 years or more of active and retired (while receiving disability) service, life insurance automatically changes to $5,000 fully paid and 100% of the premium is paid by the State.

Note 6: DEFERRED COMPENSATION:

The State offers its employees a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code. The plan, available to all state employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or an unforeseeable emergency.
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In compliance with federal mandates, the Vermont State Retirement Board adopted a Plan-Trust Declaration for the State of Vermont's Deferred Compensation Plan effective January 1, 1999. The federal mandate was established to protect the assets of deferred compensation plans by requiring the assets be placed in a trust to be used for the sole purpose of plan participants. After January 1, 1999, the plan assets will no longer be considered assets of the State of Vermont and will be removed from the State's financial statements.

In accordance with the above, the Deferred Compensation Fund was removed from the State's financial statements effective July 1, 1998.

Note 7: LEASE COMMITMENTS:

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 noncancelable leases for financial reporting purposes.

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

Fiscal Year	Non Cancelable Leases	Cancelable Leases	Primary Government Totals	Vermont State Colleges	Vermont Student Assistance Corporation	Total Reporting Entity
2000	$3,196,301	$186,429	$3,382,730	$1,276,874	$374,452	$5,034,056
2001	2,196,165		2,196,165	1,283,386	374,452	3,854,003
2002	1,820,252		1,820,252	1,068,942	124,817	3,014,011
2003	1,277,030		1,277,030	877,610		2,154,640
2004	888,835		888,835	526,751		1,415,586
Thereafter	1,064,462		1,064,462	1,689,218		2,753,680
Totals	$10,443,045	$186,429	$10,629,474	$6,722,781	$873,721	$18,225,976

Capital Leases

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 1999 are as follows:

Fiscal Year	Internal Service Funds	Total Primary Government	Vermont State Colleges	Total Reporting Entity
2000	$1,080,896	$1,080,896	$86,939	$1,167,835
2001	918,033	918,033	86,939	1,004,972
2002			86,939	86,939
2003			43,105	43,105
2004			34,338	34,338
Thereafter			54,364	54,364
Total Minimum Lease Payments	$1,998,929	$1,998,929	$392,624	$2,391,553
Less amount representing interest	54,953	54,953	57,272	112,225
Present value of minimum lease payments	$1,943,976	$1,943,976	$335,352	$2,279,328

Note 8: GENERAL OBLIGATION BONDS AND NOTES PAYABLE:

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

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

Changes in bond and note principal payable during fiscal year 1999 are summarized as follows:

		General Obligation Bonds
Balance July 1, 1998		$ 548,133,694
Additions:		
Issuances	$ 34,285,000	
Accretions	3,842,466	
Total		38,127,466
Deductions:		
Principal repayments	$ 48,470,000	
Total		(48,470,000)
Balance June 30, 1999		$ 537,791,160

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

On December 16, 1993, the State issued capital appreciation bonds with a maturity value of $32,625,000 maturing on August 1 in the years 1999 through 2013. Proceeds from these bonds totaled $17,987,640. At June 30, 1999, the accreted value of these bonds was $23,264,265.
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In fiscal year 1992, capital appreciation bonds with a maturity value of $20,575,000 were issued. These bonds mature on October 15 in the years 1996 through 2011. Proceeds from these bonds totaled $9,999,837 and have an accreted value of $11,397,754 at June 30, 1999.

During fiscal year 1991, capital appreciation bonds were issued with a maturity value of $48,935,000 and are scheduled to mature on December 1 in the years 1995 through 2010. Proceeds from these bonds totaled $19,310,002 and have an accreted value of $29,774,141 at June 30, 1999.

Future general obligation debt service requirements at June 30, 1999 are as follows:

Fiscal Year	Current Interest Bonds Principal	Current Interest Bonds Interest	Capital Appreciation Bonds	Total
2000	$ 45,490,000	$ 23,603,536	$ 5,840,000	$ 70,214,900
2001	41,790,000	20,964,698	6,610,000	65,044,772
2002	38,970,000	18,832,780	7,380,000	60,985,750
2003	38,465,000	16,855,695	8,020,000	59,261,970
2004	35,045,000	15,063,700	8,230,000	58,338,700
Thereafter	273,595,000	73,619,602	58,370,000	405,584,602
Totals	$ 473,355,000	$ 168,940,011	$ 94,450,000	$ 736,745,011

At June 30, 1999, there remained $37,000,868 of authorized but unissued General Obligation Bonds.

* See following page for schedule of General Obligation Bonds outstanding at June 30, 1999.

Note 9: PRIOR YEARS' BOND REFUNDINGS:

During the fiscal years 1992, 1993, 1994, and 1998, the State of Vermont defeased "in-substance" certain general obligation bonds by issuing new bonds and by placing the proceeds of these new bonds in an irrevocable trust. These trust assets will be utilized to make all future debt service payments on the old bonds. Accordingly, these trust assets and the liability for the old (now defeased) bonds are not included in the State's financial statements. As of June 30, 1999, $93,480,000 worth of defeased bonds remain outstanding.

General Obligation Bonds outstanding at June 30, 1999 are comprised of the following issues:

Date Issued	Date Series Matures	Interest Rates -%	Amount of Original Issue	Maturity Value Of Capital Appreciation Bonds	Maturity Value of Bonds Outstanding — Sources of Payments — General Fund	Transportation Fund	Special Fund	Total
General Obligation Current Interest Bonds:								
07/01/80	02/01/00	6.8%	$ 51,210,000	$	$ 2,111,970	$ 488,030	$	$ 2,600,000
02/01/90	02/01/10	6.7 to 6.75	58,380,000		5,840,000			5,840,000
12/01/90	02/01/10	6.4 to 6.5	65,000,000		11,712,000	488,000		12,200,000
10/01/91	08/01/04	4.7 to 6.0	23,040,000		4,835,000	260,000		5,095,000
02/01/92	02/01/12	5.0 to 7.5	49,285,000		6,840,000	2,960,000		9,800,000
08/01/92	08/01/08	3.0 to 5.75	71,280,000		47,520,000	3,555,000		51,075,000
08/01/93	02/01/12	3.0 to 5.0	58,415,000		49,945,000	5,475,000		55,420,000
10/15/93	04/15/08	3.7 to 6.6	85,000,000		57,007,500	2,992,500		60,000,000
11/15/94	01/15/14	5.6 to 7.0	70,000,000		24,753,900	486,100		25,240,000
12/01/95	01/15/15	4.875 to 5.125	60,000,000		50,520,000			50,520,000
01/25/96	01/15/01	4.1 to 4.3	5,000,000		2,500,000			2,500,000
11/20/96	01/15/16	5.0 to 5.125	38,000,000		34,000,000			34,000,000
12/12/96	01/15/16	3.7 to 5.6	15,000,000		13,420,000			13,420,000
10/12/97	01/15/17	4.5 to 5.0	28,500,000		25,222,263	1,777,737		27,000,000
12/03/97	01/15/17	3.9 to 5.2	14,990,000		14,200,000			14,200,000
03/15/98	01/15/14	4.25 to 5.0	64,575,000		44,653,184	3,006,816	15,150,000	62,810,000
05/01/98	01/15/17	4.5 to 5.0	7,755,000				7,350,000	7,350,000
11/23/98	01/15/18	4.5 to 4.75	26,630,000		25,980,000	650,000		26,630,000
12/22/98	01/15/04	3.6 to 4.0	7,655,000		7,655,000			7,655,000
Total General Obligation Current Interest Bonds					**$ 428,715,817**	**$ 22,139,183**	**$ 22,500,000**	**$ 473,355,000**
General Obligation Capital Appreciation Bonds:								
12/13/90	12/01/10	N/A	19,310,002	$ 48,935,000	$ 45,115,000			$ 45,115,000
10/30/91	10/15/11	N/A	9,999,837	20,575,000	16,710,000			16,710,000
12/01/93	08/01/13	N/A	17,987,640	32,625,000	32,625,000			32,625,000
Total Maturity Value					$ 94,450,000			$ 94,450,000
Less: Unaccreted Interest					30,013,840			30,013,840
Total General Obligation Capital Appreciation Bonds					**$ 64,436,160**			**$ 64,436,160**
Total General Obligation Bonds					**$ 493,151,977**	**$ 22,139,183**	**$ 22,500,000**	**$ 537,791,160**

Note 10: ACCOUNTING METHOD CHANGES AND FUND EQUITY RESTATEMENTS:

Retained Earnings for the Industrial Homework Office Fund (Enterprise Fund) as of July 1, 1998 has been restated to correct an error at June 30, 1998.

The Communications & Information Technology Fund's (Internal Service Fund) Retained Earnings as of July 1, 1998 has been restated to reclassify legislative appropriations previously classified as Capital Contributions to appropriations for operations. This change did not result in any restatement of total Fund Equity.

The Vermont State Colleges and Vermont Municipal Bond Bank (Component Units) have restated their prior year's financial statements and Fund Balance for the retroactive adoption of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

The Vermont Economic Development Authority's (Component Unit) Retained Earnings as of July 1, 1998 has been restated to include activities not previously reported. Also, Cash and Cash Equivalents as of July 1, 1998 has been restated for the inclusion of their component units' Cash of $872,592 not previously included.

	Industrial Homework Office Fund	**Communi-cations & Information Technology Fund**	**Vermont Municipal Bond Bank**	**Vermont State Colleges**	**Vermont Economic Development Authority**
Retained Earnings/Fund Balance, July 1	$ (67,652)	$ (881,869)	$ 4,659,674	$ 142,000,835	20,979,797
Adoption of accounting principle			4,981,989	1,177,430	
Correction of prior period error	(7,200)	1,519,024			(24,715)
Retained Earnings/Fund Equity, July 1, as restated	$ (74,852)	$ 637,155	$ 9,641,663	$ 143,178,265	20,955,082

Note 11: SEGMENT INFORMATION FOR ENTERPRISE FUNDS:

The State reports six enterprise funds relating to sales of lottery tickets, liquor, Vermont Life magazine, and related products, industrial homework products, federal surplus property, and guarantees of home mortgages. Segment information for the year ended June 30, 1999 is as follows:

	Vermont Lottery Commission	Liquor Control Fund	Vermont Life Magazine	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues	$ 70,404,896	$ 28,331,637	$ 2,453,824	$ 965,633	$ 102,155,990
Depreciation Expense	79,557	180,083	23,803	0	283,443
Operating Income (Loss)	19,489,815	563,802	22,286	(659,839)	19,416,064
Operating Transfers In (Out)	(19,330,205)	(327,000)	0	0	(19,657,205)
Net Income (Loss)	181,661	222,025	44,045	(755,214)	(307,483)
Property, Plant & Equipment					
Additions	80,385	269,936	18,543	0	368,864
Deletions	75,164	108,200	0	0	183,364
Net Working Capital	630,906	(61,358)	57,761	23,269	650,578
Total Assets	4,026,054	5,576,323	1,042,025	323,439	10,967,841
Total Equity	529,217	784,732	97,506	23,269	1,434,724

Note 12: CONTINGENT AND LIMITED LIABILITIES:

CONTINGENT LIABILITIES

Vermont Economic Development Authority:

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

The Authority has the power to insure up to $15 million of mortgages made by lenders 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 mortgages is also possible under the act that created the Authority. As of June 30, 1999, the Authority had mortgage insurance contracts totaling $4,575,000. The full faith and credit of the State is pledged to support these activities of the Authority.

The authority is authorized to reimburse lenders participating in the Vermont Financial Access Program for losses incurred on loans that the lender registers with the Authority. The full faith and credit of the State is pledged in an amount equal to the reserve premium payment deposited by the participating lenders for each registered loan, with the aggregate amount of credit that may be pledged not to exceed $2 million at any one time. The State’s contingent liability at June 30, 1999 was $892,268. The State’s net cash contribution since inception is $207,721.

Under provisions of the statutes governing VEDA, the State has loaned VEDA funds by purchasing its notes. The funds borrowed by VEDA were loaned to borrowers of VEDA in accordance with the purposes defined by the applicable statutes. On June 30, 1997, $13,500,000 of then outstanding notes was restructured into a 20-year debt obligation to be paid to the State by VEDA at a rate of 4.55%. The repayment is to be made from the principal and interest cash flows of certain Subchapter 3 and Subchapter 5 loans. The debt is subordinate in all respects to the repayment of $16,800,000 of taxable revenue bonds that were issued to create the leverage reserve fund previously noted. As of June 30,1999 there were $14,800,000 of these bonds still outstanding. At June 30, 1999, there was $13,377,901 still outstanding on the note. As part of the June 30, 1997 restructuring, it was agreed that $5,500,000 in notes would be repaid to the State to the extent possible from the receipts of certain Subchapter 3 and Subchapter 5 loans and other real estate which have not been pledged as security for the taxable revenue bonds. At June 30, 1999, $4,780,323 remained outstanding on these notes.

The 1999 General Assembly created the Vermont Agricultural Credit Corporation (“VACC”) to be operated by the Authority. The VACC assumed all of the assets and liabilities of the Family Farm Debt Stabilization Program (“DSP”) and the Agriculture Finance Program (AFP”). These programs were previously administered by the Authority. In 1988, the DSP borrowed $20,000,000 from a group of Vermont banks. A pledge of the full faith and credit of the State secured the repayment of the debt. In 1996, the authority borrowed an additional $2,000,000 from a single Vermont bank, also secured by the pledge of the full faith and credit of the State. As of June 30, 1999, the Authority had $5,185,292 outstanding on these obligations. The State Treasurer also holds $2,500,000 in notes for the VACC that funded loans under the AFP and DSP. The notes were made in 1994 for a term of 20 years and carry an interest rate of 4.55%. As of June 30, 1999, the outstanding amount of these notes was $1,950,000.

The authority has established a commercial paper program to fund loans made under Subchapter 3 and Subchapter 5 programs in an amount aggregating up to $40 million. The Subchapter 3 program provides loans to local and regional development corporations while the Subchapter 5 program provides direct loans to businesses. The company’s commercial paper for these purposes is supported by a direct-pay letter of credit from First Union National Bank. The direct-pay letter of credit is secured from various repayment sources, including a $16 million leverage fund held by a trustee and a debt service reserve pledge fund from the State of Vermont in an amount not to exceed $25 million. This debt service pledge is based on a similar structure utilized by both the Vermont Municipal Bond Bank and the Vermont Housing Finance Agency. The amount of commercial paper outstanding under this program at June 30, 1999 was $7,895,000.

Federal Grants:

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

Vermont Home Mortgage Guarantee Board

Effective May 14, 1999, the Vermont Home Mortgage Guarantee Board (VHMGB), the Vermont Housing Finance Agency (VHFA) and the PMI Mortgage Insurance Company entered into an assumption agreement (Agreement). Under this agreement, VHMGB sold, assigned, and transferred all of its right, title, and interest in and to its mortgage guarantee business, including all liabilities arising thereunder, and PMI assumed 100% of the liability of VHMGB under those contracts and now stands in place and stead of the VHMGB. PMI also received all of the reserves of the VHMGB, plus the $4.2 million appropriated to the VHMGB by the General Assembly in fiscal year 1999. As a result of this sale, the State of Vermont no longer has any contingent liabilities for the VHMGB. This transaction resulted in a loss of $644,944, calculated as follows:

Cash paid to PMI Mortgage Insurance Company	$	7,076,709
Assets and Liabilities Assumed by Purchaser:		
Prepaid Guarantee Acquisition Costs		774,222
Unearned Premiums		(2,863,614)
Reserved For Unpaid Claims		(2,217,939)
Premium Deficiency Reserve		(2,168,392)
Guarantee Fees Receivable		53,516
Advanced Premiums Collected		(9,558)
Loss on Sale of Business	$	(644,944)

Limited Liabilities

Vermont Municipal Bond Bank:

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

Vermont Housing Finance Agency:

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

Note 13: 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, it is believed that any ultimate liability to the State resulting from these suits, not covered by various insurance policies, would not materially affect the State's overall financial condition.

Note 14: BUDGET STABILIZATION RESERVES

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

The reserves balances will consist of any unreserved undesignated surplus at the close of the fiscal year, provided the balance in each fund’s Budget Stabilization Reserve shall not exceed an amount equal to five percent of its appropriations for the prior fiscal year plus any additional amounts as may be authorized by the general assembly. For the Education Fund’s first fiscal year of existence, the legislature designated $1,000,000 to be placed in its stabilization reserve. Use of the reserve is limited to offsetting the respective fund's deficit at the close of a fiscal year. Pursuant to action taken by the Legislature, the Transportation Fund's Budget Stabilization Reserve at June 30, 1999 was $8,309,164, the General Fund's Budget Stabilization Reserve was $40,033,528 at June 30, 1999, and the Education Fund’s Budget Stabilization Reserve at June 30, 1999 was $1,000,000.
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Note 15: JOINT VENTURE

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

At June 26, 1999, the commission had total assets of $262,720,140 and total liabilities of $242,436,152. For the fiscal year ended June 26, 1999, the commission has operating revenues of $79,602.786, interest income of $574,650, commissions, fees, and bonus expenses of $8,255,486, prize awards of $39,521,500, and other operating expenses of $4,323,419. During the fiscal year, the commission made operating transfers to member states of $28,077,031, which includes $4,363,875 transferred to Vermont.

Note 16: RISK MANAGEMENT

A. Worker's Compensation and Liability Risk Management

The Risk Management Division of the General Services Department administers all risk management for State government except for the Health and Life Insurance plans listed below. As it is the policy of the State to minimize purchases of commercial insurance for most of the risks to which the State is exposed, the Risk Management Division sets aside assets and pays claims utilizing the following three Internal Service Funds:

Worker's Compensation Self Insurance Fund
State Liability Self Insurance Fund
Risk Management- All Other Fund (uses the purchase of commercial insurance)

The Worker's Compensation Fund is required by state statute to insure all state governmental and quasi-governmental entity's employees upon request. The State has unlimited exposure to liability and has not purchased any stop-loss insurance to limit this exposure. The review of this liability including an actuarial evaluation of incurred but not reported claims (IBNR) is conducted annually. Claims, all of which are processed by Risk Management

Division personnel, are audited annually by outside claims adjusters to ensure that claims' statistical information used to calculate the State's Worker's Compensation exposure is reliable. The contribution required to fully fund losses is calculated by an outside actuary. Allocation to each participating entity who has covered employees is done by the Risk Management Division, utilizing exposure and departmental experience factors.

The State Liability Insurance Fund covers both general and auto liability risk. The coverage is restricted and is comparable to a standard private commercial policy. It offers coverage to the same group of participants as those covered by the Worker's Compensation plan above. Its exposure to risk in Vermont is governed by the Doctrine of Sovereign Immunity per Title 12 VSA 5601, etc while its exposure outside of Vermont is unlimited. It is self-insured for the first $250,000 of exposure and has purchased excess commercial insurance to cover the additional per occurrence exposure in amounts of up to $1,000,000 in Vermont and $10,000,000 outside of Vermont. A Third Party Administrator (TPA) administers all claims other than minor property damage claims. The Risk Management Division calculates the contribution necessary to fund the coverage utilizing both an exposure rating basis and an experience rating factor for each participating entity. The liability loss projections and the claims processing data are audited annually by outside claims adjusters.

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

B. Health Care and Life Insurance Plans

The Employee Benefits and Wellness (Benefits) Division of the Department of Personnel maintains medical, dental, and life insurance plans for the benefit of current employees, retirees, ex-employees, legislators, and employees of outside groups which have been declared eligible to participate by statute.

The medical plan offerings include three Health Maintenance Organization (HMO) plans: Kaiser Permanente (KP), the Mohawk Valley Plan (MVP) and the TVHP Blue Care. Kaiser Permanente will be leaving the State as of January 1, 2000. A self-funded indemnity fee-for-service (Choice Plus) plan administered by Blue Cross/Blue Shield of Vermont is also offered. Participating employees share the premium cost of the plans with the State. The employees participating in all of these plans include all of the categories listed above.

The HMO plans are purchased fully insured plans in which the HMO's calculate the premiums based on community rates. The coverage available to the participants is basically unlimited but is administered under a managed care arrangement. The State bears no insurance risk for catastrophic occurrences or claims in excess of the premiums paid.

The self-insured self funded Choice Plus plan provides medical benefits coverage with high dollar limitations. To limit the State's large claims exposure, the State has purchased stop-loss insurance. Premium amounts, shared between the employees and the State, are calculated by Benefits Division analyst and then reviewed by an outside actuary. The State's liability for "incurred but not yet reported" (IBNR) claims is calculated by an outside actuary and is based on the State's previous claims experience.

The self-funded State of Vermont Employee Dental Assistance Plan, which is administered by Northeast Delta Dental, provides up to $1,000 regular dental care annually and up to $1,750 lifetime for orthodontic care for each participant. These plan caps effectively limit the State's exposure to catastrophic loss so no stop-loss insurance has been purchased. The Benefits Division analyst, in consultation with the dental actuary of the plan's administrator, sets the premium rates. Participants include all mentioned above except for retirees and legislators.

The State of Vermont Employee Life Insurance Program consists of a Regular Life benefit and an Accidental Death and Dismemberment (AD&D) benefit, each of which provides coverage equal to twice 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 insurance at the time of retirement receive a retiree life benefit of $5,000 with no AD&D coverage.

Both the Regular Life and AD&D are fully insured products where the carrier retains liability for all claims. Benefits Division personnel calculate the premium rates charged for both of these programs. Active employee's premium costs are shared between the State and the employees. Retired employees' costs are fully paid by the State. Of the above groups, only current employees, retired employees, and current members of outside groups are eligible to participate.

A flexible spending account is available to active employees only. This account allows pre-tax salary deduction to be used to pay for eligible medical and dependent care expenses.

An employee assistance program (EAP) was implemented in fiscal year 1999. This program assists employees and family members in addressing problems that impact on lives including family, psychological, stress, financial, drugs, alcoholism, and other issues. Only current state employees and their families may participate in this program. The manager of the program, ETP, Inc is paid a fee based on the number of employees who work for the State. They are expected to provide, among other things, up to five counseling sessions per case. No claims, costs, or other liabilities are incurred under this plan by the State.

Following is a table displaying three years' changes in the respective funds' claims liability amounts or, in the case of the Life Insurance Fund, the changes in the claims expense related insurance premium liability.

Fund and Fiscal Year	Liability at Beginning of the Fiscal Year	Current FY Claims and Changes in Estimates	Current FY Claims' Payments	Other	Balance of Liability at End of Fiscal Year
Workers' Compensation Fund					
FY 1997	8,692,609	5,497,100	3,828,005		10,361,704
FY 1998	10,361,704	4,165,059	4,024,804	(21,100)	10,480,859
FY 1999	10,480,859	2,875,277	4,028,641		9,327,495
State Liability Insurance Fund					
FY 1997	3,785,982	1,259,853	1,459,262		3,586,573
FY 1998	3,586,573	2,325,638	1,358,260	2,393	4,556,344
FY 1999	4,556,344	1,929,686	1,253,934		5,232,096
Choice Plus - Medical Insurance Fund					
FY 1997	3,511,140	20,585,006	20,447,531		3,648,615
FY 1998	3,648,615	20,797,612	20,594,435		3,851,792
FY 1999	3,851,792	23,225,831	22,251,347		4,826,276
Dental Insurance Fund					
FY 1997	269,342	2,955,795	3,041,615		183,522
FY 1998	183,522	3,086,887	3,014,008		256,401
FY 1999	256,401	3,243,116	3,269,947		229,570
Life Insurance Fund					
FY 1997	331,714	0	1,274,732	1,035,259	92,241
FY 1998	92,241	(92,241)	0	0	0
FY 1999	0	0	0	0	0

Note 17: BUDGET TO GAAP RECONCILIATION:

Since the presentation of financial data on a budgetary basis differs from that presented under generally accepted accounting principles, a schedule reconciling the fund balance on a budgetary basis to the GAAP fund balance at June 30,1999 is presented below.

	General Fund	All Special Revenue Funds
Fund Balance - Budgetary basis	$ 126,745,773	$ 109,354,051
Basis of Accounting Differences:		
Loans and Notes Receivable	5,666,379	61,589,698
Taxes Receivable	85,686,284	11,836,612
Advances To Other Funds	310,700	
Other Receivables	1,032,679	6,861,679
Due From Other Funds	2,203,953	4,665,929
Due From Component Units	252,655	2,248,066
Due From Federal Government		93,675,863
Accounts Payable	(30,594,293)	(94,699,668)
Accrued Liabilities	(9,366,030)	(15,130,855)
Tax Refunds	(35,413,868)	
Due To Other Funds	(513,230)	(5,530,569)
Due To Other Governments		(991,542)
Retainage Payable	(2,700)	(2,951,580)
Deferred Revenue	(6,229,734)	(66,788,253)
Escrow Accounts	1,164,545	1,839,954
Blended Component Units - Cash		9,634,753
Discrete Component Unit - Cash	(5,500,000)	
Cash on Hand	450,937	475,332
Total Fund Balance - GAAP Basis	$ 135,894,050	$ 116,089,470

Note 18: INTERFUND BALANCES

A. Interfund assets and liabilities for each individual fund within the primary government and within the Component Units at June 30, 1999 were:

Fund Type/Fund	Due From Other Funds	Due To Other Funds	Interfund Loans Receivable	Interfund Loans Payable	Advances To Other Funds	Advances From Other Funds	Due From Component Units/Primary Government	Due To Component Units/Primary Government	Advances To Component Units/Primary Government	Advances From Component Units/Primary Government
General Fund	$ 2,203,953	$ 513,230	$ 5,860,966	$	$ 310,700	$	$ 907,235	$	$ 1,863,770	$
Special Revenue Funds										
Transportation Fund	509,029	1,404,654					1,598,066			
Education Fund	4,146,403									
Special Fund	10,497	21,755								
Federal Revenue Fund		4,104,160					650,000			
Enterprise Funds										
Industrial Homework Office Fund						1,700				
Vermont Lottery Fund		42,243				300,000				
Vermont Life Fund						1,200				
Liquor Control Fund		186,708				4,700				
Federal Surplus				35,560						
Internal Service Funds										
Correctional Industries Fund				896,772		3,100				
Communication & Information Technology Fund				844,554						
Supply Center Fund				18,805						
Copy Center Fund				1,118,309						
Single Audit Revolving Fund				182,219						
Postage Fund				751,840						
State Liability Insurance Fund		1,817								
Workers Compensation Fund	1,817									
Risk Management Fund										
Employee Assistance Plan				89,190						
Property Management Fund				280,754						
Equipment Revolving Fund	150			1,477,067						
Expendable Trust Funds										
Unemployment Compensation Trust Fund		38,606								
Unemployment Compensation Contingency Fund	38,606									
Abandoned Property		597,282								
Agency Funds										
Retirement Contributions & Withholdings Fund										
Federal Income Tax Withholdings Fund				66,716						
State Income Tax Withholdings Fund				2,833						
Social Security Contributions & Withholdings Fund				21,723						
Employee Deferred Compensation Withholdings Fund				1,553						
Other Contributions & Withholdings Fund				73,071						
Total Primary Government Funds	**$ 6,910,455**	**$ 6,910,455**	**$ 5,860,966**	**$ 5,860,966**	**$ 310,700**	**$ 310,700**	**$ 3,155,301**	**$ 0**	**$ 1,863,770**	**$ 0**
Other Component Units										
Vermont Economic Development Authority								2,500,721		1,863,770
Vermont Housing and Conservation Board								654,580		
Vermont Center For Geographic Information								30,000		
University of Vermont							30,000			
Vermont State Colleges	1,000,026	1,000,026								
Total Reporting Entity	**$ 7,910,481**	**$ 7,910,481**	**$ 5,860,966**	**$ 5,860,966**	**$ 310,700**	**$ 310,700**	**$ 3,185,301**	**$ 3,185,301**	**$ 1,863,770**	**$ 1,863,770**

B. Operating Transfers between the individual funds of the primary government for the fiscal year ending June 30, 1999 were:

Fund Type/Fund	Transfers From Other Funds	Transfers To Other Funds
General Fund	$ 25,678,281	$ 247,113,016
Special Revenue Funds		
Transportation Fund	6,407,458	21,702,396
Education Fund *(See **(a)** below)*	256,070,972	73,875
Fish & Wildlife Fund	510,137	
Special Fund	15,403,882	11,837,757
Federal Revenue Fund	4,176,780	4,124,160
Capital Projects Funds		
General Bond Fund	2,494,635	3,858,246
Enterprise Funds		
Vermont Lottery Fund		19,330,205
Liquor Control Fund		327,000
Internal Service Funds		
Postage Fund	143,443	
Property Management Fund		2,200,399
Expendable Trust Funds		
Unemployment Compensation Trust Fund		354,358
Unemployment Contingent Trust Fund	354,358	318,534
Total	**$ 311,239,946**	**$ 311,239,946**

(a) The Education Fund also includes $66,095,646 in transfers from the General Fund to open the Education Fund on July 1, 1998. At June 30, 1998, the General Fund reported the accrued liability for this transfer. In addition, the Education Fund includes $383,419 as transfers from the Lottery Fund which was reported as an accrued receivable in the General Fund at June 30, 1998.

C. Operating Transfers between the individual funds of the primary government and the component unit funds for the fiscal year ending June 30, 1999 were:

Fund Type/Fund	Transfers From Component Units/Primary Government	Transfers To Component Units/Primary Government
Primary Government		
General Fund	$ 92,579	$ 77,871,154
Special Fund		204,324
General Bond Fund		1,461,476
Component Units		
Vermont Housing Conservation Board	15,189,461	92,579
Vermont Economic Development Authority	4,150,581	
Vermont Center for Geographic Information	239,324	
Vermont Student Assistance Corporation	12,926,951	
Vermont State Colleges	17,528,601	
University of Vermont	29,502,036	
Total	**$ 79,629,533**	**$ 79,629,533**

D. Residual Equity Transfers

During the fiscal year ended June 30, 1999 the Vermont Home Mortgage Guarantee Board (an enterprise fund) received a residual equity transfer of $4,200,000 from the General Fund.

Note 19: SEGMENT INFORMATION FOR COMPONENT UNITS:

The State consolidates the following discretely presented component units into its comprehensive annual financial report. Segment information for these component units is presented below. Other discretely presented component units contained in the State's comprehensive annual financial report include the University of Vermont and the Vermont State College system. They are not presented below as they utilize a different method of accounting. Their financial statements can be found in the combined section of this CAFR.

CONDENSED BALANCE SHEET	Vermont Housing & Conservation Board	Vermont Municipal Bond Bank	Vermont Educational and Health Buildings Financing Agency	Vermont Student Assistance Corporation	Vermont Economic Development Authority	Vermont Center For Geographic Information
Assets						
Investments……	$ 23,548,465	$ 48,167,563	$ 1,085,406	$ 37,556,703	$ 18,627,830	$
Other Assets……	21,346,665	9,846,272	44,536	165,400,035	21,335,635	90,875
Advances/Loans Receivable……	30,627,136	323,370,474		694,709,334	41,018,506	
Fixed Assets (Net)……	220,859			3,448,072	112,298	11,026
Total Assets……	**$ 75,743,125**	**$ 381,384,309**	**$ 1,129,942**	**$ 901,114,144**	**$ 81,094,269**	**$ 101,901**
Liabilities						
Current Portion - Debt Obligation……	$	$ 26,540,000	$	$ 24,650,000	$ 1,327,773	$
Due to Other Governments……				33,941,545		
Deferred Revenue……	30,507,112					5,209
Other Liabilities ……	6,985,808	2,937,418	9,097	5,249,007	4,172,062	47,959
Advances/Bonds and Notes Payable……	23,678,290	340,933,259		786,948,072	50,662,561	
Total Liabilities	**$ 61,171,210**	**$ 370,410,677**	**$ 9,097**	**$ 850,788,624**	**$ 56,162,396**	**$ 53,168**
Fund Equity						
Reserved/Restricted……	$ 14,285,654	$	$	$ 48,228,198	$	$ 5,000
Unreserved /Retained Earnings……	286,261	10,973,632	1,120,845	2,097,322	24,931,873	43,733
Total Fund Equity……	**$ 14,571,915**	**$ 10,973,632**	**$ 1,120,845**	**$ 50,325,520**	**$ 24,931,873**	**$ 48,733**
Total Liabilities and Fund Equity ……	**$ 75,743,125**	**$ 381,384,309**	**$ 1,129,942**	**$ 901,114,144**	**$ 81,094,269**	**$ 101,901**

CONDENSED STATEMENT OF REVENUES, EXPENDITURES (EXPENSES), AND CHANGES IN FUND BALANCE (RETAINED EARNINGS)

	Vermont Housing & Conservation Board	Vermont Municipal Bond Bank	Vermont Educational and Health Buildings Financing Agency	Vermont Student Assistance Corporation	Vermont Economic Development Authority	Vermont Center For Geographic Information
Operating Revenues						
Interest Income……	$ 343,458	$ 19,354,527	$ 64,879	$ 59,589,901	$ 3,992,101	$ 467
Federal Grants……	7,995,937			1,327,050		
Other Revenues……	2,360,615	5,247,355	70,388	14,456,251	309,333	225,253
Total Revenues (Operating)……	**$ 10,700,010**	**$ 24,601,882**	**$ 135,267**	**$ 75,373,202**	**$ 4,301,434**	**$ 225,720**
Operating Expenditures/Expenses						
Depreciation/ Amortization……	$	$ 250,904	$	$ 2,272,801	$ 62,641	$ 16,309
Interest Expense……	2,460,572	19,725,600		40,728,165	2,406,782	227
Grants and Loans……	15,431,000			15,269,901		
Other Expenditures /Expenses……	1,326,069	771,482	100,075	28,097,128	2,050,005	433,735
Total Expenditures/ Expenses……	**$ 19,217,641**	**$ 20,747,986**	**$ 100,075**	**$ 86,367,995**	**$ 4,519,428**	**$ 450,271**
Operating Income (Loss)……	**$ (8,517,631)**	**$ 3,853,896**	**$ 35,192**	**$ (10,994,793)**	**$ (217,994)**	**$ (224,551)**
Non-Operating Revenues (Expenses)						
Transfers From (To) Primary Government……	$ 15,096,882	$	$	$ 12,926,951	$ 4,150,581	$ 239,324
Sale of Bonds……		27,685,000				
Payment To Escrow Agent……		(29,442,462)				
Other Non-operating Revenues (Expenses)…		(764,465)			44,204	
Net Income……	**$ 6,579,251**	**$ 1,331,969**	**$ 35,192**	**$ 1,932,158**	**$ 3,976,791**	**$ 14,773**
Extraordinary Item……				(2,796,353)		
Retained Earnings/Fund Balance-						
July 1, as restated……	**$ 7,771,805**	**$ 9,641,663**	**$ 1,085,653**	**$ 51,189,715**	**$ 20,955,082**	**$ 33,960**
June 30……	**$ 14,351,056**	**$ 10,973,632**	**$ 1,120,845**	**$ 50,325,520**	**$ 24,931,873**	**$ 48,733**

Note 20: SUBSEQUENT EVENTS:

Debt Issuance

The State issued $32,000,000 of 1999 Series A General Obligation Bonds, dated November 1, 1999. The State expects to use approximately $8.2 million of the proceeds to restore cash in the treasury for earlier expenditures on capital projects and the remaining amount will be used for future capital projects. Interest rates on these bonds vary from 4.5% to 6.5%. Payments to the bondholders are scheduled to commence February 1, 2001 and terminate February 1, 2019.

The State also issued $5,000,000 of 1999 Series B General Obligation Bonds, dated December 16, 1999. Approximately $2.6 million of the proceeds will be used to restore cash previously expended for authorized capital projects and the remaining amount will be used for future capital projects. Interest rates on these bonds vary from 4.55% to 5.05%. Payments to the bondholders are scheduled to commence February 1, 2001 and terminate February 1, 2010.

Tobacco Litigation Settlement Fund

During December 1999, the State received two settlement payments totaling $18,997,236 from the Master Tobacco Settlement Agreement between members of the tobacco industry and the State. This Agreement was approved by the Vermont Superior Court on December 14, 1998 and finalized in Vermont on January 13, 1999. These funds were deposited into the Tobacco Litigation Settlement Fund, a Special Revenue Fund, in accordance with Title 32 Section 435a of the Vermont Statutes Annotated.

Vermont Home Mortgage Guarantee Board

Section 104 of Public Acts No.1, 1999 session, requires that, no later than December 31, 1999, the Vermont Home Mortgage Guarantee Board certify to the Secretary of Administration that all outstanding liabilities and responsibilities have been satisfied. The certification was made on January 24, 2000 so Chapter 18 of Title 10 is repealed. Any outstanding loan guarantees made pursuant to Chapter 18 are assigned to and assumed by the Vermont Housing Finance Agency.

Vermont Economic Progress Council (VEPC)

In 1998, the State re-authorized the Vermont Economic Progress Council, which was originally established in 1994 and scheduled for repeal effective June 30, 1998, and charged it with additional functions and responsibilities. These functions and responsibilities require VEPC to provide economic incentives so as to encourage and reward economic growth in Vermont. These incentives can take the form of tax credits and tax exemptions, as well as property tax stabilization agreements and exemptions. The recipients may be private enterprises and municipalities that apply for and qualify for such relief. The statute contains specific guidelines that are to be used to analyze applications submitted for consideration for these tax incentive programs. The goals of these programs are to create quality full time job opportunities, close the wage gap between Vermont and the national average, maintain and enhance Vermont's quality of life, and enhance future tax revenues.

As of June 30, 1999, VEPC had approved contingent commitments for tax incentive programs totaling $50.9 million that, potentially, can be claimed over the next 5 years. Utilizing a cost benefit model as required by 32 VSA 5930a(d) along with data submitted with recipients' applications, these credits are anticipated to generate new tax revenues in excess of that amount. Initial review by the Tax Department indicates that less than $1,000,000 in incentives were utilized during fiscal year 1999.

As of December 31, 1999 approximately $64 million in contingent commitments for tax incentives had been approved.

Tax credit awards can only be claimed once the award recipients have made the required investments in their businesses and have taxable income. The credits can be carried forward for a period not to exceed five years from the date awarded.